

2010 AMA Educators' Proceedings

Enhancing Knowledge

Development in Marketing

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Preface and Acknowledgments

We welcome you to Boston, Mass., for the 2010 American Marketing Association Summer Educators' Conference. The theme of the conference is "The Role of Marketing in Creating Customer Value and Enhancing Societal Welfare."

Marketing has invariably been associated with creating and delivering value to customers; in turn, this has a positive impact on firm performance and increases shareholder worth. Consumers have also generally benefited because of increased product alternatives and choices. Arguably, society has benefited by expanded employment opportunities and income-generating potential for many in the global community in which more and more countries are embracing marketing. However, we cannot overlook some deleterious effects such as unsafe products, unsanitary living conditions, and environmental degradation. Today, there is a growing chorus of voices normatively arguing that marketing *can* and *must* do more to bolster individual customer value and societal welfare. We, too, believe that marketing can be a positive change agent, and it is with that hope we crafted the theme for this conference.

Conferences are key to our academic life—they provide the opportunity for us to bring our research to light, to vet our ideas in an open forum, to contemplate competing hypotheses, and to consider and argue the merits of alternative theoretical perspectives and methodologies as we address meaningful research questions. Thus, we are honored to have been given the responsibility to organize this conference. Organizing a conference of this size and quality was not an easy task and involved considerable work lasting nearly one year, and we have many to thank. Nonetheless, we would have been unable to put together this year's program without the contributions from the many people we wish to acknowledge here. First, to the "submitters," thank you for choosing this conference to contribute your research; your work will serve as discussion starters, lay the foundation for a journal submission, and hopefully provide fodder for even bigger and better ideas. Notably, we had an unprecedented number of submissions; the acceptance rate was approximately 25%, resulting in a high-quality program. Second, thanks to all reviewers, the unsung heroes and heroines, who anonymously provided feedback in a timely manner. Third, we appreciate session chairs and discussants for keeping the sessions flowing and fostering meaningful discussions. Finally, we are especially grateful to our track chairs for being instrumental in orchestrating the flow of submissions, identifying and selecting reviewers, providing feedback to authors, and helping select the best papers. The names of the tracks and their respective chairs follow at the end of this section.

On the administrative side, we owe a debt of gratitude to Jessica Thurmond-Pohlonski, program manager, for her extensive behind-the-scenes support related to scheduling, logistics, and established AMA practices. We also thank Francesca V. Cooley who serves as managing editor, journals, and business director, publications for AMA, and who created the printed program. Finally, we especially appreciate that Kathleen Seiders and Tom Brown entrusted us the task of chairing this conference; we hope to have delivered!

To all conference participants, we encourage you to participate in thought-provoking sessions, to contemplate of role of marketing in creating customer value and enhancing societal welfare and related research topic, and to enjoy the rich history of Boston.

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Social and Public Policy	Ronald Hill and Kathy Dhanda
Health Care Marketing	Kathleen Seiders and Andrew Gallan
Marketing and the Law	Patrick Kaufman and Ross Petty
Advertising and Promotion	Darrel Muehling and Russ Laczniak
Digital and Mobile Marketing	George Milne and Andrew Rohm
Consumer Psychology and Behavior	Stephanie Noble and Carolyn Curasi
Sales and Sales Management	Wesley Johnston and Thomas Brashear Alejandro
Global and Cross-Cultural Marketing Issues	Ana Valenzuela and Shaoming Zou
Services Marketing	Rajiv Kashyap and Douglas Hoffman
Branding and Brand Management	Susan Fournier and Jill Avery
Research Methods & Analytics	George Franke and Scot Burton
Inter-Organizational Issues in Marketing	Brian Brown and Alex Zablah
New Product Development, Product Management and Entrepreneurship	Roger Calantone and Gaia Rubera
Marketing Education & Teaching Innovation	Lee McGinnis and Geoffrey Lantos
Retailing & Pricing	Dhruv Grewal and Dinesh K. Gauri
Marketing Strategy & Marketing Management	Sundar Bharadwaj and Suleyman Cern Bahadir
Sports Marketing	Lynn Kahle and Steve McKelvey
Special Session	June Cotte

Best of Conference Award

“Consumer Value of Product Design and Its Measure”
Minu Kumar and Charles Noble

Best Paper Awards by Track

Advertising and Promotion

“Effects of Institutional Change Towards Modernization on Consumer Responses to Sex-Appeal Advertising”

Chung-Leung Luk, Wing-Chi Chow, and Wendy Wan

Branding and Brand Management

“Consumer Value of Product Design and Its Measure”

Minu Kumar and Charles Noble

Consumer Psychology and Behavior

“Evaluating Ratio Data and the Role of Consumer Processing Mode: Can Analytical Processing Bias Judgments?”

Dipayan Biswas, Patricia Norberg, and Donald Lehmann

Digital Marketing

“The Motivation to Generate Product Reviews: A Longitudinal Study of the Impact of Reviewer Rankings”

Charla K. Mathwick

Global and Cross-Cultural Marketing Issues

“Concurrent Sourcing Strategy of Foreign Firms in China: Integrating Transaction Cost Economics and Institutional Theory”

Min Ju, Janet Y. Murray, and Gerald Yong Gao

Interorganizational Issues in Marketing

“Is Communicating Customer Prioritization a Double-Edged Sword? Exploring the Effects of Perceived Prioritization and Status Consciousness on Customer Loyalty and Profitability”

Hauke A. Wetzel, Maik Hammerschmidt, and Hans H. Bauer

Marketing Education and Teaching Innovation

“Motivation, Inequities as Antecedents of Social Loafing in Marketing Research Projects”

Pradeep Kumar Tyagi

Marketing Strategy and Marketing Management

“Leaving the Tier: Asymmetric Pricing Patterns in Online High-Tech Shops”

Charles Wood, Sourav Ray, and Paul Messinger

New Product Development, Product Management, and Entrepreneurship

“Creative Team Efficacy, Team Psychological Factors, and Product Concept Novelty”

Anju Sethi and Rajesh Sethi

Research Methods and Analytics

“An Rx for the Health of Pharmaceutical Alliances: Mathematical Model and Empirical Analysis to Maximize Financial Performance”

K. Sivakumar and Subroto Roy

Sales and Sales Management

“Fostering Brand Evangelism in Salespeople”

Douglas E Hughes, Brian Baldus, Roger J. Calantone, and Rich Spreng

Services Marketing

“Service Provider’s Babyfaces and Customer Satisfaction in Service Failure Situations”

Chun-Ming Yang, I-Ling Ling, and Edward Ku

Social and Public Policy

“Beyond the Marketing Mix: Competing Through Corporate Social Initiatives”

Shuili Du, C.B. Bhattacharya, and Sankar Sen

Sports Marketing

“The Influence of Event Quality on Sport Consumption Behavior: The Moderating Effect of Commitment”

Tae Ho Kim, Yong Jae Ko, and Yong Chae Rhee

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ADDENDUM

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BUSINESS INTELLIGENCE REPORTING FOR SME RETAILERS: TOWARD A CONCEPTUAL FRAMEWORK

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ABSTRACT

In order to survive in a rapidly changing and increasingly competitive retail market it is necessary for retailers to analyze accurate and timely information. The focus of this paper is how Business Intelligence (BI) influences and impacts upon the bottom line for SME retailers thus a conceptual framework outlining the key variables impacting upon the implementation of effective and efficient BI reporting systems is presented.

INTRODUCTION

Recent research notes that despite major investments in managing the customer relationship over the last decade, businesses today are struggling to achieve competitive advantage (Sahay and Banjan 2008). In order to survive in a rapidly changing and increasingly competitive retail market, characterized by the accelerated rate of store closures and a downturn in consumer spending, it is necessary for retailers to analyze accurate and timely information in order to become more attuned to customer needs and wants. The case for implementing smarter business processes whereby Business Intelligence (BI) influences and impacts upon the bottom line is particularly fundamental for small to medium-sized (SME) retailers. This paper therefore seeks to answer the question, how can SME retailers implement and manage effective and efficient BI reporting systems in a way that transforms customer data into informed decision-making to close the “needs-offer gap” (Favaro et al. 2009)?

Previous research on extracting and managing customer data has focused primarily on businesses operating in the pharmaceutical industry, financial and professional services (e.g., Bhalla et al. 2004; Black et al. 2001). While the growing importance of modeled customer data for retailers has been documented (Greenyer 2006), the focus of prior research has been retail banking services and large multinationals in the grocery sector (e.g., Bryers and Lederer 2001; Kenyon and Vakola 2003; Devlin and Gerrard 2004). Notwithstanding this work, there is a clear gap in knowledge on how smaller retailers extract and manage customer data. Previous work has identified that a market-orientated approach impacts upon the business performance of smaller

retailers (Megicks 2001). While in the past SME retailers have relied on anecdotal evidence in order to meet customer needs, in a changing and highly competitive marketplace there is a need for SME retailers to capture up to date, accurate and reliable customer data.

This paper maintains that frameworks, which have been developed to explain this phenomenon in larger business organizations, cannot be immediately transferred to smaller retailers, inherently more limited in terms of the resources required to implement and manage such systems. Smaller businesses are not smaller versions of big businesses (Shuman and Seeger 1986), therefore the significant investment (both in terms of financial and organizational resources) incurred in automating business processes, which integrates customer data from all sources, is not always viable for smaller retailers. While elaborate BI systems are not in all cases appropriate for these firms, in order to remain competitive SME retailers must gather reliable customer intelligence to become more attuned to customer needs and wants (Wood 2008). An appropriate example of BI utilization in this case may include customer contact data collection and analysis to provide targeted marketing communications, with the aim to build long-term relationships with different customer segments. For the smaller retailer however, the key issue is “how” data is captured and the technology required for implementation in light of limited resources.

This paper seeks to address this issue by developing a conceptual framework representing the key variables impacting upon the implementation and performance of BI reporting for SMEs in the retail industry. In this paper, the term “SME retailer” will refer to retail organizations with less than 250 employees (European Commission 2003). In developing an appropriate BI framework for SME retailers, the paper will first revisit the BI concept that integrates and consolidates information from the consumer to retailer. Following this, in order to understand the key variables which impact upon the management and performance of BI reporting systems, the theories of planned behavior and task technology fit will be discussed. Based on the review of the literature, a conceptual framework is presented. The paper will conclude with some initial propositions for future research in this area.

REVIEW OF CURRENT LITERATURE

Characteristics of SME Retailers

SMEs are differentiated from larger companies in terms of particular managerial, financial and operating characteristics (Davies et al. 1985; Shuman and Seeger 1986; Vatne 1995) and these differences are likewise recognized in the retail literature (Fiorito and LaForge 1986). The characteristics of SMEs include limited financial and managerial resources, personalized objectives of owners/managers, and informal centralized planning and control systems (Baird et al. 1994). Larger firms, on the other hand, are inherently more complex in their organization and structure; divided into more specialized departments with many layers of management (McAuley 2001). Given that SME retailers are not simple versions of larger retailers, the focus of this paper upon the SME retailer will yield new insight into the BI literature, which has primarily focused on large organizations.

Business Intelligence (BI) Concept

According to Adelman et al. (2002), BI is a broad term that essentially provides users with appropriate information in order to make better business decisions. It has been defined as a combination of data warehousing and decision support systems, which involve the in-depth analysis of detailed business data (Gangadharan and Swamy 2004). On one hand, BI denotes an analytic process that transforms internal and external data into information about capabilities, market positions and company goals, which the company should pursue in order to stay competitive and on the other, it represents the information systems that provide different methods for a flexible analysis of business data (Sahay and Ranjan 2008). In order to enhance business processes within an organization, BI can be applied to operational decisions in areas concerning logistics, call centers, fraud detection and marketing campaign management (Sahay and Ranjan 2008).

In the retail sector, various factors boosting the requirement for BI have been identified by Greenyer (2006), including restrictions on the legal use of personal data for marketing purposes, long-term decline in above-the-line advertising and use of direct mail in retail, development of retail business strategy built on individual customer information, use of existing channels to the customer targeted advertising, growing affordability of BI systems, and an increase in the ease and cost of access to transactional information. For retailers, BI is an opportunity to close the “needs-offer gap” by enabling the business to identify customer needs and quickly improve or change the product offer to match this specific need (Favaro et al. 2009). This is echoed in prior research which has long advocated

that a successful business strategy involves meeting customers’ needs by facilitating customized solutions on a one-to-one basis (Nguyen and Simkin 2009). This is based on the premise that firms that are more responsive to their customers are able to provide greater value in the market and outperform competitors (Griffith et al. 2006).

The literature points out that the costs incurred in the setting up and management of a BI system can be difficult to justify for firms with tight budgets (Sahay and Banjan 2008). Yet, the opportunity afforded by BI, which can facilitate scrutinizing every aspect of business operations to find new revenue or squeeze out additional cost savings, is equally important for smaller types of organizations. For SME retailers, simple BI systems such as customer contact management system to collect and analyze customer data for targeted marketing communications or customer purchase behavior profiling to manage stock control (i.e., retail buyers buy stock that they “know” their customers want), can improve business performance through the provision of organized, analyzed data to inform decision making.

BI Implementation

The benefits for organizations who successfully implement BI into a business process have been well documented in the literature (e.g., Eastwood et al. 2005) and it is agreed that such benefits do not come without effort. Ultimately, the success depends not only on the technology platform utilized but on the people employed, i.e., the understanding, commitment, involvement and skills of the decision-makers and users within the organization (Sahay and Banjan 2008). Therefore, for the purpose of this paper and to understand the human and technology variables that impact upon the implementation and management of a BI system for SME retailers, the subsequent discussion will focus on the Theory of Planned Behavior and Task Technology Fit (TTF) theory.

Theory of Planned Behavior

Understanding the behavior of individuals has always been a concern for social researchers and the theory of planned behavior offers some insight into this phenomenon (Ajzen and Fishbein 1980; Ajzen 1991). In particular, it is pointed out that users behavioral intention is influenced by their attitude toward the organization, subjective norms (i.e., SME knowledge and belief about the organization’s BI reporting implementation), and SME perceptions or images about the organization. It is argued that attitudes toward a behavior are determined by relevant internal beliefs (Ajzen 1991) and in the context of this paper, it may be argued that the SME attitudes toward an organization are determined by those SME beliefs about the BI system. In other words, if the user holds the belief

that engaging with the BI reporting implementation is beneficial to both their related department and their customers, then they should have a positive attitude toward the organization.

In order to understand the behavioral and attitudinal variables, which may impact upon the successful implementation of BI for SME retailers, it is important to consider the key constructs of the Theory of Planned Behavior relevant to this study. Table 1 presents an overview of these constructs including: subjective norm, perceived behavioral control, personal innovativeness with information technology, attitude, perceived usefulness and computer self-efficacy.

The conceptual framework presented in Figure 1 and discussed in the latter sections of this paper, will highlight the relevance of these constructs in understanding the implementation and success of BI system specifically for SME retailers.

Task Technology Fit Theory

Information technology plays a critical role in BI reporting, which must be capable of delivering information on demand, at the point of an operational decision, and in a cost-effective manner (Sahay and Banjan 2008). The theory of Task Technology Fit (TTF) explains how technology leads to performance impacts (Goodhue and Thompson 1995). While the definition of TTF does not have universal agreement among researchers (Cane and McCarthy 2009), for the purpose of this paper, it is defined as the degree to which a technology assists an individual in performing his or her range of tasks (Hartwick and Barki 1994). Specifically, TTF represents the correspondence between task requirements, individual aptitude, and the functionality of the technology and is therefore an important criterion in determining whether systems are more useful, more important, or give more relative advantage (see for instance Davis 1989; Moore and Benbasat 1991; Hartwick and Barki 1994). In accordance with this theory, it is argued that at any given level of operation, a system with higher TTF will lead to better performance since it more closely meets the task needs of the individual (Moore and Benbasat 1991).

In the context of the SME retailer, the cost benefit analysis of technology in light of a new BI system is paramount in the early decision-making stages of the process, and arguably will determine if such a system will be implemented. For small business owners, the risk assessment of procuring the appropriate technology does not only relate to financial investment, but also to the time and allocation of organizational resources in setting up and managing the BI reporting system. Therefore, as illustrated in Figure 1, for SME retailers if the technology assists in providing the business with the tool to close the

“need-offer” gap at an appropriate rate of return on investment, the BI reporting system implemented will lead to higher level of performance.

BI System Fit Concept

The concept of BI system fit captures the idea that along with technology, organizational factors play vital roles in the success of BI systems. In other words, it is not just technology that brings success to business practice (CMO 2002), but human factors likewise play a pivotal role in the successful implementation of a BI system. Such factors include “task” characteristics including information quality, reliability, business rule source, availability and timeliness and “individual” characteristics including the ease of use, training, information usefulness, and the end user’s relationship with the technology team (McCarthy et al. 2002). Considering this, as Cane and McCarthy (2009) found, if the technology has the exact functionality to meet business requirements, but does not have accurate supporting data (or vice versa), then it may be difficult to meet the objectives of, in the case of SME retailers, closing the “needs-offer gap.” This in turn could result in negative consequences for the organization. Given the dual importance of both information technology and the BI reporting process, the concept of “BI system fit” is proposed as a key factor in the conceptual framework (see Figure 1).

TOWARD A CONCEPTUAL FRAMEWORK

A conceptual framework is presented in Figure 1, which presents the key variables impacting upon the implementation of effective and efficient BI reporting systems in a way that transforms customer data into informed decision-making for SME retailers. This paper argues that this framework, once validated, can provide a reference guide for SME’s on the variables to be considered when implementing BI reporting systems. Given the inherent resource limitations associated with SMEs, retail owners may assess the financial and organizational risk in the design, implementation and management of a BI reporting system by evaluating the cause and effect of each relationship in the model.

This framework proposes that each variable (i.e., SME satisfaction and knowledge with BI reporting implementation and willingness to engage with the BI system) can be analyzed around the relationships with both the BI system implemented and BI reporting performance. As illustrated in Figure 1, this may then be examined in relation to the overall “BI System Fit” from a marketing perspective, i.e., closing the “needs-offer gap.” The following discussion will consider the key variables presented in the conceptual framework by proposing some propositions to guide future research in this area.

TABLE 1
Theory of Planned Behavior Constructs

Construct	Key Attributes	Key Authors
Subjective Norm	<ul style="list-style-type: none"> • The importance others feel about adopting an innovation. • Observed behaviors of others influence the observer to imitate those behaviors. • Social norms and interpersonal communication networks play significant roles in affecting adoption decision. 	Bandura, 1977; Ajzen and Fishbein, 1980; Mathieson, 1991; Ajzen, 1991; Karahanna et al. 1999.
Perceived Behavioral Control	<ul style="list-style-type: none"> • An individual's belief about the presence or absence of requisite resources and opportunities necessary to perform the behavior. • A determinant of intention as well as behavior. • Reflects user perceptions of internal and external constraints. 	Ajzen and Fishbein, 1980; Ajzen and Madden, 1986; Ajzen 1991; Venkatesh, 2000.
Personal Innovativeness with IT	<ul style="list-style-type: none"> • Some individuals are cautious regarding change in practice or process and are unwilling to engage with innovation, whereas others are prepared to take a risk. • Describes the extent to which the individual has an instinctive tendency toward adopting a new information technology. • Earlier adopters are likely to shape others' opinions about adoption of a technology and moreover be responsive to them as they are engaged in the advice-seeking and advice-giving capability more frequently and actively than later adopters. 	Ajzen and Fishbein, 1980; Brancheau and Wetherbe, 1990; Ajzen, 1991; Agarwal and Prasad, 1998.
Attitude	<ul style="list-style-type: none"> • The degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question. • An individual will intend to perform certain behavior when he or she evaluates it positively. • Those attitudes are believed to have a direct effect on behavioral intention 	Ajzen and Fishbein, 1980; Ajzen, 1991.
Perceived Usefulness	<ul style="list-style-type: none"> • Perceived usefulness and perceived ease of use are key determinants of technology acceptance behaviors. • Captures the user's perception that a specific technology-dependent process will improve his or her productivity. • The easier the technology to use, and the more useful it is perceived to be, the more positive one's attitude and intention towards using the technology. 	Ajzen and Fishbein, 1980; Davis, 1989; Ajzen, 1991; Bosnjak et al. 2006.
Computer Self-efficacy	<ul style="list-style-type: none"> • Individuals who are confident in their ability to learn to use information technologies are likely to view specific information technologies as being easier to use than their counterparts who are less confident in their ability to learn. • If an individual is confident in his or her ability to learn to use an information technology, he or she is more likely to have positive affective reactions to using the technology. • Social persuasion is an important source of information that can influence the formation of self-efficacy judgments and expectations of outcomes. 	Compeau and Higgins, 1995a; Compeau and Higgins, 1995b; Venkatesh and Davis, 1996; Bandura, 1997; Agarwal et al. 2000; Venkatesh, 2000.

Business Intelligence Performance

The performance of any organization can be categorized into financial organizational performance and non-financial organizational performance (Homburg et al. 2002). Financial organizational performance measures are profitability measures (e.g., return on investment) while market-based performance; The non-financial organizational performance relates to the effectiveness of an organization's marketing activities measured in terms of customer satisfaction, customer retention, and customer benefit (Melon et al. 1996; Morgan and Piercy 1996). Previous research has found that customer satisfaction arises as a result of a customer's interactions with the organization over time (Crosby et al. 1990; Anderson et al. 1994), leading to the premise that satisfaction has a positive effect on customer loyalty (Rust and Zahorik 1993; Bloemer and Ruyter 1998; Gronholdt et al. 2000; Szymanski and Henard 2001). In view of this relationships and the pivotal role of the customer in the survival and growth of retail SMEs, it may be argued that excellence in BI reporting is expected to lead to higher customer satisfaction.

Proposition 1: For SME retailers, performance relies on the perceived usefulness, subjective norm and attitude in relation to the SME satisfaction, knowledge and willingness to engage with the BI system.

Business Intelligence Systems

BI systems as enablers of BI have received some consideration in the literature (e.g., Goodhue et al. 2002) performing analytical, operational, and collaborative functions. Croteau and Li (2003) found that technology readiness of the organization as one of the critical success factors of BI reporting. This refers to the level of sophistication of information technology usage and information technology management in an organization (Iacovou et al. 1995; Croteau and Li 2003). It is maintained that sophisticated technology-ready organizations are less likely to feel intimidated by technology, possess a superior corporate view of data as an integral part of overall information management, and have access to the required technological resources (Iacovou et al. 1995). However, in relation to SME retail organizations it may not be possible to achieve this state of "technological readiness" due to a lack of Information Systems (IS) infrastructure and lack of human resources to carry out these tasks.

Proposition 2: The BI system implemented by SME retailers relies on computer self-efficacy, perceived behavioral control, and personal innovativeness of IT, in relation to the SME satisfaction, knowledge and willingness to engage.

Business Intelligence System Fit

BI reporting systems can be expensive, sophisticated, and risky; therefore, not all companies are successful at developing and employing highly appropriate systems to support their strategic objectives. It has been pointed out that resource constraints or internal company turbulence are possible explanations for reasons for failure (Chan et al. 1997). This is because highly sophisticated and expensive BI systems by themselves do not guarantee effective use to generate profits or advantageous outcomes. Hence, a greater "fit" is expected between BI reporting process and BI systems in order to aid improved performance than BI systems alone.

The concept of "fit" has been used differently by various researchers in the literature (e.g., Venkatraman 1989). In the case of SME retailers and as illustrated in Figure 1, BI system fit can be viewed as "fit as moderation." This refers to the impact that a predictor variable (SME acceptance of BI Reporting implementation) has on a criterion variable (BI Reporting Performance), which is then dependent on the level of a third variable (BI Systems), termed the moderator (Venkatraman 1989). The interactive effects of SME organizational strategy and managerial characteristics are related to performance. Therefore, in the context of this paper, both the SME acceptance of BI reporting implementation and BI systems are considered critical in finding a BI System fit. It proposed that the alignment between the BI systems and marketing processes, and how well the systems employed match marketing requirements is vital to successful implementation for SME retailers (see Figure 1).

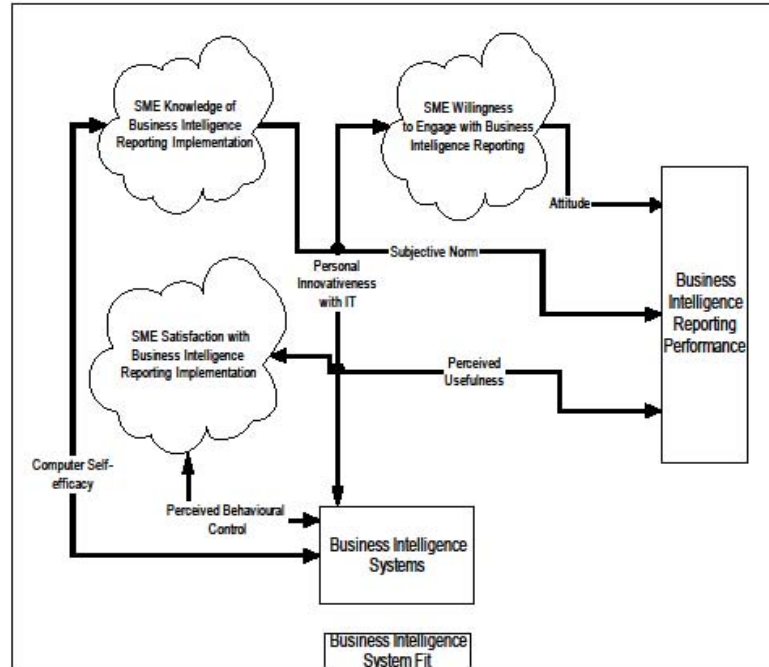
Proposition 3: The SME acceptance of both the BI reporting implementation and BI systems are paramount in finding a BI system fit within SME retailers.

Relationships among Business Intelligence Systems, Fit, and Performance

The TTF model states that performance is dependent on the fit between three constructs: technology characteristics, task requirements, and individual abilities. It emphasizes that technology in isolation doesn't affect performance; but rather organizational characteristics in tandem can also have an influence (Goodhue et al. 2000). This supports the work of Dyche (2001) which proposes that understanding the requirements for retail SMEs, BI reporting and making the business case for a comprehensive new program both need to occur before choosing any BI systems in order for the technology to match the requirements.

This line of argument reflects the findings reported in Customer Relationship Management (CRM) research (IDC

FIGURE 1
Implementation and Management of BI Reporting Systems for SME Retailers



2000; Croteau and Li 2003) which not only notes the indirect effect of technological readiness through the knowledge management capabilities, but demonstrates that fit is related to individual performance (Goodhue et al. 2000). While TTF is an important consideration, which can impact upon project management effectiveness and customer orientation relationships, this paper argues that BI System fit, rather than technology itself, is expected to affect BI reporting performance. For SME retailers, this can impact service quality, relationship quality and user satisfaction.

Proposition 4: The BI system fit for SME retailers depends upon the relationship between proposition 1, 2, and 3, i.e. reporting performance, system and fit.

CONCLUSION

In 2010 the retail industry is characterized by a rapidly changing and competitive marketplace. The con-

ceptual framework developed in this paper represents an answer to the question posed at the outset, that is how can SME retailers implement and manage effective and efficient BI reporting systems in a way that transforms customer data into informed decision-making to close the “needs-offer gap?” But this response marks not an end to this discussion but rather a starting point by way of addressing the gap in the literature, which has yet to fully consider the implementation and management of BI systems by SME retailers. The propositions developed as a result of this framework now require empirical investigation in order to confirm the validity and reliability of the framework. Given that the literature has in the main, undertaken a conceptual approach in building arguments from existing research in the area, an in-depth case study approach is deemed most appropriate for subsequent empirical work as existing knowledge of this phenomenon is lacking in the literature (Yin 1994).

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DENOMINATIONS OF ACCRUAL IN FEE-BASED FREQUENCY PROGRAMS

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SUMMARY

A trend in loyalty programs is the move from free frequency programs to fee-based frequency programs. For example, airlines have announced that loyalty programs will now be charging a fee to redeem miles. Getting consumers to join these fee-based programs has become a challenging objective for retailers. In this study, we explore what consumers must accrue (e.g., points, dollars, purchase occasions) in order to get a reward in frequency programs and how the wording of these denominations influences consumers' likelihood to pay for a fee-based frequency program.

Key words: fee-based frequency programs, loyalty programs, incommensurate resources, medium maximization, denominations of accrual.

Framing of a frequency program is critical to helping consumers overcome their hesitance to pay for frequency programs. Denominations of accrual are the labels marketers put on the accumulation required of consumers to obtain a reward in a frequency program. These denominations range from amount spent to points, miles, and even purchase occasions. If consumers pay to join a frequency program in dollars, the way the denominations of accrual are labeled to obtain a reward could influence the likelihood of subjects joining the program. These differences in incommensurate and commensurate resources affect whether consumers use relativistic processing or qualitative processing. Relativistic processing is framing one event in light of another, which should lead to the consumer focusing attention on the price of the product (price of the frequency program in this case). Qualitative processing draws attention to the premium and consumers' preference for it, thus taking the focus off the price of the product. This difference in processing is hypothesized to influence whether consumers join a fee-based frequency program.

Whether the value of the reward is stated or not also influences the type of processing consumers use; thus, we study these two ideas in a 2 (denominations of accrual: dollars, points) X 2 (value of reward stated: yes/no) experimental design. This experiment focuses on a paper frequency program offered by a local office supplies store. In a pretest, we determined that subjects varied greatly in their depictions of how much a ream of paper costs and did not feel very knowledgeable about the cost

of a free ream of paper. As such, we felt that this context was appropriate for a student sample since they would not know the exact value of the ream of paper in the "value not stated" condition.

In the experiment, surveys contained a scenario involving a local office supplies store and its new frequency program. The fee for joining the frequency program was \$5. Depending on the scenarios, the subjects needed to either accumulate points or dollars spent in order to redeem the free ream of paper. The sample for this study was comprised of 122 undergraduate college students. Subjects were told to read the scenario regarding the reward program and then answer the questions on the remaining pages.

The dependent variable in this experiment was a one-item scale that measured consumers' likelihood to pay for the reward program (measured on a nine-point scale anchored by 0 "not at all likely" and 8 "very likely"). Subjects were also asked to indicate how realistic they perceived the scenarios to be, how much effort was required to obtain the reward in the program, how attractive the reward in the frequency program was, and whether the \$5 annual cost of membership of the program was too much for the benefits received.

ANOVA was used to analyze the results. Our results highlight three important findings. First, whether the wording of the denominations of accrual is commensurate to the program fee or incommensurate, by itself, does not influence consumers to join the fee-based program. Although consumers in the dollars condition (commensurate condition) did focus on the cost of the program more than consumers in the points condition, which is consistent with relativistic processing and commensurate resources, this did not influence their likelihood to pay for the program. Second, the wording of the reward offered in these programs does influence consumers' likelihood to pay. Specifically, the dollar amount of rewards should not be noted as this decreases the attractiveness of the reward, and hence, subjects are less likely to want to pay for the reward program. When the reward value is not stated, consumers can use qualitative processing and focus on the reward, which increases their likelihood to pay for the reward program. Finally, our results demonstrate that consumers are most likely to pay for a reward program when the denomination was in points and when the reward value was not stated. This is when consumers find the reward the most attrac-

tive and appear to be using qualitative reasoning as a basis for their decision making. Taken together, our results support the idea that using qualitative reasoning was influential in increasing respondents' likelihood to pay for a reward program, which is consistent with previous

research on price discounts and prospect theory. However, the research in relativistic processing does not seem to be relevant for a reward context when consumers need to pay to join the program.

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LEVERAGING GROUPS: THE DRIVING FORCE OF PREJUDICE ON CUSTOMER LOYALTY

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SUMMARY

It is recognized in the literature that a common identity shared by customers drives firm loyalty (Algesheimer et al. 2005). Surprisingly, little research has experimentally examined the psychological mechanisms responsible for creating this loyalty. Additionally, despite the frequent use of relationship marketing initiatives that incorporate group membership programs, knowledge about the effectiveness of these particular types of programs is sparse. Thus, this research seeks to better understand the process through which customer loyalty is created from a shared customer identity, examining the leveraging effect of relationship marketing programs.

Theoretical Framework

Shared customer identification is best understood through the lens of Social Identity Theory developed by Tajfel and Turner (1979). According to the authors, an individual categorizes herself as a member of a group (e.g., a mom) and seeks to enhance the part of her self-concept related to this categorization by evaluating her in-group (e.g., mothers) relative to appropriate out-groups (e.g., non-mothers). This comparison elevates self-esteem derived from group membership and creates in-group favoritism. Ahearne and Bhattacharya (2005) use this theory to posit that a customer's identification with a company drives performance outcomes, a concept that was later usefully incorporated in the Service-Profit Chain model (Homburg et al. 2009). The focus in this research, however, remains squarely on customers, a perspective underrepresented in the literature.

While group identification may lead to in-group favoritism, intergroup differentiation, or derogation of a comparison out-group, results in situations where social comparisons, value justification, or perceived threats exist (Brewer 1999), a common situation in a customer setting. Differentiation occurs through two mechanisms. When identification with a group is high, differentiation from a comparison group (e.g., customers of a competitor) is automatic, reflexive, and potentially maximized when there are no external cues that establish intergroup differences (Jetten et al. 2004). When identification with a group is low, such differentiation can only result from external cues, given the lack of personal drive to create

strong differences (Spears 2002). It is therefore apparent that the presence of external cues signaling group membership has different effects, given the level of identification, on the perceived differences or prejudices created against comparison groups.

Method

As mentioned above, the primary objective of this study is to understand the process by which customer loyalty is created and the ability firms have to leverage this loyalty. The method deployed in this study reflects that goal by using an experimental design to tease out the components of this process.

The experiment utilized a 2 (high identification vs. low identification) X 2 (group-salient relationship marketing program vs. group-neutral relationship marketing program) between subjects design. Participants read a scenario in which they imagined being customers of a coffee shop. In the identification manipulation, participants were told the customers in the coffee shop were (not) very familiar and were people they felt they could (couldn't) connect with, consistent with literature suggesting that in-group members are better able to recognize each other than out-group members (Bernstein et al. 2007). In the program manipulation, participants were told that the store had made them a part of the Group Membership Program (put their name in its system), giving them a free refill on beverages. This manipulation mirrored traditional relationship marketing programs and established external cues signaling group membership.

Manipulation checks confirmed that the identification manipulation indeed increased customers' identification with each other, using a scale adapted from the social psychology literature (Ellemers et al. 1999) with an Cronbach's alpha of .83, $t(88) = -3.13, p < .01$.

Results and Analysis

Consistent with expectations, identification with other customers significantly increased customer loyalty to the firm, as measured using a scale adapted from the literature (Palmatier et al. 2007) with a Cronbach's alpha of .60, $t(173) = -2.671, p < .01$. As expected, an interaction was found between identification with other customers and program type on loyalty, $F(1,86) = 4.1, p < .05$. Loyalty

was highest for customers who identified with other customers but who were not provided with external cues establishing their group membership. Alternatively, customers who did not identify with other customers were more loyal when an external cue did exist. In the high identification condition, this process was mediated by a prejudice measure adapted from the social psychology literature (Pettigrew and Meertens 1995) with a Cronbach's alpha of .65.

In summary, this research has furthered the understanding of the impact of other customers on loyalty to a firm, using the framework provided by Social Identity Theory. Evidence suggests that managers seeking to maximize loyalty using relationship marketing programs may first want to understand the extent to which their customers identify with one another. References are available upon request.

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THE DEAL KNOWLEDGE OF SUPERMARKET SHOPPERS BEFORE, DURING AND AFTER STORE VISIT

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SUMMARY

Several studies of consumer price knowledge have been reported over the years (e.g., Dickson and Sawyer 1990; Vanhuele and Dréze 2002). Deal knowledge is part of consumer price knowledge and it is assumed that perception of deal price is an important determinant of purchase decisions. For instance, frequent deals lower internal reference prices, which may result in consumers perceiving the regular price as a price increase (e.g., Erdem, Mayhew, and Sun 2001). Research also provides evidence of discounting of discounts by consumers (Gupta and Cooper 1992). Given the importance of deal price perceptions, it is unfortunate that so few studies have examined consumers' deal knowledge. Previous research includes studies of awareness of deal price status at the point of selection (Dickson and Sawyer 1990; Wakefield and Inman 1993). Applying a mail-survey approach, Krishna, Currim, and Shoemaker (1991) found consumers to have reasonably accurate perceptions of deal frequency and typical deal price. In addition, Krishna (1994) found that purchase behavior differs between consumers with and without knowledge of future deal prices and timing. The aim of this study is to examine consumers' deal knowledge before, during, and after store visit. This study combines knowledge of deal price status and typical deal price in a single study with the added feature that short- as well as long-term deal knowledge is explored in a store setting.

This study builds on research on memory (e.g., Norman 1982) as well as price information processing and reference prices (e.g., Jacoby and Olson 1977; Winer 1986). Deal information processing may vary along an automatic to intentional continuum (Grunert 1996). Automatic deal information processing is characterized by minimal attention and encoding of deal price information. Since deal information is not perceived as self-relevant, it does not receive conscious attention thus resulting in few and weak associations in memory (Eysenck 1993). Intentional deal information processing occurs in situations of active deal search, which takes place when consumers perceive deal information as self-relevant. Intentional processing results in many, strong associations in memory (Mandler 1980). Consumers' deal knowledge may also vary with the level of deal information processing. A special aisle display or shelf price tag may enable a shopper to conclude an item is on deal without attending to its actual price. In addition, deal price status can be

binary encoded, i.e., "on or not on offer," which is cognitively less demanding than metric encoding of prices (Bettman 1979). Knowledge of deal price status serves only a few post-product choice purposes and it is therefore short-lived. Contrary to this, knowledge of typical deal prices may be part of semantic long-term memory and automatically updated as some sort of reference point or zone (Kalyanaram and Winer 1995). Importantly, a particular item may be associated with several different typical deal prices, even in a single store. Due to this multifaceted nature, it is very difficult to measure the accuracy of consumers' perception of typical deal prices in a store. Asking consumers to state what they think the typical deal price of an item is provides an alternative (Krishna, Currim, and Shoemaker 1991). If deal prices are irrelevant, consumers will not (consciously) notice them and as a result, it may be cognitively too demanding to retrieve a weak memory trace from long-term memory or come up with a guess if asked to state a typical deal price. In this case, intentional deal information processing is called for.

Methodology, Major Results, and Discussion

Data collection was based on field interviews where shoppers were interviewed before (at the entrance), during (at the point of selection), and after the store visit (at the exit). A within-subject design was rejected since interviewing the same shopper about his/her deal knowledge before, during as well as after the store visit most likely would bias the results due to rehearsing (Conover 1986). Consequently, a between-subject design was applied in which three random samples of shoppers (before, during, and after store visit) were compared. Perception of the item's deal price status was measured by this item: "Is the ___ brand on offer?" Knowledge of an item's typical deal price was examined by this item: "What is the typical deal price of the ___ brand in this store?" Respondents were asked to state the price for an optional number of units in order to account for the multifaceted nature of deal prices. The study was carried out in two stores that differed with regard to size, location and price image. The product category selection was guided by systematic variations in three product dimensions: Buying frequency, price range, and "deal share." This resulted in the selection of eight product categories (groceries) – each representing relative high or low levels on each of the three dimensions (i.e., a 2*2*2 factorial design). In total 1,204 shoppers were interviewed.

As expected, results show that the proportion of consumers who perceived the deal price status correctly is significantly lower at the store entrance (31.7%) compared to at the point of selection (80.3%) and at the store exit (75.0%). Binary encoding of deal price status may explain why this information is still readily accessible at the exit long after working memory has been erased. Results also show that 70.7 percent of the respondents were able to state a typical deal price at the entrance. This percentage was 64.7 at the point of selection and 72.5 percent at the store exit. Consequently, there is no significant difference between the knowledge of typical deal prices consumers arrive with and depart with ($p = 0.603$). Thus, an opportunity to update this kind of deal knowledge in the store has no effect – deal-involved consumers are so both before they enter the store and after they leave again. Logistic regressions were carried out with correctly perceived deal price status (yes/no) and ability to state a typical deal price (yes/no) as the dependent variables and a number of deal-related variables as independent variables. The most striking result from these analyses is that purchasing a special has no effect on consumers' deal knowledge, neither at the point of selection nor at the exit. It appears that correct perception of deal price status is not conditional on having bought a special-priced item. On average 29.6 percent purchased a special-priced item, and

compared with the relatively high percentage of correctly perceived deal price status, this suggests that many consumers process deal information automatically from the surroundings. Conscious or unconscious in-store scanning for deal signals may be caused by the risk of missing out on a good deal (Darke, Freedman, and Chaiken 1995).

The results as to knowledge of typical deal prices indicate that consumers in addition to reference prices may store reference *deal* prices in long-term memory. An observed deal price higher than the reference deal price may be perceived as a poor deal resulting in no stockpiling and/or no purchasing. Too many poor deals may even damage the retailer's price image. The existence of reference deal prices raises questions for future research. It remains unclear when consumers use reference prices and reference *deal* prices, respectively, in the decision process. What role do external reference prices play in forming reference *deal* prices? Do consumers store brand, category-, or perhaps even multi-item-specific reference *deal* prices? A recall test was applied to measure knowledge of typical deal price. Other less demanding tests that provide visual cues (see, e.g., Monroe and Lee 1999) may result in consumers exhibiting even more comprehensive deal knowledge than reported here. References are available upon request.

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AN EMPIRICAL TEST OF THE ROLE OF CONSUMER PERCEIVED VALUE OF AN E-RETAILER IN BOTH PURE-PLAY AND MULTI-CHANNEL E-RETAILING CONTEXTS

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SUMMARY

Customer loyalty is the key to long-term profitability (Reichheld, Markey, and Hopton 2000). This golden rule applies for online business. However, when there is a frictionless worldwide marketplace available at customers' fingertips, it is a tremendous challenge for businesses operating on the Web to maintain customers (Bain & Company/Mainspring 2000; Reichheld, Markey, and Hopton 2000; Vatanasombut, Stylianou, and Igbaria 2004). In the consumer marketing community, numerous studies have pointed out that an effective means of generating customer patronage is to deliver high value to customers (Parasuraman and Grewal 2000; Yang and Peterson 2004). Then, in the online retail context, is value still a key driver of consumer patronage and loyalty? Additionally, in the online retail business environment, it is hard to differentiate in product carrying, pricing, and even service providing because they could be quickly and easily copied (Vatanasombut, Stylianou, and Igbaria 2004). Then, in the rough-and tumble world of online retailing, how can an e-retailer create unique value for its customers hence retaining them? To address these questions, this study draws upon global evaluations theory and develops a conceptual model that identifies a consumer's attitude toward the four key components of his entire purchase experience with an online store (i.e., website design, fulfillment/reliability, privacy/security and customer service) as the key drivers of consumer perceived value of an e-retailer and future intentions and consumer loyalty as the direct consequences of value.

Data for the study was collected using an online survey distributed via email to a national sample of 4,156 online consumers who were randomly drawn from a panel containing about three million people. The response rate was 23 percent. Hypotheses were tested using structural equation modeling.

Findings of the study imply that the value mechanisms in the relationship between multi-channel online

shopper and an e-retailer are different from those in the relationship between pure online shopper and an e-retailer although they share some links in common. In both pure online and multi-channel contexts, consumer perceived value was found to influence both future intentions and loyalty as proposed by the study. Additionally, website design attitudes played exactly the same role in both contexts, that is, website design attitudes affected both future intentions and loyalty only through value. That is, value played a fully mediating role between website design attitudes and its two outcomes, as is proposed by the study. Finally, in both contexts, fulfillment/reliability satisfaction affected loyalty only through value, which is also predicted by the study.

However, differences were found between the value mechanisms in the two different contexts in terms of the roles of fulfillment/reliability satisfaction, security/privacy attitudes, and customer service satisfaction. For fulfillment/reliability satisfaction, in pure online context, it affected future intentions not only through value (as predicted) but also directly. That is, value played a partially mediating role between fulfillment/reliability satisfaction and future intentions in pure online context. Differently, value played a fully mediating role between fulfillment/reliability satisfaction and future intentions in multi-channel context as predicted by the study. For security/privacy attitudes, in pure online context, it affected both future intentions and loyalty only through value as proposed by the study. However, in multi-channel context, security/privacy attitudes did not affect value at all; it only affected future intentions directly. Customer service satisfaction also played different roles in the two contexts. In pure online context, customer service satisfaction did affect value at all but only affected loyalty directly. In multi-channel context, customer service satisfaction affected both future intentions and loyalty only through value. That is, value played a fully mediating role between customer service satisfaction and its outcomes as predicted by the study. References are available upon request.

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DO SHOPPING EVENTS PROMOTE RETAIL BRANDS? AN EMPIRICAL EXAMINATION OF EVENTS IN RETAILING

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SUMMARY

Customer experience management in retailing requires the development of sound concepts that integrate store components as well as communication and promotion activities (Ailawadi et al. 2009). Research by Sands and colleagues (2009) reveals that customer experiences in retailing are not solely dependent on the atmospheric components of the store, but also on the events retailers provide in order to encourage and include the engagement of the consumer. Despite their important role in experiential marketing (Gupta 2003; Sneath et al. 2005), research on events in retailing has been largely neglected (Sands et al. 2009). Until today, little is known about the kind of feelings engendered by a retailer's event and the effects of a retailer's event on the formation of customer attitudes toward a retail brand. Thus, Ailawadi and Keller (2004) call for further investigation and enhanced understanding of the crucial role of experiential marketing and in particular events in retailing.

This study models and empirically investigates the effects of a retailer's event on customers' shopping enjoyment and attitudes toward a retail brand. More precisely, this research suggests a conceptualization of event image by identifying three relevant facets of this construct (i.e., event inventiveness, appropriateness, and adequacy). Second, this research explores the impact of these facets on customers' shopping enjoyment and in turn on satisfaction with the event. Third, the study investigates the influence of event satisfaction and shopping enjoyment on customers' attitudes toward the retail brand. By doing so, this paper contributes to a deeper understanding of the role of events in retailing. Further, the study sheds light on the question of how in-store events in retailing affect emotional response of customers. In addition, the study shows how previous thinking and research on experiential marketing in retailing can be expanded to include events as promotional tools (Sigué 2008) that influence customer attitudes toward the retail brand.

To test our hypotheses, we conducted a quantitative study. We used face-to-face interviews for data collection. The sampling frame consisted of customers of a cosmetics retailer who recently experienced an in-store event. Participants were asked to answer the question-

naire right after experiencing the event in the store. We tested our hypotheses by applying the covariance-based structural equation modeling software AMOS 17.0 and using the maximum likelihood (ML) procedure. Following suggestions of Nunnally (1978), Fornell and Larcker (1981), and Anderson and Gerbing (1988), data analysis started with the estimation of the measurement model. After establishing the measurement model, we analyzed the structural model by calculating the overall model fit and the path coefficients for the hypothesized relationships.

Our research contributes to a more detailed understanding of events as consumer-directed promotion measures in retailing. First, we provide a conceptualization of event image including three components, namely event inventiveness, appropriateness, and adequacy. Second, we explicate the impact of the three event image facets on shopping enjoyment. Here, the results reveal that especially event-related associations of inventiveness and adequacy are important drivers of customers' shopping enjoyment. Further, we explicate the impact of shopping enjoyment on customers' satisfaction with an event. Our results show, that the level of enjoyment stimulated by the perception of an event is an important driver of customers' satisfaction with an event. This research also explicates the influence of customers' shopping enjoyment and satisfaction with an event on the attitudes toward the retail brand. Here, the results provide significant support for the notion that events play a key role in enhancing customers' attitude toward the retail brand. Both event-related constructs of this study, event image (mediated via shopping enjoyment) and event satisfaction, positively affect customers' attitude toward the retail brand.

From a managerial viewpoint, this study highlights events as important promotional tools to create experiences for customers that have the potential to positively affect customer's attitude toward a retail brand. Thus, in order to build and establish strong retail brands, retailers are asked to include events within the existing repertoire of promotion techniques. Further, managers should consider the event image as an important predictor of shopping enjoyment. Notably, event inventiveness and adequacy determine customers' shopping enjoyment. Thus, managers are asked to arrange events that custom-

ers perceive as innovative and adequate (i.e., fitting to the company). Here, this research provides a basis for the development of further measurements that help managers

to (1) a priori plan effective events and (2) respectively monitor events pertaining to their impact on customer-related outcomes. References are available upon request.

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SO UNFAIR! A MATTER OF TRUST

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SUMMARY

Buyers tend to make judgment on prices, and compare them with one or more references. They use these references as a standard against which the purchase price of a product is evaluated. However, the prices that customer's encounter in the marketplace may be radically different from reference prices and result in price discrepancies.¹

This study investigates whether, a buyer's prior trust influences the perceptions of price unfairness. It examines, whether perceived price unfairness is affected by price discrepancy *per se* or by the magnitude of price discrepancy, and whether the nature of comparisons (self/self or self/other) also affect perceived price unfairness. The study also examines the various boundary effects in terms of interactions.

It is proposed that prior trust will help reduce price unfairness, while the magnitude of price discrepancy will increase perceived price unfairness. Moreover, the perceived price unfairness from a self/other price comparison will be higher than that for a self/self price comparison. It is also proposed that the effect of prior trust on perceived price unfairness will be dependent on the magnitude of price discrepancy and also on the referent for comparison (self/other). On a similar note, it is postulated that the effect of the referent for price comparison on perceived price unfairness will also be dependent on the magnitude of price discrepancy.

These hypotheses were empirically tested using a laboratory experiment. A survey based, experimental

method was used with scenarios for interventions. The study was operationalized in an apparel retailing context after due pre-validation and pre-tests. The design was 2 (Prior trust – High/Low) x 2 (Magnitude of price discrepancy – High/Low) x 2 (Referent - Self/Other) full factorial between subject design. Perceived price unfairness was the dependent variable. The average age of participants was 23 years, and a total of 323 B-school students (219 males and 111 females), volunteered for the study. The effect of income, gender and disposition to trust were statistically controlled.

The analysis revealed significant main effects for magnitude of price discrepancy and referent for comparison which were as hypothesized. However, the main effect for prior trust was not significant. Two of the three two-way interactions were also significant. The interactions indicate that when the price discrepancy is low prior trust helps in reducing perceived price unfairness, but under the conditions of high price discrepancy it might accentuate the perception of price unfairness. These indicate that trust might lead to forgiveness as well as a sense of betrayal among the buyers, depending on the level of price discrepancy. The empirical evidence also indicates that in a self/other price comparison a high prior trust tends to reduce perceived price unfairness but for a self/self price comparison the perceived price unfairness may actually increase. The interaction between the referent and magnitude of discrepancy is not supported which indicates that possibly buyers tend to attach the same relative importance to social comparisons and these are independent of the magnitude of price discrepancy.

ENDNOTE

1. The deviation of encountered price from reference price is referred to as price discrepancy. Price dis-

crepancy is not a value judgment but rather an observation that the encountered price differs from reference price.

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THE ROLE OF COMPARISON CUES AND DISPLAY FORMATS IN ABSOLUTE VERSUS RELATIVE ASSESSMENT OF PRICE DISCOUNTS

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SUMMARY

In marketing, comparative price advertising has been widely used, and researchers have examined this pricing practice for decades. Marketers may engage in comparative price advertising by: (a) contrasting a higher “regular” price with a lower “sale” price, or (b) comparing a “competitor’s” price to the “marketer’s own” sale price. In either case, the higher regular (or competitor’s) price serves as an externally supplied frame of reference, which leads consumers to perceive less benefit from a continued search, and to associate less sacrifice with the lower (“revised”) sale price. Consequently, comparative price advertising tends to engender more favorable consumer value perceptions, and marketers embrace this form of advertising as a means to affect consumers’ purchase decisions and stimulate sales.

The majority of studies in the numerical cognition literature have demonstrated that numerical magnitude comparisons typically follow the Weber-Fechner Law, which states that numerical comparisons follow a log-linear function such that the perceived difference between numbers is compressed as the size of those numbers increases. Consequently, when making quantitative comparisons, one’s ability to distinguish between two numbers (e.g., determine which is larger or smaller) is directly related to the *relative* difference between them. Studies within the pricing literature confirm that perceived numerical differences may involve relative, rather than absolute, amounts (e.g., Coulter and Coulter 2005; Kruger and Vargas 2008; Coulter and Norberg 2009). However, other recent studies suggest that consumers’ evaluation of a price discount can be impacted by the ease of assessing the *absolute* difference between the two prices (Thomas and Morwitz 2009). Therefore, a primary goal of the present study is to examine the circumstances under which the difference between two prices might be assessed in relative versus absolute terms. In this paper, absolute discount is defined as higher price minus lower price, whereas relative (percentage) discount is defined as [(higher price – lower price)/higher price].

We hypothesize that a comparison of the marketer’s own sale price to a competitor’s price may be more likely to involve a relative assessment because consumers compare relative price advantage with relative advantages on

other attributes in order to make a decision between the marketer’s and the competitor’s products. However, when a sale price is compared to regular price, consumers may be more likely to engage in absolute difference assessment, since they do not compare two competing products (i.e., no need to evaluate relative advantages on attributes) and absolute difference assessment is cognitively easier. We further suggest that the physical placement of prices in a comparative price advertisement may impact how those prices are contrasted. Horizontal (side-by-side) physical placement hinders digit-by-digit comparison, whereas vertical placement facilitates digit-by-digit comparison. Thus, a comparatively greater amount of cognitive resources are required to perform the subtraction and division functions necessary for relative discount assessment in horizontal placement. Building on this cognitive resources argument, we hypothesize that consumers may be more likely to go through the more complicated computational procedure of calculating relative discount when comparative prices are vertically placed.

Three experiments were conducted to test the hypotheses presented above. All respondents were shown one or two pairs of prices with different reference price types (competitor’s price vs. own regular price) and different placement positions (horizontal vs. vertical) on computer screens. When one pair of prices was shown, the respondents were asked to indicate the smaller of the two prices. When two pairs of prices were used, they were asked to choose the greater discount of the two pairs. In both cases, their response time was measured in milliseconds. The results of the experiments confirmed our hypotheses. The respondents assessed the magnitude of price discounts in absolute terms when the reference price was the marketer’s own regular price and when prices were placed in horizontal format. However, when the reference price was competitor’s price and when prices were placed in vertical format, they assessed the magnitude of price discounts in relative terms.

One important contribution that this paper makes to the pricing literature is that this paper offers an explanation regarding why consumers in the same situations assess price discounts in different (absolute vs. relative) terms. Studies in the pricing literature confirm that perceived numerical differences may involve relative, rather than absolute, amounts. Furthermore, some of those stud-

ies have found that relative difference effects occur both in horizontal placement *and* when the higher reference price is the marketer's own "regular" price. However, this paper demonstrates that consumers assess price discounts in absolute terms when prices are displayed horizontally and when the reference price is the marketer's own regular price, which conflicts with findings of previous studies. The source of these seemingly contradictory findings lies in levels of involvement in viewing contexts. The previous studies typically involve low involvement viewing

contexts (e.g., exposure to a print ad contained in a booklet), where the consumer is not explicitly engaged in the discount assessment process. When the consumer is highly involved and/or actively engaged, it is possible that time constraints may serve to "truncate" the comparison procedure. Therefore, the consumer may not "go beyond" absolute comparison unless it is either: (a) needed (i.e., for competitive attribute comparison), or (b) facilitated (i.e., through vertical placement).

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BRAND YOUR E-MAIL: EMBEDDING OF BRAND ELEMENTS ENHANCES ADVERTISING EFFECTIVENESS

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SUMMARY

In our today's fast moving advertising world of information overload and messages ignored by the recipients, innovative means for the creation of effective marketing campaigns are necessary (Fasolo, McClelland, and Todd 2007; Lee and Lee 2004). Modern information and communication technologies are used for marketing communication tools. The importance of the internet as well as for our daily life as for marketing purposes is rising steadily. Marketing professionals attach enormous value to the direct address of consumers via new, innovative media. E-mail is the most popular internet communication tool and stated to be a high potential marketing instrument (Merisavo and Raulas 2004). Expenditures for e-mail marketing are increasing year by year. It uses the mentioned technological infrastructure what makes it easy for advertisers to bomb consumers with a huge flood of ineffective messages. E-mail marketing campaigns often remain in vain because recipients do not even open the mails but immediately delete them. Consequently, whole advertising campaigns end up dragged unread to the recycle bin of the e-mail computer program which leads to declining opening rates. This evokes the need for more effective e-mail advertising campaigns which can be ensured by advanced e-mail layout. Existing advertising research has revealed that the use of brand elements enhances advertising effectiveness (Abernethy and Laband 2004; Ahmed et al. 2002; Baker, Honea, and Russell 2004; Chartrand et al. 2008; Janiszewsky 1990; Lohse 1997; Pieters and Wedel 2004; Rossiter and Percy 1980; Stayman and Batra 1991; Taylor, Franke, and Bang 2006; Wedel and Pieters 2000). Advertising for strong brands is more effective than conventional. Consequently, branding should be extended on new and innovative advertising media. The brand is accounted to be a key factor for successful direct marketing in the new media, which includes e-mail marketing. E-newsletter can vice versa contribute to creation and preservation of brand loyalty (Merisavo and Raulas 2004). Thus, the purpose of our study is to find out whether brand elements (in terms of logos, slogans and colors) in e-mails help to achieve e-mail marketing goals. So far, there has been no empirical investigation of this phenomenon. Our aim is to close the existing research gap. At first, we give a detailed literature overview of brand applications in advertising.

Based on the results discussed in literature, a complex system of hypotheses concerning the use of brand elements in e-mails is developed. In particular, the effect of brand elements embedded in formal e-mail design on advertising effectiveness in comparison to an e-mail in plain text format is of note. We focus on advertising constructs relating cognitive, affective and conative responses. The hypotheses are tested in a 2x2 experimental design. Proband were recruited while they were given no incentives. In an online experiment, participants were randomly allocated into experiment and control groups and confronted with e-mail newsletters with different formal style (embedded brand elements versus plain text). The measurement of all constructs can be described as excellent. Results of the MANOVA show the existence of high significant differences between experimental groups and control groups. The statistical results reveal that all hypotheses stated can be accepted. In detail we can assert that embedding of brand elements in e-mails determines significant higher activation compared with a text e-mail. Moreover, application of brand elements in e-mails leads to significant augmentation of emotional response compared to an e-mail in text format. Furthermore, our study reveals that subjects assign a higher value to an e-mail layout which contains brand elements. Additionally, the results are high significant for both attitude constructs: Incorporation of brand elements in e-mails results in a significant positive influence on attitude toward the e-mail as well as toward the advertised product to a text e-mail. Besides, there is a significant positive effect of the application of brand elements in e-mails on word-of-mouth for the brand and the e-mail. Our results emphasize the valence of the investigated topic. Strong branding is not exclusively successful in traditional advertising media but rather helps improving the success of cost-efficient and innovative e-mail marketing campaigns. Consequently, we close with implications relevant for e-mail marketing. E-mails with advertising purpose have to stringently content innovative design elements in order to draw receiver's attention on the e-mail preview and to be not deleted unread. Also, the limitations of the present study are demonstrated and suggestions for future research are given. The authors could show that branding in e-mails is an effective method to achieve targeted advertising goals. References are available upon request.

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DO REFERRAL REWARD PROGRAMS ENHANCE CUSTOMER LOYALTY? RESULTS OF A PROPENSITY SCORE MATCHING STUDY

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SUMMARY

Referral reward programs are a broadly accepted marketing instrument. In referral reward programs, a customer receives a reward from the provider for convincing others to become a customer. For example, the cellular telecommunication provider T-Mobile offers USD50 credit on phone bills each time a customer successfully recommends the provider. Similar programs are offered by many telecommunication, energy (e.g., TXU Energy), or financial service providers (e.g., First American Bank).

In addition to contributing to new customer acquisition, Ryu and Feick (2007) assume that referral reward programs also improve retention among current customers. This effect can be explained by the public commitment the sender of word of mouth (WOM) enters into. Publicly voicing a recommendation leads to a commitment which is based on expected sanctions from the sender's peer group. This reasoning is supported by studies showing that people tend to show behavior consistent with their publicly voiced commitments (Cialdini 2001). Individuals who have publicly expressed a specific intention will afterwards try to behave consistently with their publicly voiced intentions. Numerous experiments confirmed this commitment effect.

However, a potential loyalty effect of referral reward programs has not been empirically confirmed. Therefore, Ryu and Feick (2007) claim: "In examining rewarded referral, further research should examine . . . variables (e.g., brand attitude, satisfaction, brand loyalty) in the recommender." In this study, we will theoretically investigate and empirically test the effect articulating a rewarded referral has on senders' loyalty toward the recommended brand or firm. Confirming a loyalty effect of referral programs would emphasize the importance of referral reward programs, adding a new dimension to their benefits as such programs would not only serve to acquire, but also to retain, customers.

To test our hypothesis, we analyze data from 25,000 customers of a major global cellular telecommunication provider applying statistical matching. Statistical matching has become a widely used approach to overcome such

self-selection biases. It has mainly been applied for answering economic questions such as the effect of different labor market policies as well as in medical research, but applications in context of marketing have also been published. In order to solve the self-selection problem, statistical matching relies on the creation of an "artificial control group." Consequently, we match each customer participating in the referral reward program with another non-participating customer who is similar to the participant ("statistical twin"). We then compare the group of participants with the group of their statistical twins.

Study results demonstrate that participating in a referral reward program increases customers' retention. The results show that positive WOM should not only be considered as effective in influencing recipients, but also in bonding current customers. Voicing a referral has a positive effect on senders' loyalty and, hence, serves to bond senders to the recommended brand or company. We explained this effect by referring to public commitment which results from voicing a referral. So far, research and practice hardly take into account this aspect of positive WOM, thereby omitting one of the positive aspects of referral reward programs. Our findings have several implications for marketing managers.

As referral reward programs can lead to customer acquisition and loyalty, both aspects may be integrated into the return on marketing calculations of these programs. Research has provided some insight on how to integrate referral value into customer equity and return on marketing modeling. However, so far these models only concentrate on the acquisition value from referrals. According to our research, articulating a referral does not only lead to customer acquisition but can also increase retention and, hence, increases financial return for the services provider. Therefore, our results could lead to more precise calculation and, consequently, better decision making, preventing managers from making wrong decisions at the expense of customer referral programs.

To maximize customer equity, managers allocate their marketing budget strategically among customer acquisition and retention activities (Reinartz, Thomas, and Kumar 2005). Even in saturated markets where

customer retention has become the priority, firms need to constantly acquire new customers to preserve the size of their customer base. As customer acquisition and retention activities coexist and must be managed simultaneously,

referral reward programs are a very interesting tool for managers to solve the dilemma in deciding between both activities. References are available upon request.

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GET A LOAD OF THAT! MAKE A SCORE WITH YOUR E-MAIL AUDIENCE BY EMBEDDING A VIDEO IN YOUR E-MAIL BODY

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SUMMARY

E-mail-marketing is the fastest growing form of communication in history (DePelsmacker, Geuens, and van den Berg 2007; Baggott 2007; Martin et al. 2003). Today's media world is a world of stimulus satiation due to vast information overload. Oodles of e-mails and embedded information which reach consumers every day are opposed to the limited processing capacity of the human memory (Pieters and Wedel 2007).

Advertisers can cope with the information overload by means of attractive advertising design, which is styled extraordinary (Decrop 2007; Jacoby 1977; Malhotra 1982). Hence, advertisers seek for new possibilities in designing their e-mail advertising to reach over saturated readers and thus influence consumer behavior according to their marketing aims. The intensified competition by new media forms and high advertising expenses points out the necessity of efficient and innovative e-mail-design. Therefore, in advertising practice firms are increasingly using new techniques of flash-media design of their e-mail-bodies (Ansari and Mela 2003; Li, Daugherty, and Bioca 2001, 2003; Edwards and Gangadharbatla 2001).

In this study we therefore examine in a 2x2 experimental design the impact of attractive flash media-based video integrated e-mail-design as opposed to conventional plain-text design to key constructs of consumer behavior. To be able to examine the effectiveness of embedded videos in terms of key constructs of consumer behavior, the identical stimuli with the exception of an embedded video in the e-mail body was reproduced and given to the corresponding control group. Test-persons were acquired online out of total population; they participated without any incentives given to them and we did not mention the purpose of our study. The participants were randomly allocated to one of the groups and were asked to fulfill an online questionnaire containing all items for measuring our study's constructs after viewing the group-

correspondent e-mail-stimulus. To test the hypothesized causal cause-and-effect-relationships we used multivariate analysis of variance (Perdue and Summers 1986). The multivariate tests of MANOVA procedure (Pillai-Spur and Wilk's-Lambda) indicate highly significant differences between the experimental and corresponding control groups.

The findings of our study indicate a higher advertising effectiveness by embedding videos in e-mails as opposed to designing them in a plain text format. According to the results, videos in e-mails serve as eye-catcher. Firms can use videos in e-mails to impress their recipients in terms of inducing high emotional response and differentiate in terms of communication from their competitors. By evoking prestige and exclusivity due to the embedded videos, according to the analysis, participants' attitudes toward the e-mail as well as toward the advertised product are positively influenced in comparison to receiving plain-text e-mails. Hence, embedded videos in e-mails are applicable to advertising and branding campaigns as they secure communicative excess value. Concerning our behavioral focused dependent variable intention to buy the study shows a significant increase for it by using videos for the e-mail scope of design as opposed to traditional plain text e-mails. This finding is obviously very important to advertisers because the embedment of videos does not only impress consumers' momentarily, it also influences consumers' "later" intention to buy the advertised product.

As Big Finding, we verify and adapt the reliability and validity of existing results of research on advertising impact, effectiveness and consumer behavior, which addressed the use of formal advertising scopes of design as probate cues to influence key constructs of consumer behavior to the field of research in e-mail-marketing and therefore close the existing research gap. References are available upon request.

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THE IMPACT OF SOUND LOGOS ON CONSUMER BRAND EVALUATION

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SUMMARY

Acoustic elements have recently been gaining importance in the context of changing conditions for brand communication (Spehr 2008). A consistent acoustic brand management allows the creation of a better differentiation, a higher recognition, a stronger emotionalization, and thus an improved experience of a brand (e.g., Bronner 2008; Kilian 2008). Sound logos, like those which Intel or T-Mobile have been using for several years now, are becoming a common form of acoustic branding. Apart from learning and memory effects, sound logos are supposed to have image effects on the advertised brand as well (Kosfeld 2004; Lepa 2004). A sound logo can be defined as an identifying acoustic element of a brand with a short running time (between 0.5 and 3 seconds). As ideal-typical basic forms, a distinction can be drawn between melodious, "noise-like," and vocalized sound logos (Melan 2008). Furthermore, any combination of these three forms is possible. Often, sound logos are combined with a visual (animated) logo (Bronner 2008).

Transferring findings on the impacts of background music (Simpkins and Smith 1974; Bozman, Muelling, and Pettit-O'Malley, 1994) to sound logos, we hypothesized that the higher a consumer's approval of a sound logo/background music (H_1), the more positive the brand evaluation. Moreover, for advertising campaigns, it has been found that acoustic stimuli are interpreted along with the advertisement (Scott 1990; MacInnis and Park 1991; Kellaris, Cox, and Cox 1993). In this context, the congruence of acoustic stimuli with visuals has been found to positively influence stimuli's brand impacts (e.g., Lavack, Thakor, and Bottausci 2008). We thus hypothesized that the higher the perceived fit of a campaign's sound logo/background music, the more positive the brand evaluation (H_2). Finally, spots with music incongruent with the visuals were found to make viewers feel uncomfortable (Hung 2000). Thus, we assumed that perceived fit of a sound logo/background music with a campaign is positively correlated with consumer approval of a sound logo/background music (H_3).

To test the hypotheses, we conducted an online survey with 340 students of a German state university. Centerpiece of the two different questionnaire versions was a short presentation of three advertisements (car/phone/energy provider). After each advertisement,

respondents were asked to give their evaluation of the presented brand. Questionnaire versions differed in the arrangement of brand presentations: in the first version, participants were exposed to a sound logo at the beginning and the end of each advertisement. The second version used background music to accentuate the advertised products and services.

To obtain realistic evaluations of the impact of sound logos on attitude toward a brand, the study used genuine sound logos (recently introduced or from foreign brands) in association with genuine ads and footage. That way, the necessary professionalism relating to the artistic appearance and the content integration should be ensured. In order to avoid bias through known brands, we substituted the brand names in the ads with the help of an image editing software with fictional, "association-free" brand names, and presented the survey under the topic of "Perception of new brands." In this way a neutral initial situation was created for all participants, because any pre-existing knowledge about a genuine brand did not need to be taken into account. It was ascertained through pretests and investigation after the survey that the presented stimuli had a professional appearance but were not known to the respondents.

Following the suggestions by Bergkvist and Rossiter (2007), we operationalized the concrete singular objects *Approval* and *Fit* of the acoustic element as single-item measures. Based on the work by LaTour (e.g., LaTour and Rotfeld 1997) and Aaker (1997), we measured *Brand Evaluation* as a two-level reflective construct covering the dimensions Excitement, Admiration, and Potential. SPSS 17.0 and maximum likelihood algorithm in AMOS 17.0 were used to perform analyses. For all three subsamples, applied measures showed good reliabilities, and global fit indices were acceptable for the measurement model and good for the SEM evaluation.

The expected path from Approval to Brand Evaluation found support for the sound logo (.36/.53/.42; path coefficients for car/phone/energy) and for background music (.37/.50/.16). Thus, H_1 found strong support, although the last coefficient was slightly insignificant ($t = 1.95$). As further expected, the Fit of background music impacted Brand Evaluation significantly positive (.23/.19/.42), supporting H_2 . However, this influence remained insignificant for all paths when tested for sound

logos (.10/.06/.00), requiring a modification for H_2 . Finally, the relationship between Fit and Approval of a sound element (H_3) was significant in all three industries for both, sound logo (.63/.59/.65) and background music (.38/.40/.44).

R^2 values of brand evaluation are weaker for sound logos (.18/.32/.17) than for background music (.26/.36/.26) in all three industries. These results support the general assumption that sound logos may contribute to an integrated brand identity. However, background music had a stronger impact on consumer brand evaluation in our experiment. Considering the very short time of exposure for sound logos compared to the substantially longer exposure to background music, we suggest further research to investigate long-term impacts of ongoing exposure to sound logos. Moreover, a consideration of

further determinants of brand evaluation, e.g., product performance, product involvement, and visual brand presentation, might increase the model's explanatory power.

While the established expectations that Approval and Fit of a sound logo improve consumers' Brand Evaluation found general support, there is one particularity which catches interest. The rejection of H_2 on the relationship between Fit to Brand Evaluation over all industries in the sound logo sample suggests that the effect from perceived Fit of a sound logo on consumers' Brand Evaluations is completely mediated by consumers' Approval of the sound logo. Thus consumers respond to fitting sound logos not due to the Fit, but because Fit stimulates positive associations in terms of Approval for the sound logo and, ultimately, in evaluating the related brand. References can be found at <http://www.moosmayer.com/amareferences2010>.

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ENHANCING NONPROFIT VIABILITY THROUGH A BRANDS AS SIGNALS FRAMEWORK

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SUMMARY

The nonprofit sector is pivotal for societal welfare delivery, yet the challenges have never been greater. An increasing number of competing organizations and substantial reductions in government funding, have elevated the importance of individual philanthropy for the continued viability of nonprofit organizations. Subsequently a strategic approach to managing the charity brand is essential to attracting an increased share of consumers' wallets. Despite the impressive equity commanded by charity brands and some preliminary insights into the efficacy of traditional branding concepts in this domain, managerial resistance to branding strategy pervades the nonprofit sector. The lack of synthesizing research is also unhelpful. Therefore, this research offers an integrated brands as signals framework as a first step toward a guiding theoretic for charity brand managers.

The brand signaling framework models purchase consideration and choice from an information economics perspective (Erdem and Swait 2004), highlighting the interaction between the consumer and the firm and demonstrating the utility of brands to communicate quality. From this perspective brand credibility is an important quality signal for consumers, increasing the expected utility of a particular brand. The nonprofit organization is built on highly unobservable, or credence, attributes. This creates a highly uncertain environment for the nonprofit customer, suggesting that the brand signaling framework can provide some insight into customer equity in this context. Despite this, the framework is yet to be applied to a nonprofit environment.

Brand credibility refers to the believability of a firm's positioning claims and its willingness to honor those claims. Cultivated through the clear and consistent communication of positioning information both over time and across the marketing mix, brand credibility refers the perceived integrity and effectiveness of a charity. Importantly, brand credibility represents a separating equilibrium whereby it is beneficial for high quality charities to build credible brand signals, however, the same activity by low quality charities would reveal their inefficiencies, and be costly. Therefore charity brand credibility increases donation intentions through increasing quality perceptions, reducing perceived psychosocial risk, and finally, by enhancing consumer knowledge which

reduces the decision costs associated with donating to a charity. The original framework was developed as a compliment to fruitful cognitive psychological models of customer brand equity, however, no serious attempt has been made to integrate the perspectives.

Charity brands are uniquely values dependent and their influence on consumer brand equity deserves attention. Integrating subjective value congruence with the brand signaling framework provides a substantive opportunity to coalesce the information economics and cognitive psychological approaches to customer brand equity. Subjective value congruence has demonstrated efficacy as the most influential subjective fit dimension in organizational psychology and represents the perceived similarity between one's own values and those of a charity brand. As the charity brand is built upon values, and brand credibility on the communication of those values, it is suggested that brand credibility positively influences value congruence. Drawing on similarity-attraction theory and subsequent information processing research it is proposed that value congruence not only motivates the individual to invest in the charity brand through donation behavior, but also through extraordinary giving, donor recruitment and resistance to negative information. Furthermore, we propose that value congruence moderates the mediated relationship between brand credibility and the outcome variables. The inclusion of value congruence greatly enhances the richness of the brand signaling framework generally, as well as its applicability to charity brands.

Before its potential contribution can be realized, empirical testing of the proposed framework is needed. Survey based measurement may be appropriate for many of the theoretical constructs, with perhaps the inclusion of choice experiments and allocation tasks to measure consumers' underlying preferences for the charities studied. An experimental approach to measurement has the advantage of simulating market conditions of scarcity more accurately. The measurement of value congruence is a potentially contentious issue. It is recommended that global ratings of similarity be obtained, as opposed to domain specific values measures. A global approach is easier to implement and may yield greater variation in consumers' responses, whereas a domain specific approach shares many of the disadvantages of personality research. Given that the variables of interest are latent rather than

observed, the relationships hypothesized here might be tested using a structural equation modeling framework with latent variables. An assessment of competitive fit of the proposed against the nested brand signaling framework, excluding value congruence, should be conducted to demonstrate the unique contribution of value congruence.

Nonprofit organizations face unprecedented competition, and challenges in managing their most important assets: their brands. The framework presented here highlights the significant role marketing has to play in ensuring that a separating equilibrium is established, such that consumers divert their dollar to effective organizations

and avoid charities with poor records of welfare delivery. The inclusion of value congruence theoretically integrates the information economics perspective of customer equity with this key motivational construct. Furthermore, the inclusion of value congruence better demonstrates the real gains which can be awarded to credible charity brands, addressing the fundamental nonprofit issues of donation solicitation as well as donor recruitment and attrition. The framework presented here is a step toward an integrative framework that charitable organizations might use to enhance societal welfare through theory informed practice. References are available upon request.

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ENHANCING BRAND ATTITUDES AND INCREASING SOCIETAL WELFARE: THE ROLE OF CAUSE-RELATED MARKETING

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SUMMARY

More and more firms integrate their social responsibility initiatives into the marketing function by implementing cause-related marketing (CM) programs (e.g., Barone et al. 2007), where the donation to a charitable cause is connected to customers' purchasing decisions. So far, research suggests CM may be an effective instrument in achieving a positive impact on customers' attitudes (e.g., Ross et al. 1992). However, existing research on CM is limited with regards to its external validity (Arora and Henderson 2007) and transferability into practical implications. We contribute to closing this research gap by researching the relationships between key CM variables and a broad set of customer attitudes (*attitude toward the brand, price perception, customer satisfaction, and word-of-mouth intention*) based on a large-scale quasi-experimental field study. Our model comprises three relevant determinants of CM: *cause/brand fit, perceived motivation* behind the support of a certain cause, and *cause involvement*. We aim at improving managers' knowledge base of how to effectively allocate their marketing budgets by showing whether a positive effect of CM on brand attitudes exists, and identifying the main drivers for effectively leveraging this marketing instrument.

Hypothesis Development

Consumers' perceptions of a firm's motivation behind the support of a certain cause, i.e., whether they actually intend to support an NPO or only try to exploit the relationship, may be a key factor for the acceptance and hence effectiveness of CM activities (Barone et al. 2000; Ellen et al. 2006). Hence, we hypothesize: *H1: The more altruistic customers perceive a firm's motivation for engaging in CM, the higher the positive impact on customer attitudes.*

Furthermore, a certain fit, i.e., logical match between a brand and a charitable cause is less likely to create suspicion about the reasons why a company engages in supporting a particular cause (Fein 1996; Rifon et al. 2004; Varadarajan and Menon 1988). It can therefore be assumed that *higher levels of perceived cause/brand fit, will lead to stronger positive effects on customer attitudes (H2)*. A third important determinant may be the level of a customer's involvement with the supported cause. High involvement will lead to more positive cognitive activa-

tion when evaluating the CM messages (Petty and Cacioppo 1984). Therefore we assume that *higher levels of charity involvement will lead to more positive customer attitudes (H3)*. Finally, as a synopsis of the above developed hypotheses, and according to findings from previous studies (e.g., Arora and Henderson 2007), we hypothesize that *the presence of CM measures will have a positive effect on customer attitudes (H4)*.

Methodology and Results

We conducted a pre-test-post-test study with an independent pretest sample and untreated control group, applying a between-subjects design. Partnering with a large German internet flower retailer, both, the independent variables, as well as the attitudinal dependent variables, were measured using an online questionnaire. After completing their purchases in the retailer's online shop, all customers were asked to participate in the survey. After two weeks of pre-test measurement, a flower bouquet with a cause element was launched in the shop. Then, the post-test measurement was executed for another six weeks resulting in a total of 2,029 completed questionnaires.

For testing hypothesis H4, predicting a positive relationship between CM and customer attitudes, we compared the treatment and control group conducting a Mann-Whitney U test. The results indicate partial support for H4. The median attitude toward the brand was significantly higher in the treatment than in the control group ($MdnTG = 6.25, MdnCG = 6.12, p < .05$). We additionally found a highly significant positive effect of the campaign on customer's price perceptions ($MdnTG = 5.17, MdnCG = 4.94, p < .001$). On the contrary, the postulated effects on satisfaction and word-of-mouth intentions could not be confirmed (for satisfaction: $MdnTG = 6.27, MdnCG = 6.40, p > .005$; for WOM intention: $MdnTG = 6.44, MdnCG = 6.26, p > .005$).

In order to analyze the relationships between CM determinants and customer attitudes, we performed a regression analysis based on the treatment group data ($n = 658$). We found support for hypotheses H1 and H2 and partial support for H3 concerning the CM determinants' effects on customers' attitudes toward the brand. Charity involvement shows the strongest positive effect on customers' attitudes toward the brand ($\beta = .320, p < .001$), followed by the level of perceived fit between the chari-

table cause and the brand ($\beta = .219, p < .001$), and the perceived motivation of the firm ($\beta = .112, p < .001$). In contrast to its strong effect on brand attitude, the level of charity involvement does not show a significant effect on customers' price perceptions ($\beta = .04, p < .491$). The results for the effects of charity/brand fit ($\beta = .342, p < .001$) and perceived motivation ($\beta = .112, p < .001$) strongly support the positive effects on price perceptions as postulated in hypotheses H1 and H2. With regards to practical implications, our findings suggest that CM could be an adequate strategy when positioning a brand on highly competitive markets. Because of its positive effect on brand attitudes and price perceptions, it could be an

effective marketing communications strategy to encounter competitors' price promotions. When designing a CM program, marketers should pay attention to all three CM determinants.

Besides the strengths of our study as discussed above, some limitations should be mentioned. The quasi-experimental design does not allow random assignment of subjects to the different experimental groups. Especially against the background of the question of performance relevance of CM programs, the analysis of attitudinal data should be enhanced in future studies by taking into account behavioral data.

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THE ROLE OF BRAND FAMILIARITY IN PARENT BRAND ENVIRONMENTAL ORIENTATION CONSUMER PERCEPTIONS

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SUMMARY

In 2007, Clorox bought Burt's Bees, the natural skin care company, and decided to not associate the Clorox brand with the Burt's Bees image. However, in 2008, when Clorox launched Clorox GreenWorks, it did decide to include the Clorox brand name. The Clorox Company addressed this issue by stating that Burt's Bees is an established brand name that stands on its own merit. However, since GreenWorks is a new entry to the market, Clorox believes that consumers would doubt the efficacy of GreenWorks products without the established name of Clorox behind the product (www.reallynatural.com). The goal of the current research is to investigate whether green products are better to stand alone, without any established associations, or whether they are more effective when associated with a recognizable brand.

Research suggests that when brand extensions or new product attributes of a familiar brand are introduced, consumers "store" this new information under the existing brand knowledge for the brand family (Kent and Allen 1994). The enduring image of a brand is not easily manipulated once it has been "institutionalized" in consumers' mindset (Ries and Trout 1981). Research also indicates that the transfer of brand associations into the perceptions of the parent brand is particularly affected by perceptions of "fit" between the parent brand and the brand extension.

Parent brand-brand extension fit is achieved when the extension is perceived as logical by consumers (John, Loken, and Joiner 1998). Research suggests that when fit is high, positive attributes of the parent brand, such as quality perceptions, is transferred to the brand extension (Park, Milberg, and Lawson 1991). However, brand extensions may also be harmful for the newly introduced product and/or parent brand, especially when there is a low level of similarity between the parent brand and the extension (Broniarczyk and Alba 1994).

Many organizations use environmentally friendly brand extensions to enhance their image as being an environmentally responsible entity. However, if there is incongruence in "fit" then this image enhancement may be ineffective (John, Loken, and Joiner 1998), or even detrimental (Loken and John 1993) to the core brand.

Consumers' perception of whether an organization is environmental or not is typically referred to as perceived environmental orientation (Osterhus 1997). These perceptions may not be based on actions undertaken by the organization, but on previous experience and knowledge the consumer has with the organization (Diamantopoulos, Smith, and Grime 2005). Therefore, recent environmental action may be under-accounted for or not considered at all, while the institutionalized perception of the organization weighs most heavily on consumers' current perceptions of the organization, leading to a negative relationship between brand familiarity and perceived environmental orientation.

Consumer perceptions of trust in an organization's intent towards the environment are suggested as enhancing the effect of perceived environmental orientation (Osterhus 1997). As much as sixty-five percent of consumers perceive environmental oriented brand extensions as being a simple ploy to increase revenue (greenconsumerknowledge.com). This lack in trust in intent is critical since it is directly related to consumers' decreased intentions to purchase the brand's products (Roberts 1996).

The current study supports the hypothesis that brand familiarity has a negative effect on consumers' perceptions of an organization's environmental orientation. This finding has many important implications for branding strategy. First, it lends support to the notion that established parent brands may have difficulty with congruent fit when implementing green brand extensions. Furthermore, the findings also suggest that brand transfer knowledge, initiated by fit, is ineffective at changing consumers' perceptions of environmental orientation of parent brands that have introduced environmental brand extensions.

This finding is important because many organizations are relying on their brand name in order to successfully launch their green brand extensions. However, this research suggests that this may be a detrimental branding strategy. Additionally, parent brands that are atypical of environmental endeavors are at increased risk for negative environmental perceptions and ineffective brand knowledge transfer.

Trust in intent towards the environment is also significantly related to consumer perceptions of quality. Therefore, if consumers do not trust the intentions of the parent brand in introducing an environmental brand extension, according to the findings, it leads to decreased perceptions of quality, and ultimately purchase intentions. Furthermore, the results suggest that trust in intent fully mediates the relationship between perceived environmental orientation and quality. In other words, the introduction of environmental products and brand extensions is relatively ineffective unless consumers trust the parent brand's intentions towards the environment.

The current research has several relevant implications for managers. First, the cumulative findings of this research present a potential "roadmap" when introducing an environmentally friendly product. Managers need to assess the fit between the parent brand and the green brand extension. If the fit is highly incongruent with the parent brand's current image, then it may be more advantageous

for the brand to implement an individual branding strategy, not associated with the current parent brand. Seemingly, this strategy negates the effects of brand familiarity on consumers' environmental perceptions. Once an effective branding strategy (i.e. extension or individual) is implemented, the findings support that the strategy leads to increased trust in intent towards the environment, which is supported as directly influencing quality perceptions, which ultimately is a main driver of value, satisfaction and purchase intentions (Cronin and Taylor 1992).

Another implication for managers is the importance of consumer trust in intentions towards the environment, which is supporting as being a critical component to success when implementing green strategy. The findings suggests that being perceived as environmentally oriented is not sufficient to increase quality perceptions and purchase intentions. Therefore, the component of trust in intent is vital for successfully implementing green strategies. References are available upon request.

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A BRIDGE OR A LINK? NEW PRODUCT DEVELOPMENT DECISIONS, INNOVATION PERFORMANCE, AND THE ROLE OF PRODUCT INNOVATIVENESS

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SUMMARY

Understanding the decisions driving new product development performance is at the core of research on innovation management. Overall, this research stream finds inconclusive results in the relationship between decisions and innovation performance. This might not be surprising as theoretical inconsistencies might be present. First, managers can use different decision processes within NPD projects; thus, results of firm-level decisions on project-level innovation performance will be spurious unless controlled for project-level decision processes. Second, it is conceptually difficult to regard NPD performance at the project-level as the outcome of decisions that are actually taken at the firm level (e.g., product portfolio strategy). Third, firm-level decisions are generally strongly interrelated with several other factors; it is difficult to isolate their impact on an outcome variable related to project-level performance.

Issues of product innovativeness have been identified as fundamental for our understanding of NPD performance (Garcia and Calantone 2002; Kleinschmidt and Cooper 1991). Yet, research on product innovativeness is in itself a field with confusing results. In short, research agrees that product innovativeness plays a fundamental role in explaining differences in NPD performance, but there's no common understanding on the mechanisms (Szymanski, Kroff, and Troy 2007). Particularly, there is little agreement on the role of product innovativeness in the NPD process and as a determinant of innovation performance.

The present paper aims at theoretically and empirically contributing to research on innovation by conceptualizing product innovativeness as a mediator rather than a moderator of the relationship between NPD decisions and innovation performance. The moderating view implies that NPD decisions are intrinsically beneficial and product innovativeness shapes the strength of their effect on innovation performance. On the contrary, the mediating view implies that some product development decisions like concept development or supplier integrations are not intrinsically beneficial; it is product innovativeness that

makes the benefits of concept development or supplier integration distinct or not.

The moderating view has been largely used in studies on product innovativeness as a way to address the limited explanatory and predictive capability of models testing the direct impact of NPD factors on innovation performance. The moderating view proposes that innovation performance is determined by the fit between product development decisions and the degree of product innovativeness.

We follow a different conceptualization of fit and suggest a mediation role for product innovativeness. The mediating view implies testing the effect of the consistent management of product development decisions on innovation performance, where the consistency is expressed by the degree of product innovativeness. Thus, we advance the relationship between product development decisions and innovation performance by addressing simultaneously the many contingencies, decision alternatives, and performance criteria and by examining patterns of consistency among them. Support for our suggested relationships of mediation rather than moderation puts existing innovation research in a new light. It might have the potential of providing guidance to future research aimed at better understanding the causal mechanisms driving innovation performance (competitive advantage based on innovation).

In our study, we conceptualize product innovativeness as a mediator between NPD decisions and innovation performance. NPD decisions have been selected on the basis of the integrative framework proposed by Krishnan and Ulrich (2001) and only include decisions at the project level – concept development, supplier integration, design integration, and product launch.

Data were gathered using a survey methodology encompassing Italian firms operating in different industries. We collected a total of 240 questionnaires, for a 34.3 percent response rate. Twenty responses were excluded from the analysis because of incomplete responses. A total of 220 sets of responses remained. For measuring the

constructs included in the framework we used a combination of reflective and formative scales (Diamantopoulos and Winklhofer 2001).

We applied PLS structural equation modeling (Fornell and Cha 1994) to test the hypotheses. Specifically, we used SmartPLS (Ringle, Wende, and Will 2005), which allows for the simultaneous testing of hypotheses, while enabling single- and multi-item measurement and usage of both reflective and formative scales (Fornell and Bookstein 1982).

We found that concept development, design integration and product launch affect innovation performance through product innovativeness. Given its high direct effect size on innovation performance, product innovativeness is not only an important determinant of innovation success, but also a link between NPD management and innovation performance.

The results indicate no direct positive effect of concept development and product launch on innovation performance. Instead they affect innovation performance through product innovativeness. Although concept development and product launch are important factors in the NPD process, as widely reported in the innovation management literature, we offer the new insight that product

innovativeness is the route that makes the former decisions more valuable to innovation performance.

The direct effect of integrated design on innovation performance supports many recent empirical studies reporting a positive relationship between the appropriate management of the design function and innovation performance. Additionally, our study provides evidence that this relationship is indeed complex. Similarly to the other mediated variables, the significance of the mediating effect suggests that design integration alone is not the key to innovation performance, but rather that design in combination with other NPD decisions can enhance or mitigate new product performance through product innovativeness.

According to this view, integrated design, concept development and product launch need to leverage on each other to become beneficial to innovation performance. It is their coordinated management and implementation that contributes to the successful development of products that are innovative, offer superior performance to customers, and are effectively manufactured. These characteristics of the NPD outcome are then able to generate superior innovation performance. References are available upon request.

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BUSINESS MODEL DESIGN AND RELATIONSHIP MARKETING EFFORTS IN ENTREPRENEURIAL VENTURES

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SUMMARY

The design of the firm's business model has been identified as a source of competitive advantage (Chesbrough and Rosenbloom 2002) and as a driver of firm performance (Zott and Amit 2007). Although the business model as a construct is different from strategy, it is of strategic importance to a firm's potential for value creation (Morris et al. 2005; Zott and Amit 2008). The business model refers to the architecture of a firm's boundary-spanning transactions with other business model participants (e.g., customers and suppliers) (Amit and Zott 2001). Given that business model design focuses on the transactional links with external stakeholders, a question arises concerning whether entrepreneurs can enhance the competitive advantage of their business model by developing successful relational exchanges. The present research addresses this gap in the research by developing and empirically testing a theoretical model that integrates relationship marketing (Palmatier et al. 2006) into the theory on business model design with respect to the organizational life cycle stage of the focal firm. We analyze the performance effects of two business model design themes: Novelty and Efficiency. Thereby, we focus on relationship-specific investments (RSIs) of the focal firm as a relationship marketing effort to develop the relationship with its key customer. Further, we explicitly incorporate the needs of organizations in the early stages of their life cycle (De Clercq and Rangarajan 2008).

Efficiency-centered business models create value by reducing transaction costs (Amit and Zott 2001). Novelty-centered business models create value by introducing novel ways to conduct economic exchange with other business model participants or by the innovation of the business model itself. Following prior research (Zott and Amit 2007), we postulate:

H1: The efficiency-centered business model design is positively related to firm performance.

H2: The novelty-centered business model design is positively related to firm performance.

Each life cycle stage reflects patterns and magnitudes of different contextual dimensions (e.g., age, size) and structural dimensions (Hanks et al. 1993). Since the business model is a "structural template of how a focal

firm transacts with customers" (Zott and Amit 2008, p. 3), we assume that a firm's business model design differs across life cycle stages. Hence:

H3: The positive effects of efficiency-centered business model design on firm performance will be stronger for firms in their later stages than in their early stages.

H4: The positive effects of novelty-centered business model design on firm performance will be stronger for firms in their early stages than in their later stages.

Based on the theory of transaction cost economics (Williamson 1975), exchange partners can enhance their rewards from relationships through the investment of dedicated resources. Such RSIs have value only within the focal relationship and thus generate the need to safeguard investments. Thus, we hypothesize regarding the effects of RSIs on the two business model design themes of firms in early stages of the organizational life cycle. H5: In early stages, the effects of efficiency-centered business model design on firm performance will be more positive when the degree of RSIs is high rather than low.

H6: In early stages, the effects of novelty-centered business model design on firm performance will be more positive when the degree of RSIs is low rather than high.

We used survey data from 234 technology-based small and medium-sized enterprises. We controlled for industry, firm age, firm size, focus on B2B customers, two alternative business model design themes (Lock-in and Complementarities), and market and technological turbulence. We tested for nonresponse bias, common method bias, reliability and discriminant validity without identifying issues of concern. A confirmatory factor analysis using AMOS 17.0 software (Arbuckle 2008) indicated that the measurement model fit the data well. We used moderated hierarchical regression analyses to test our hypotheses (Aiken and West 1991) and a slope difference test (Dawson and Richter 2006) to confirm the significance of the three-way interactions.

Hypotheses 1, 2, 3, 5, and 6 were confirmed whereas Hypothesis 4 was not confirmed. The first major finding is that albeit efficiency-centered business model design has, overall, a positive relationship with firm perfor-

mance, such business models are not significantly related to firm performance of entrepreneurial ventures in the early stage of their lifecycle as opposed to later stages. However, entrepreneurial ventures can enhance the performance of their efficiency-centered business model by developing their customer relationship with increased RSIs. The second major finding of this study is that novelty-centered business models of entrepreneurial ven-

tures achieve higher performance with a lower degree of RSIs. Thus, in novel transactions the uncertainty between exchange partners might be too high to build confidence that the other party will not behave opportunistically. Instead, entrepreneurial ventures are better off allocating resources to other problems in the early stage. References are not included due to space constraints but are available from the authors upon request.

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THE EFFECT OF PARENT BRAND EXPERIENCE, VARIETY SEEKING, AND CONSUMER INNOVATIVENESS ON LINE EXTENSION TRIAL

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SUMMARY

Line extensions are a brand's new product offerings within the same product class or product category (Reddy, Holak, and Bhat 1994). Line extensions typically involve minor changes from the parent brand (Desai and Keller 2002), and often target a market segment already served by the parent brand (Kotler and Keller 2006). Within supermarket packaged goods categories, 90% of new products introduced annually are line extensions (Advertising Age, April 11, 2005). Line extensions are popular due to their ability to increase sales quickly and inexpensively (Quelch and Kenny 1994).

Line extensions appeal to individuals who have used the parent brand in the past (Keller 1998; Quelch and Kenny 1994). Parent brand experience is an important determinant of line extension trial as consumers who have purchased the parent brand in the past draw on their experience to infer the quality of the extension (Kim and Sullivan 1998). In fact, the strength of the parent brand has been found to be an important predictor of an extension's success in the market (Nijssen 1999; Reddy, Holak, and Bhat 1994). In addition to targeting current brand users, line extensions bring in new customers into the brand franchise (Keller 1998; Putsis and Bayus 2001) and are occasionally used to introduce novel features into the market (Ambler and Styles 1998). Although research in marketing devotes considerable attention to product line extensions, the focus is mostly on the role of the parent brand (Aaker and Keller 1990; Dacin and Smith 1994).

To bridge the gap in literature, we investigate the effects of variety seeking and consumer innovativeness, in addition to parent brand experience, on the adoption of line extension products. Variety seeking, in the sense of sensation seeking (Burns 2007), can be a motivation for line extension trial. Variety seeking consumers have a desire to try something new due to boredom from or satiation with existing varieties of the parent brand (Keller 1998). These consumers can look to line extensions to satisfy their need. Moreover, line extensions may be appealing to innovative consumers who seek products that make them unique and different (Burns 2007). When line extensions become the vehicle for introducing new technologies to the market, they can meet the innovative consumer's desire to be unique and different.

With the use of newly released IRI Marketing Panel Data (Bronnenberg, Mela, and Kruger 2008), this research employs a logistic regression over 133 new line extensions from 12 supermarket packaged goods categories. The extensive dataset affords us the opportunity to test the effects of variety seeking and innovativeness in a broader context. It also allows us to test the generalizability of parent brand experience effects that are challenged by limited product categories in previous research (Kim and Sullivan 1998; Swaminathan, Fox, and Reddy 2001).

Our results show that of the 133 estimated coefficients for parent brand experience, 86 are positive and statistically significant. Positive and statistically significant estimated coefficients range from .11 to 1.07, with a median of .29. For variety seeking, 106 are positive and statistically significant. Positive and statistically significant coefficients range from .15 to 2.33, with a median of .49. For consumer innovativeness, 59 estimated coefficients are positive and statistically significant. Positive and statistically significant estimated coefficients range from .10 to 1.16, with a median of .22.

Variety seeking tends to have a stronger effect on increasing the probability of trial than parent brand experience. The variety seeking coefficient is greater than the parent brand experience coefficient in 43 of the 133 line extensions, is less than the parent brand experience coefficient in 3, and not statistically different from parent brand experience coefficient in 87 line extensions.

Additionally, our results show that parent brand experience effects are robust to the addition of other explanatory variables, thus confirming the results of previous researchers (Kim and Sullivan 1998; Swaminathan, Fox, and Reddy 2001). We compare a model with only parent brand experience (Model 1) to a model with parent brand experience, variety seeking, and consumer innovativeness (Model 2). Only four of the significant coefficients in the Model 1 become insignificant in Model 2. Moreover, four parent brand experience coefficients that are insignificant in Model 1 are now significant in Model 2.

In conclusion, we find that high variety seeking users of the parent brand are most likely to be attracted to the brand's new line extensions. Managerially, this poses a

problem and an opportunity for the brand manager. The problem of cannibalization arises, as these variety seeking consumers are already using the parent brand. Without new line extensions, these consumers may switch to

competing brands. There is however an opportunity to expand its market base when a brand can offer the line extensions to lure its competitor's variety seeking consumers. References are available upon request.

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INCUMBENT INERTIA: RECOMMENDATIONS FOR A DEMAND-SIDE PERSPECTIVE

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SUMMARY

Incumbent firms often suffer from various types of inertia, making them slow to respond to market changes and opportunities. Although the bulk of prior studies examine supply-side (internal) mechanisms that result in incumbent inertia, we take a more comprehensive perspective focusing on demand-side factors, which relate to a firm's customers. We review the multi-disciplinary literature on incumbent inertia, and advocate research opportunities that consider the complex relationships among demand- and supply-side incumbent inertia factors. The extant literature lacks emphasis on the demand-side sources of incumbent inertia pertaining to consumer preferences and behaviors. Our goal is to bring the demand-side perspective into focus.

Supply-side sources of inertia relate to the incumbent's supply of its product or service, specifically concerning (1) lock-in of specialized assets, (2) fear of cannibalization, and (3) inflexibility of organizational routines. The primary demand-side factors are (1) customer preference formation, (2) customer switching costs, and (3) network externalities. Our review suggests several interesting relationships among the supply-side and demand-side factors. For example, consumer preference formation, brand strength, and switching costs accumulate to the incumbent's current products. As this generates repeat purchases, incumbents will have less strategic incentive to orient themselves to new and uncertain markets that may jeopardize current sales. Willingness to cannibalize and customer orientation may thus dynamically interact with consumer preference formation and switching costs. In addition, specialized assets, routines, and knowledge bases may also interact with preference formation and switching costs. Assets and capabilities determine the mechanisms whereby the incumbent influences consumer preferences and switching costs. If such efforts are successful, the incumbent will likely continue its current path, becoming further committed to its existing capabilities.

Based on our review, we can identify substantial differences in likely incumbent performance across different conditions of high or low supply- and demand-side inertias. An incumbent faces high supply-side inertia if it possesses relatively high levels of specialized assets, established routines, knowledge bases, current customer orientation, and fear of cannibalization. An incumbent

faces high demand-side inertia if network externalities and switching costs are relatively strong and consumer preference formation favors the incumbent's products.

High Supply-Side, High Demand-Side Inertias. A high level of supply-side inertia is often seen as an incumbent disadvantage. However, this need not be the case if the incumbent is accruing advantages due to high demand-side factors. If the incumbent locks-in valuable customers, then specialized assets and routines can make the incumbent more efficient at serving a large base of current customers. This advantage may be short-lived if competitors can effectively engage in product improvements or disruptive innovation that causes a break-down in the demand-based advantages. Guarding against this possibility requires the willingness to cannibalize and an emerging customer orientation. The incumbent's innovative efforts may best be accomplished via an autonomous incubator, isolated from the influence of current customers and established routines.

High Supply-Side, Low Demand-Side Inertias. If the incumbent cannot benefit from customer lock-in due to a low level of demand-side inertia, supply-side inertia is often detrimental to performance. For example, supply-side inertia may not allow the inclusion of recent technology in product offerings, giving new entrants an advantage. Several approaches can help incumbents mitigate such supply-side disadvantages. Encouraging R&D projects which draw upon emerging technology outside of the firm's competence can establish new organizational routines and diversify the firm's knowledge base. Investing in rival technologies (and promoting internal rivalry) can also diversify the knowledge base and build acceptance to cannibalization.

Low Supply-Side, Low Demand-Side Inertias. An incumbent with little demand- or supply-side inertia is not hampered in its ability to make swift changes as the need arises, but cannot lock-in customers due to an absence of switching costs, network externalities or customer preferences. Customer loyalty becomes hard to develop in this situation, so incumbents should create a stronger bond to customers by investing in brand building. The incumbent may also develop routines to achieve efficiencies and build specific capabilities over time, recognizing the trade-offs from becoming too entrenched or rigid in its activities. Potential for an incumbent performance advan-

tage exists, depending on how beneficial assets and capabilities become over time and whether customer loyalty can be earned.

Low Supply-Side, High Demand-Side Inertias. Low supply-side inertia with high demand-side inertia enables the incumbent to benefit from customer lock-in and adapt to technological or market changes. This could generate performance advantages, particularly if demand-side benefits can be leveraged across several markets. For example, an umbrella branding strategy would potentially

expand customer lock-in to multiple product lines and reduce inertia that would focus on any one customer segment.

The incumbent faces complex strategic tensions between the various supply-side and demand-side factors. We find that failing to include demand-side factors provides an inadequate lens on incumbent performance and strategies. Our review creates a starting point for a broader perspective that recognizes the supply- and demand-side dynamics.

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CUSTOMER COPRODUCTION BEHAVIOR IN TECHNOLOGY-BASED SELF-SERVICE DELIVERY PROCESS: THE INFLUENCE OF STORE KNOWLEDGE

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SUMMARY

In recent years, intense competition in retail markets has been increased the need for retailer to conduct new service delivery strategies to retaining and attracting customers (Sirohi, McLaughlin, and Wittink 1998). To overcome the limitations of the business scope of stores and enhance patronage rate, retailers have introduced another new service delivery modes (Meuter et al. 2005) to enrich marketing mix and bring more and more convenience services to customer. These trends have been pronounced in the retail industry, for example, convenience stores in Taiwan are installing technology-based self-service with touch screens options that offer variety of services accessible through the Internet, linking offline and online service. Furthermore, the literature shows that retailers are increasingly adopting technology-based self-services as a means to create value (Meuter et al. 2005). Thus, technology-based self-services represent a new alternative service channel aimed at developing stronger partnerships with customers (Vargo and Lusch 2004; Meuter et al. 2005), which could be the next new frontier in achieving competitive advantage.

However, previous research fails to consider the critical role of store knowledge and customer coproduction in self-service technology delivery process. Hence, this study incorporated reciprocal spillover effect to offer a theoretical model to investigate the relationship among store knowledge (store image and store awareness), customer coproduction and customer citizenship behavior. Furthermore, the authors consider the mediating role of customer coproduction between store knowledge and customer citizenship.

On the basis of testing the empirical hypothesis, a sample of 581 customers in a convenience store was conducted. We used AMOS5.0 to perform the two-step approach as suggested by Gerbing and Anderson (1988) to test our hypotheses. Also, we suggest customer coproduction as a mediator of the effects of store image and store awareness on customer citizenship variables. We conduct a mediation test followed by Baron and Kenny (1986) and Mackinnon et al. (2002).

Therefore, the results support the importance of customer coproduction and the effect of store knowledge in technology-based self-service. Store's knowledge encourages customers to use the new technology-based self-service in the store and coproduce with store to co-create customer value. That is, when customers have a positive feeling about the store, they will be more willing to participate in new service and then engage in extra-role behavior that contributes to the store.

Also, store image and store awareness have a significant positive association with customer coproduction and customer citizenship behavior. In other words, store knowledge (store image and store awareness) stores in the node in customer brain and when the store introduces new service that will connect to the node, consumer will become familiar with the new service and more willing to adopt it. In particular, the store's image and awareness will encourage customer to participate in the technology-based self-service delivery process and by recommending it to other people, helping other customers, and providing feedback to the store. This supports theoretical literature that store's image and awareness are the key elements that prompt consumers to accept store's new technology-based self-service.

Our results also empirically support the mediating role of customer coproduction on technology-based self-service delivery, fulfilling the gap in the previous literature (Dabholkar and Bagozzi 2002; Meuter et al. 2005; Weijters et al. 2007). Customer coproduction is essential for the technology-based self-service delivery process. This result is consistent with Bettencourt (1997) and social exchange theory, which suggests that if consumers have positive feelings about the store, they are more willing to be a part of the store and actively participate in the service delivery process.

The substantive findings of our study should be considered in light of our study's limitations. We studied customers from a single industry-convenience store. Although our primary goal is to investigate customer coproduction behavior within technology-based self-service delivery process, this kind of service involves

low-level knowledge coproduction in most customers, so the coproduction behavior is completed through transfer work loadings from the employee to the customer. Customer plays a passive role in this service delivery process (Blazevic and Lievens 2008). Therefore, to create

additional value for the firm, further research needs to investigate the effect of customer coproduction in high level knowledge coproduction context, for example new product innovation process.

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DISCRETIONARY COLLABORATIVE BEHAVIOR: CONSUMERS HELP THEMSELVES TO BETTER SERVICE

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ABSTRACT

This study investigates collaborative or helping behaviors performed by customers toward their service providers. This paper integrates relevant literature with the results of three studies recently performed by the author in order to determine the role of consumers in the relationship and the consumers' affect on their satisfaction levels. Study 1 used the critical incident technique (CIT) from 330 CITs to generate a total of 56 rules and these rules were categorized into four categories: Informate, Collaborate, Negotiate, and Escalate. In the second study, 64 CIT stories were collected and the list of rules was narrowed down into 44 rules that fit the four categories. Study 3 was a survey of 108 professionals concerning their satisfaction with a vendor-provided information system that they used in their jobs and the role they played in the process. Four potential antecedents of customer helping behaviors were identified. They were: SATISFACTION, INVOLVEMENT, OPINIONLEADERSHIP, and SELF-EXPRESSION. The discretionary collaborative behaviors for study 3 were grouped into three categories: PRAISE, INFORMATE, and COLLABORATE. This research found that the role of both the ultimate consumers and business-to-business consumers were instrumental in the satisfaction and quality of service they received. Consumers who were most satisfied with the service they received were more helpful to the service provider and more active in the relationship. The concept of "Service Rules" is introduced as the techniques and tools a consumer can use in a service encounter in order to obtain quality service and the highest level of satisfaction.

INTRODUCTION

Parties in a collaborative relationship will normally try to help one another in various ways. Such helpful behavior may be thought of as one of the central characteristics of a collaborative relationship. The work reported in this paper is based on two notions: (1) that collaboration is at the heart of a successful, long-term service provider-customer relationship, (2) that a collaborative relationship is identified or defined by the collaborative or helping behaviors performed by the parties.

This study investigates collaborative or helping behaviors performed by customers toward their service providers. Such an approach may be interesting and useful because it focuses on behaviors which are not

normally thought about when considering the customer-service provider relationship. It is natural to think of a service provider helping clients, since the role of a service provider is to satisfy customer needs. The organizational buyer, however, is often thought of as playing the role of a demanding, rational (or, at least, boundedly rational), optimizing (or, at least, satisficing) decision maker. Yet customers sometimes perform seemingly altruistic behaviors intended to improve the situation of their service provider.

The pragmatic utility of collaboration has been acknowledged in marketing literature, which has begun to focus on long term relationships between buyers and sellers rather than on discrete transactions. While it has been pointed out that a focal firm is engaged in a network of relationships that includes at least ten classes of organizational entities (Hunt 1993), investigations to date have for the most part centered on the dyadic relationship between buying and selling firms. McKenna, for example, has defined relationship marketing as "marketing that finds a way to integrate the customer into the company, to create and sustain a relationship between the company and the customer" (1991, p. 68). Though as Sheth (1993) observes, marketing lacks a unified theory of interdependence, a number of theorists have suggested that cooperation and collaboration are at the heart of successful buyer-seller relationships. Hunt (1993), for example, has articulated a paradox of relationship marketing: to be an effective competitor requires one to be an effective cooperator, and Stern (1993) has suggested that strategic cooperation is the real issue in relationship marketing.

This paper integrates relevant literature with the results of three studies recently performed by the author in order to determine the role of consumers in the relationship and the consumers' affect on their satisfaction levels. Study 1 used the critical incident technique (CIT) to generate a total of 56 rules and these rules were categorized into four categories: Informate, Collaborate, Negotiate, and Escalate. In the second study, CIT stories were collected and the list of rules was narrowed down into 44 rules that fit the four categories. Study 3 was a survey of 108 part-time MBA students working in various professional capacities which explored customer behaviors toward information services providers. Following a brief review of relevant prior research, results of these studies are reported.

PRIOR RESEARCH

There are several streams of literature that shed light on collaborative behavior: buyer-seller relationships and helping behavior.

BUYER-SELLER RELATIONSHIPS

As in any relationship, various types of behaviors are expected to be performed by each party. In a buyer-seller relationship, it is assumed that the seller will perform certain types of behaviors to facilitate the process for the buyer. Bettencourt and Brown (1993) suggest that in service encounters, service employees sometimes perform extra-role behaviors. Extra-role behaviors are those discretionary services an employee may provide that are not explicitly recognized by the formal reward system. These extra-role behaviors may add value to the customer. In the present study, discretionary extra-role behaviors performed by industrial buyers are the focus of interest, since it is presumed that such behaviors are part of the bonding process which occurs as buyer-seller relationships evolve.

Customers are coming to expect the unexpected when it comes to service quality. "Customers have gone from being surprised and delighted by marketers' attempts to discover what will most please them . . . to demanding that they do nothing less" (McKenna 1997). McKenna suggests that the roles of producer and consumer are reversed and now, due to technologies and consumer expectations, the consumer will dictate exactly how he or she would like to be served. Whatever the nature of the service, in gourmet or fast-food restaurants, in luxury or economy hotels, at airline ticket counters or travel agencies, in call centers for financial institutions, utility companies, or information technology help desks, customers expect fast, accurate, and friendly delivery of service.

There has been much research attempting to determine what companies can do to provide better service to their customers. There has also been a significant amount of research exploring the relationship between service providers and their customers. The core of relationship marketing suggests a collaborative interaction between a service provider and a customer. Sheth (1993) sees cooperation and collaboration at the heart of successful buyer-seller relationships. Anderson and Narus (1990) proposed a buyer-seller relationship model in which cooperation (defined in terms of mutual helpfulness) is posited as an antecedent of satisfaction. But most of this research puts the responsibility of developing the relationship in the hands of the service provider.

Previous research recommended that service organizations create a Collaborative Service Culture within their

company (Guskey and Heckman 1998). A Collaborative Service Culture is an environment in which both service providers and customers are predisposed to help each other by cooperating and working together to reach a mutual objective. The result is total customer satisfaction and committed customer loyalty. This approach to the problem of creating high-quality customer service rests on two assumptions: (1) all service is collaboration, and (2) collaboration is fundamentally discretionary.

Service as Collaboration

Researchers have pointed out that services are delivered predominantly through service encounters, and that in a service encounter the service itself is jointly created through an interaction between the service provider and the customer (Surprenant and Solomon 1987; Bitner 1990). Surprenant and Solomon et al. (1985) defined the service encounter as "the dyadic interaction between a customer and service provider." In service encounters, both customers and service providers have relatively formal roles that govern their actions (Solomon et al. 1985). The provider and the customer work together – collaborate – to create the service. The effectiveness with which they do this determines the level of quality attributed to the service. Thus, effective collaboration is at the heart of quality customer service.

Collaboration is Discretionary

While collaboration can, to some degree be legislated or mandated, it is within each individual's power to decide the extent to which he or she will help. Bettencourt and Brown (1993) have observed that in service encounters, employees sometimes perform extra-role behaviors which add value to the customer. Extra-role behaviors are those discretionary services an employee may provide that are not explicitly required or sometimes even recognized by the formal reward system.

Customers may also perform behaviors which are beyond the scope of the typical buyer role. Heckman (1993) described discretionary collaborative behaviors (DCB) performed by customers in the information technology industry.

Discretionary Collaborative Behavior is positive, prosocial behavior that helps a relationship partner, is not required by contract, contributes to the effective functioning of the relationship, and is performed without regard for direct, compensatory reward or sanction (Heckman and Guskey 1998a). Examples of such behaviors in the information technology context include providing leads for the vendor, serving as an existing customer reference, participating in advisory boards, or serving as a beta test site for new releases of software. This type of customer

helping the service provider was also found in the university/alumni relationship where alumni helped their alma mater (Heckman and Guskey 1998b).

Discretionary collaborative behavior may be thought of as one of the central characteristics of the healthy collaborative relationship described in the new marketing paradigm (Heckman and Guskey 1998a). Whether performed by buyers or sellers, discretionary collaborative behavior is an important feature of an effective relationship. Thus the fundamental challenge facing consumers is how to elicit this discretionary collaborative behavior from a service provider. What techniques can a consumer use to encourage a service provider to provide the best quality service? One of the determinants of customer satisfaction with retail service encounters is *unprompted employee actions* (Bitner, Booms, and Tetreault 1990) and with professional services is *helper characteristics and behavior* (Heckman and Guskey 1998a). The present study will attempt to determine how customers can get service providers to perform these unprompted actions or helpful behavior in a way that best satisfies them.

HELPING BEHAVIOR

Collaborative behavior can be seen as a subset of the more general class of helping behavior. Sometimes labeled prosocial behavior, helping has been defined as behavior that benefits other people (Schwartz and Howard 1981; Staub 1978). Two basic motives for helping have been identified in the social psychology literature. They are: (1) exocentric or altruistic motives – helping others with no conscious assessment of personal gain; and (2) endocentric or egoistic motives – helping others with conscious attention to potential personal gain (Karylowski 1982). Most psychologists argue that helping behavior is predominantly endocentric or utilitarian ultimately directed toward increasing one's own material welfare or sense of psychological well-being. Behavior intended to produce psychological well-being in an individual, while considered endocentric in psychological terms, might be considered non-utilitarian in the economic context of business to business relationships.

Helping behavior has been studied extensively in the social psychology literature, yet there has been little work in this area in marketing. Although many studies have explored information sharing among consumers (which can be considered a form of helping behavior), there has been little work specifically studying other types of helping behavior or reasons why helping occurs in the marketplace. A distribution channel study by Olsen and Granzin (1992) examined cooperation between manufacturers and dealers to combat counterfeiting of their products. The research found that willingness to help was a function of Salience, Consumer Negligence, Retailer Responsibility, Manufacturer Responsibility, and Government Responsi-

bility. Anderson and Narus (1990) proposed a buyer-seller relationship model in which cooperation (defined in terms of mutual helpfulness) is posited as an antecedent of satisfaction.

A study examining the helping behaviors of consumers (Guskey-Federouch 1990) found that the antecedent of Market Helpful Behaviors was market maven-ness which mediated involvement and altruism with market helping behaviors. The construct of Market Helpful Behaviors was found to factor into four types of helping behaviors: Information Sharing, Information Search, Coupon Exchange, and Purchase Surrogacy.

METHODOLOGY

Three studies were conducted. In the first study, interviewers collected data on various techniques or rules customers had used to get better service. In the second study, interviewers, using the typology established in study one, collected stories of how customers had applied specific rules to get better service.

For each study, the Critical Incident Technique (Flanagan 1954; Nyquist et al. 1985) was employed. This qualitative method has been used frequently in marketing studies (Bitner et al. 1990, 1994; Heckman and Guskey 1998a, 1998b; Keaveney 1995). The Critical Incident Technique (CIT) consists of a set of specifically defined procedures for collecting observations of human behavior and classifying them in such a way as to make them useful in addressing practical problems (Flanagan 1954). Through interviews, the Critical Incident Technique records events and behaviors that have been observed to lead to success or failure in accomplishing a specific task (Ronan and Latham 1974). It is a method that is comparable to other inductive grouping procedures such as factor analysis, cluster analysis, and multidimensional scaling. Unlike these procedures, however, CIT uses content analysis of stories rather than quantitative analysis to inductively discover groupings which can be used to explain the underlying causes of satisfaction.

In the CIT, interviewees are asked to remember extreme or memorable cases of a specific type. The use of extreme cases is intended to overcome various biases associated with recall, and also to provide data points which are the most vivid exemplars of the phenomena being investigated. In the current study, interviewees were asked to provide vivid, verbal descriptions of specific incidents where they encouraged the service provider to provide them with an extremely satisfying service encounter.

The critical incident technique as originally described by Flanagan (1954) and subsequently developed by others is a systematic process which includes three stages: (1)

an explicit definition of the aim and purpose of the activity being studied, (2) a systematic data collection procedure, and (3) a rigorous procedure for analysis and classification of the incidents. The following three sections describe in detail how each stage was operationalized in this study.

The purpose of this study was to develop a set of rules that consumers can use to obtain better service from a service provider.

Following the method employed by Bitner et al. (1990), interviews were obtained by students trained in CIT interviewing. The interview assignments were part of class projects in three different graduate and undergraduate consumer behavior classes. About 50% of these students were employed full time, and they were encouraged to collect incidents from coworkers and other contacts, but not from other students. Students were given one hour of classroom instruction, readings describing the critical incident technique processes, and an opportunity to conduct mock interviews in class. Students were extensively trained in this procedure.

The script they were to use was: "Think of a very satisfactory or a very dissatisfactory service encounter in which you have done something to ensure that you will receive better service from a service provider. Tell me about that particular incident. What did you do to get good service?"

The following criteria were used:

1. It has to be a specific incident.
2. The customer had to be extremely satisfied or dissatisfied.
3. They needed to interact with the service provider.
4. The customer must have done something to try to get better service.
5. There had to be sufficient detail to visualize the incident.

All interviews were tape-recorded and transcribed verbatim (the average transcribed interview was between one and two pages in length), and subsequent analysis was performed using the full transcripts. Use of transcribed, verbatim text allowed us to capture the richness of respondents' "stories." This data collection procedure resulted in a convenience sample, which limits the ability to perform inferential statistical analysis, and limits the ability to generalize findings to a wider population. Since the critical incident technique employs a qualitative analysis

procedure, limiting statistical analysis is not necessarily a drawback. Caution is required, however, in generalizing these exploratory findings until they have been confirmed in subsequent studies.

For study one, each of the 55 students from an undergraduate and a graduate consumer behavior class collected six CITs (three satisfactory and three dissatisfactory) for a total of 330 CITs. They were then asked to generate a list of rules they believed their respondents used to improve the quality of service they received.

ANALYSIS AND CLASSIFICATION PROCEDURE

The CIT classification procedure (as described by Bitner et al. 1990) consists of reading and rereading, sorting and discussing the transcribed incidents, and looking for similarities. Descriptions of 330 useable incidents were obtained. As a group, each class generated a list of rules from the 330 incidents they had collected. The undergraduate class generated 32 rules and the MBA class generated 50 rules. From this list of rules, the researchers, after eliminating redundancies, came up with a total of 56 rules. These 56 rules were then organized into four categories by the researchers. The four categories were: *Informate*, *Collaborate*, *Negotiate*, and *Escalate*.

The students then reviewed each incident again to determine which of these 56 rules were being used in each incident. See Table A for the list of the five most frequently mentioned rules for each category for study one.

The second study required a different group of students to gather a CIT for each of the four basic categories and list the rules which applied to each CIT. Students used the same list of 56 rules. A total of 64 CITs were collected. See Table B for a list of the top five rules for each category.

The scheme that finally emerged included 11 subcategories grouped into the four major categories. A full description of the classification scheme is discussed in more detail in Table C.

STUDY 3: B2B CUSTOMERS HELPING BEHAVIORS TOWARD VENDORS

Study 3 was conducted to explore the antecedents of customer helping behaviors in the industrial marketplace for information services, and to explore the underlying dimensionality of a set of behaviors thought to reflect customer helpfulness to the vendor. Five potential antecedents of customer helping behaviors were identified. They were: SATISFACTION, ALTRUISM, INVOLVEMENT, OPINION LEADERSHIP and SELF-EXPRESSION.

TABLE A

INFORMATE

- 1. Say what you want. (n = 261)
- 2. Know what you want. (n = 254)
- 3. Expect great service. (n = 162)
- 4. Know the system. (n = 144)
- 5. Know what to expect. (n = 134)

COLLABORATE

- 1. Will you help me? (n = 141)
- 2. Go local. (n = 105)
- 3. Make them listen to you. (n = 96)
- 4. Make a friend (n = 88)
- 5. Smile. (n = 80)

NEGOTIATE

- 1. Don't be intimidated. (n = 154)
- 2. Insist. (n = 126)
- 3. Persist (n = 108)
- 4. Know your best alternative. (n = 92)
- 5. Be honest. (n = 89)

ESCALATE

- 1. Tell all. (n = 141)
- 2. Give them a chance to "make it better." (n = 116)
- 3. Use the experience as a lesson for the next service encounter. (n = 113)
- 4. Go to the top. (n = 97)
- 5. Give them one more chance, then drop them like "a hot potato." (n = 55)

TABLE B

INFORMATE

- 1. Say what you want. (n = 10)
- 2. You only get what you pay for – PAY THE PRICE. (n = 8)
- 3. Expect great service. (n = 6)
- 4. Know the system. (n = 6)
- 5. Dress for success. (n = 6)

COLLABORATE

- 1. Praise. (n = 10)
- 2. Where everybody knows your name. (n = 9)
- 3. Use humor. (n = 9)
- 4. Smile. (n = 8)
- 5. Will you help me? (n = 7)
- 6. Go local. (n = 7)

NEGOTIATE

- 1. Don't be intimidated. (n = 11)
- 2. Insist. (n = 11)
- 3. Have your documentation in order. (n = 11)
- 4. Speed counts. (n = 9)
- 5. Be honest. (n = 5)

ESCALATE

- 1. Go to the top. (n = 14)
- 2. Tell all. (n = 11)
- 3. Vote with your dollars. (n = 11)
- 4. Write complaint letters to the company. (n = 10)
- 5. Threaten to go somewhere else. (n = 9)

TABLE C

INFORMATE

1. **Say what you want.** Say it clearly, early on to the servicer. Ask them to repeat it to make sure it is right. Let the servicer know your special needs or situation (e.g., if you are a vegetarian, or want a room with a view, or will be arriving late). If you don't ask for what you want, you might get something else. **KISS** – Keep it simple stupid. Explain your problem simply. This is hard to do sometimes in this age where services and systems keep getting complex.
2. **Expect great service.** Raise your expectation level. Never underestimate a good company's desire to satisfy you.
3. **Know the system.** Read the fine print. Understand return policies. Know what you need to get through the system. Know the facts. Never assume anything. Ask questions. Be smart. Be informed. Know what to expect.

COLLABORATE

1. **Smile.** The power of a smile works wonders. Greet the servicer and offer a warm hello. Use non-verbal cues.
2. **Will you help me?** Use the magic words "Will you help me?" This is the heart of the system – asking for help.
3. **Go local.** Build relationships with local suppliers to get better service. Many national companies do not want you to call the local number. Hotel chains and rental car agencies require you to call the national number. Many times the local number is not listed in the phone book and you can not obtain it.

NEGOTIATE

1. **Don't be intimidated.** You are paying the bill. Speak up. Don't be afraid to complain. Complaints are a gift to a company.
2. **Insist.** Be nice, but insist. When you are right, insist. For example: Ask "servicer" to recognize reality. Persist. Even people who are surly will give you what is right if you stay with it.
3. **Be honest.** A foundation of "principled negotiation" (From *Getting to Yes*, the book which describes the results of the Harvard Negotiation Project).

ESCALATE

1. **Go to the top.** When you have a problem that won't get resolved, you may have to go to the supervisor, or the president.
2. **Tell all.** How to use word-of-mouth to help others. Research has shown that consumers help other consumers and they enjoy doing it. Show the importance of word-of-mouth.

Established scales used in this study were: ALTRUISM (Pierce 1975), OPINION LEADERSHIP (Summers 1970), INVOLVEMENT (Zaichkowsky 1985), and SELF-EXPRESSION (Higie and Feick 1989). Reliability of the established scales was evaluated using Cronbach's alpha and ranged from .78 to .93. A two-item scale measuring customer SATISFACTION with the information system product and with the vendor was also developed. Reliability for the two item SATISFACTION scale was .847.

Based on structured interviews with vendors, customers, and consultants active in the sale or procurement of information technology products and services, a scale called CUSTOMER HELPING BEHAVIOR was con-

structed for this study. Based on the structured interviews, a pool of 18 items thought to represent CUSTOMER HELPING BEHAVIOR was developed. Factor analysis and reliability analysis showed that three items should be dropped from the scale. The reliability of the resulting 15-item scale was .927.

A sample of 108 part-time MBAs were surveyed concerning their satisfaction with a vendor-provided information system that they used in their jobs. Only students with full time work experience were included in the sample. Seventy seven percent were employed full time while the remaining 23 percent had a history of full time work experience. The average work experience was 7.1

TABLE D
Factors of Customer Helping Behavior

FACTOR ONE – PRAISE

- Support and defend the vendor in meetings with senior management
- Praise this vendor and its products to someone who asks about them at a cocktail party
- Praise this vendor and its products to a prospective buyer who seeks information
- Praise the quality of the vendor's product and service to co-workers
- Support and defend the vendor in discussions with subordinates

FACTOR TWO – INFORMATE

- Call the vendor to complement its product and/or services
- Actively participate in a users' group to provide new product input
- Write the vendor to complement its product and/or services
- Participate in an advisory group to help shape the vendor's strategic direction
- Work closely with the vendor to develop new product initiatives
- Informally exchange ideas about industry and technology direction with the vendor

FACTOR THREE – COLLABORATE

- Serve as an existing customer reference to prospective buyers of this product
- Allow our shop to be a beta test site for a new release of this product
- Provide leads on prospective customers to the vendor
- Welcome prospective buyers of this product into the shop to see the system in operation

years. The sample contained 49 percent women and 51 percent men. Three percent were senior managers, 30 percent middle managers, 19 percent first line managers and professional workers. Thus, the sample was judged to be reasonably representative of managers and professionals in the work force.

In order to gain greater insight into the dimensionality of helping behaviors, a principal components factor analysis with varimax rotation was conducted on the items of the CUSTOMER HELPING BEHAVIOR scale. A three-factor solution was obtained.

The first factor can be labeled PRAISE. This particular factor consists of items that relate to praising the vendor to others within the customer's organization, both senior management and subordinates, and supporting the vendor to others. This factor is comprised of five items (See Table D for items and factors).

The second factor can be labeled INFORMATE and consists of six items. The items relate to sharing information with the vendor that will be beneficial with regard to new products or strategic plans.

The third factor is labeled COLLABORATE and includes four items all dealing with formal collaboration with the vendor. These items are more formalized behaviors such as serving as a customer reference, providing

leads on prospective customers, or serving as a beta test site for new products.

In order to evaluate the proposed antecedents of CUSTOMER HELPING BEHAVIOR, a regression analysis was performed. ALTRUISM was dropped from consideration prior to the regression analysis because it did not have a significant correlation with the dependent variable. Results of the regression analysis are shown in Table E.

RESULTS

The results of the third business to business study was consistent with the first two consumer studies. Although the third study did not pursue the more negative factors of negotiating and escalate, the more positive, helpful type of behaviors surfaced in all three studies.

SERVICE RULES

The philosophy behind *Service Rules* is based on the principles of helpfulness, collaboration, altruism and community. This philosophy fits well into the marketing concept which suggests that the customer is number one. Everything a marketing oriented company does should revolve around the consumer. This paper explored various techniques that consumer can use in order to receive exceptional quality service. The philosophy behind the Service Rules is surprising. It is not intended to turn

Table E
Multiple Regression Analysis
Antecedents of CUSTOMER HELPING BEHAVIOR

<u>VARIABLE</u>	<u>BETA</u>	<u>SIG</u>
SATISFACTION	.48	P < .001
INVOLVEMENT	.00	NS
OPINION LEADERSHIP	.27	P < .05
SELF EXPRESSION	.04	NS
R ² = 0.32		
p < .0001		

consumers into an abrasive, irritating, impossible to please customer who complains about everything and brow beats every waitress, clerk and phone representative into giving better service. In fact, the Service Rules philosophy is just the opposite. It is based on the principles of helpfulness, collaboration, altruism and community. Creation of a collaborative service culture is the responsibility of both the service provider and the customer. Because

every service is jointly created by customer and provider each time it is delivered, both customer and provider ultimately share the responsibility for creating a collaborative service culture. When customers practice the Service Rules, they are taking their own satisfaction in their own hands. They are developing the relationship they have with their service provider. It is a win-win situation for both provider and customer.

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SATISFACTION IN THE CONTEXT OF CUSTOMER CO-PRODUCTION: A BEHAVIORAL INVOLVEMENT PERSPECTIVE

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SUMMARY

Customer satisfaction has a decades-long history of research in marketing. Scholarly interest has been sustained by evidence that satisfaction leads to loyalty (Suh and Yi 2006), efficiency of promotional programs (Luo and Homburg 2008), and financial performance (Anderson, Fornell, and Mazvancheryl 2004; Fornell, Mithas, Morgeson, and Krishnan 2006).

Against this backdrop of the established importance of satisfaction, marketing appears to be undergoing a paradigm shift from goods dominant logic to services-dominant logic (S-D Logic: Vargo and Lusch 2008; Vargo and Lusch 2004). That is, marketing scholars and practitioners have shifted their focus from tangible resources, to intangible resources, the co-creation of value, and relationships (Vargo and Lusch 2004). A cornerstone of S-D Logic is the assumption that consumers are integrated in value creation from the initial stages of design through the entire usage life of a product (Lusch, Vargo, and O'Brien 2007).

This development reflects a dramatic shift in researchers' interest in consumer behaviors that occur after a market transaction to consumer behaviors that are wholly integrated throughout production and consumption. This wholly integrated role of consumers likely is not devoid of implications for consumers' evaluations of their experiences with goods. The influence of behaviors on a broad range of experiences is well established (Fishbein and Ajzen 1975). However, despite evidence that behaviors influence attitudes and despite the increasing emphasis on customer value creation, research has not addressed the degree to which behavioral engagement in value creation activities relates to customer satisfaction.

The present study aims to address this gap by examining the extent to which behavioral commitment to value creation is associated with satisfaction with the product. Our study differs from past studies in that we examine how behavioral variables, as opposed to attitudinal variables, relate to customer satisfaction outcomes. Satisfaction studies grounded in an attitudinal perspective are limited in the degree to which they can explain how the behavioral demands of customer value creation relate to satisfaction.

The produce product category reflects a market landscape where some consumers are presented with choices between traditional market channels or less traditional channels that require greater customer co-production. Understanding why consumers pursue and remain within alternative market channels has obvious implications for marketing practice. However, a conceptual framework for understanding these consumer decisions is a necessary prerequisite for developing generalizable practices. We argue here that dissonance theory is an apt framework for examining the co-production effects that occur in non-traditional market channels.

The purpose of this paper is to add to the current research on consumer satisfaction by (1) using CSAs as a context to test Vargo and Lusch's (2004) service dominant logic, (2) offering an initial conceptual frame for understanding consumer satisfaction in this CSA context, (3) developing a framework for further research and practical steps for increasing the market for alternative food channels such as CSAs.

In order to test our theoretical framework, data were collected in three urban areas using a stratified random sample design. Respondents were randomly recruited from zip codes found to have a high concentration of CSA locations. One-hundred ninety-eight individuals, serving on a panel at a large marketing research firm, completed an online survey. Results showed several significant differences between CSA and non-CSA members. First, CSA users were found to have greater levels of satisfaction with their vegetables than traditional grocery shoppers. Second, CSA members reported more behavioral involvement in food-related activities than traditional supermarket shoppers. Third, the relationship between CSA membership and product satisfaction was found to be mediated by behavioral involvement in food-related activities. Finally, this mediated effect is more robust with time. In other words, continued behavioral involvement increases the likelihood of continued CSA membership and increases in product satisfaction.

Our findings suggest that the relationship between greater customer co-production and greater satisfaction can be explained by a dissonance-reduction framework. The effort demanded from co-production produces dissonance that is reduced by strong feelings of satisfaction with the product. These findings are consistent with the

inherent value from co-production suggested by Vargo and Lusch (2004). Lusch, Vargo, and O'Brien (2007) argue that consumers add value to product experiences through both pre-purchase co-production and post-purchase consumption activities. That is, consumers collectively create value through both co-production and

value-in-use activities (Merz, He, and Vargo 2009). By demonstrating significant relationships between satisfaction and both commitment to co-production and behavioral involvement in the product category, our study provides empirical support for both types of value-adding activities proposed by service-dominant logic theorists.

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MANAGING CUSTOMER PARTICIPATION THROUGH CUSTOMER EDUCATION: A RESEARCH AGENDA

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SUMMARY

Acknowledgment that customers are co-creators of value (Vargo and Lusch 2004) has led to calls for marketers to change their pedagogical role from mass communicators to “instructors, coaches and advisors in the prosomption process” (Xie et al. 2008, p. 119). Customer education has become a crucial aspect of communications to facilitate management of customers’ participation. Research in this area has been restricted to only a limited range of customer education inputs, with particular neglect of customer-to-customer education, inconsistencies in conceptualization and operationalization of core constructs and failure to account for the dynamic nature of customer education. The paper reviews the emergent body of customer education literature, advances an overarching framework capturing customer education-participation relationship and sets out a future research agenda.

The proposed framework details the process through which customer education leads to customer participation, comprising of: (1) customer education (2) the types of customer participation (co-creation and citizenship behaviors); (3) the psychological responses that mediate the education-participation relationship, including those that drive co-creation (e.g., customer trust) and the additional variables that drive citizenship behavior (e.g., customer satisfaction with the service); and (4) the contextual factors (e.g., situational factors) influencing the effects of customer education on its immediate outcomes. The framework reflects the dynamic nature of the process including feedback from co-creation in a current episode to customer education, role readiness, and customer perceived control in a subsequent episode.

Effective management of customer education requires understanding of how characteristics of customer education influence people, both in terms of their participative behavior and the psychological processes that mediate its effects. Past research focused primarily on service provider expertise (Dellande et al. 2004), while ignoring other perceived features of the source such as trustworthiness, source goals, likeability and supportiveness. With regard to channel choice, scholars acknowledge that customers draw on a range of communication channels to educate themselves (Honebein 1996) but empirical research mainly

examined a single channel. Moreover, Mittal and Sawhney (2001) demonstrated that customer education is most effective when it combines content and process-based knowledge. Indeed, research that examines how features of customer education content influence effectiveness is similarly scarce. Lastly, the impact of customer education timing (i.e., pre-encounter or during service encounter education) has received limited attention.

Customer co-creation requires efforts from customers including mental, emotional, and physical inputs (Rodie and Kleine 2000), while customer citizenship behaviors refer to voluntary or discretionary customer behaviors, which would not affect the successful completion of the service (e.g., positive word of mouth) (Bove et al. 2009); yet prior research has neglected this important distinction (Groth 2005; Bove et al. 2009).

The literature on customer participation widely acknowledged that customer role readiness, incorporating role clarity, ability and motivation, is a key antecedent of successful co-creation (Rodie and Kleine 2000; Dellande et al. 2004). Other antecedents of co-creation include customer perceived control (Langeard et al. 1981) and customer trust in the organization (Lovelock and Young 1979). Empirical research into the role of customer satisfaction has produced contradictory findings, possibly due to differences in definitions and operationalization (e.g., Bettencourt 1997; Groth 2005; Kelley et al. 1992). We conceptualize satisfaction with the education service as an antecedent to co-creation behavior, while satisfaction with the organization is conceptualized as an outcome of co-creation behavior (Dellande et al. 2004), along with customers’ satisfaction with their own performance, a variable which has previously been neglected.

According to the social exchange theory (Blau 1964) satisfied customers who trust an organization will feel obliged to reciprocate. However, inconsistent results have been found for the effect of customer satisfaction with the overall service on citizenship behavior (Groth 2005; Bettencourt 1997).

Possible moderators of the effect of customer education on learning outcomes are customer’s expertise, (Eisingerich and Bell 2008) and customer involvement (Cohen and Chakravarti 1990; Petty et al. 1983). Other

moderators include situational factors, features of the context such as the complexity of the service, the speed of innovation in the industry, product life cycle (Challagalla et al. 2009) and a customer's time pressure (Eisingerich and Bell 2008). However, empirical evidence for most of these potential moderators is scarce.

Once a customer has engaged in co-creative behavior, successfully or otherwise, the experience influences his or her perceived control (Skinner 1995) and role readiness for future co-creation (Bandura 1977; Dong et al. 2008) and, indeed, requirements for further cus-

tomers' education in successive service exchanges. Feedback loops from customer co-creation to these constructs represent these dynamics. Despite the intuitive appeal of a dynamic model, research has predominantly relied on experimental and survey research (Zaho et al. 2008), with no acknowledgment of the dynamic nature of the customer education-co-creation relationship.

The proposed model is intended as an integrative framework. Based on our review of the literature, questions for future research in this area are advanced. References are available upon request from the authors

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AN EMPIRICAL COMPARISON OF THE *STEREOTYPE CONTENT MODEL* AND THE *AAKER SCALE* OF BRAND PERSONALITY IN PURCHASING PROCESSES

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SUMMARY

Building upon Aaker's seminal article (1997), several empirical studies have attempted to provide deeper insights into the role and the importance of the brand personality construct in purchasing processes. However, her scale has also been criticized: Firstly, several authors have not been able to reproduce Aaker's reliability and validity coefficients in replication studies (e.g., Aaker, Benet-Martínez, and Garolera 2001). Secondly, the Aaker scale comprises a large number of items and, hence, takes a lot of space in a survey questionnaire. Beyond scale-focused criticism, Aaker's approach to studying brand personality has been questioned because it does not provide a wider nomological network in which the construct is embedded.

The purpose of this study is two-fold. First, we introduce the stereotype content model (SCM) as an alternative to Aaker's conceptualization of brand personality. Second, we draw upon social psychology to develop a theoretical framework in which brand personality perceptions can be embedded. In particular, we study the role of emotions in the process leading from brand personality perceptions to purchase intentions. More specifically, we turn to the work of Fiske et al. (2002) and of Cuddy et al. (2007). These authors study how stereotypes (together with emotions) influence human behavior.

We model the role of brand personality perceptions in consumer behavior as a brand personality-emotions-attitude-behavioral intentions chain. We base this model on the classical tripartite view of attitudes (Cuddy et al. 2007). In a first step, we expect brand personality perceptions to have a direct impact on consumer emotions. In line with social psychology, we distinguish between positive and negative emotions a consumer may develop toward a brand. Whereas based on the literature that draws upon the Aaker scale, we are not able to formulate hypotheses about the direction of this causal relationship, for the SCM we expect that perceptions of warmth have a positive impact on positive emotions and a negative impact on negative emotions. Likewise we expect a positive relationship between competence and positive emotions and a negative relationship between competence and

negative emotions. In a second step we expect consumers' emotions toward brands to have a direct impact on brand attitudes. We base this expectation on findings in social psychology according to which emotions are a central driver of attitudes (e.g., Allen et al. 2005). In both models, positive emotions should have a positive impact on brand attitude and negative emotions a negative impact. Finally, we expect that positive attitudes influence consumer behavioral intentions.

Based on a sample of 711 respondents, we follow a comparative research approach: In Model 1, brand personality is modeled as a five-dimensional trait construct based on Aaker (1997). Model 2 is designed as a two-dimensional stereotype construct. The results show that both models explain important parts of consumer behavior. While the SCM explains 66.3 percent of the variance of consumers' behavioral intentions, the brand personality model even explains 68 percent. However, a comparison of the model fit indices reveals that the model based on Aaker's brand personality dimensions does not fit the data well ($X^2(1290) = 6117,926$, $GFI = .702$, $AGFI = .669$, $CFI = .782$, $RMSEA = .073$). Furthermore, only two out of five dimensions are important drivers of emotions, brand attitude and behavioral intentions, namely sophistication and sincerity. Sophistication not only has an indirect effect on behavioral intentions, but also a direct significant effect. Contrary to this, the dimensions ruggedness and excitement exclusively affect negative emotions. Finally, the competence dimension has no influence at all on the other constructs. This finding is consistent with earlier criticism of Aaker's competence dimension.

On the other hand, there is the more parsimonious SCM which consists of six items, instead of the 42 items in the Aaker scale. They form the two stereotypes warmth and competence. When compared to its rival, this model yields a better fit ($X^2(121) = 425.585$, $GFI = .939$, $AGFI = .914$, $CFI = .960$, $RMSEA = .060$). And it explains approximately the same amount of variance in consumers' behavioral intentions toward a brand as the brand personality model. Even though stereotypes do not directly affect the intention to repurchase or recommend a brand, the results indicate that a link exists, which is

mediated through positive and negative emotions and brand attitude.

Hence, our study contributes to extant research in two main ways: First, it helps reducing complexity in brand personality measurement. Aaker's brand personality scale requires a set of 42 items reflecting five dimensions. The alternative approach relying upon stereotypes requires fewer items but explains consumers' behavioral intentions in an equal manner. Second, even though no direct link between stereotypes and behavioral intentions was found, the findings provide evidence that brand perceptions are mediated through emotions and attitudes.

From a managerial perspective, understanding how consumers perceive the brand is particularly important.

The results of this study reveal that the two dimensions warmth and competence are sufficient to support managers in two ways.

First, the two brand perception dimensions simplify clear differentiation of the company's brand from competitor brands. They may be useful tools in positioning analyses. Second, the SCM supports brand managers by providing insight into consumer behavior. Whereas the Aaker approach (1997) assumes that one brand is characterized by one personality, the SCM acknowledges that consumers may hold very different perceptions of one and the same brand. By using stereotypes as frame for brand personality studies, managers can attempt to capture the variance in consumer perspectives on their own brand as well as competitor brands.

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NOVEL SPECIFICATIONS: HOW DO CONSUMERS COPE?

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SUMMARY

Firms often try to differentiate their products by introducing novel product features. Previous studies have shown that differentiating products using novel (Mukherjee and Hoyer 2001), trivial (Broniarczyk and Gershoff 2003; Brown and Carpenter 2000), or non-alignable (Zhang and Markman 1998; Zhang and Markman 2001) features can improve product evaluations. Novel information – information that may be new and/or sound unfamiliar – is not however limited to newly introduced product features. In addition, novel-sounding specifications may characterize familiar product features. For example, consumers may be familiar with particular product features (e.g., zoom on a camera) but be unclear in understanding how zoom is measured or specified (e.g., zoom may be described by “7x” or equivalently “37-260mm”). Novel specifications refer to attribute descriptions unfamiliar in relation to the reference points consumers would typically expect or feel comfortable using to evaluate the quality of such attributes. Novel specifications are particularly commonplace in the case of quantitative (numeric) specifications where it is possible to multiply or rebase specifications into novel yet objectively equivalent formats (Hsee et al. 2009; Krider et al. 2001). For example, the size of a pizza may be described by the diameter “8 inches” or the total area “50 sq. inches”; both formats are objectively equivalent representations of the product feature “pizza size.”

While extant research demonstrates that novel product features can improve product evaluations (Mukherjee and Hoyer 2001), it has also been shown that consumers face stress when faced with technical jargon (Mick and Fournier 1998). Faced with both easy- and difficult-to-evaluate features, consumers tend to rely on easy-to-evaluate features particularly when evaluating alternatives in isolation of comparable alternatives (i.e., single-evaluation tasks). Thus, technical specifications become relatively more meaningful in joint-evaluation situations (Hsee 2000; Hsee 1996; Hsee and Leclerc 1998; Hsee et al. 1999). However, as the uncertainty surrounding novel specifications is created by information that is available and often comparable across alternatives, it is unclear how consumers reduce such uncertainty.

The purpose of this research is to investigate how consumers respond to novel specifications when making choices in joint-evaluation contexts. In contrast to existing research examining how novel information impacts

hedonic preferences (“Which camera do you like more?”), we examine how novel specification formats impact choice (“Which camera will you buy?”). Previous literature examines how novel information impacts evaluation. For example, the effect of novel attributes on liking and desirability (Mukherjee and Hoyer 2001); the effect of irrelevant attributes on liking (Carpenter et al. 1994); the effect of enhanced and unique features on liking (Zhou and Nakamoto 2007). However, previous work fails to consider how novel product information – in particular novel specifications – impact choice. This is an important distinction. When expressing affect consumers simulate experiences and have less need for product specifications (Hsee et al. 2009). For example, consumers don’t need specifications to tell them whether a perfume smells nice. In contrast, consumers tend to seek objective attributes when making choices. Consumers seek clear reasons (e.g., specifications) to justify choice (Shafir et al. 1993). As a result, consumers are more dependent on specifications when making choices relative to forming hedonic preferences (Hsee et al. 2009). This suggests novel specifications should matter when consumers make choices. However, given that consumers are likely to ignore difficult-to-evaluate information, the extent to which consumers weigh novel specifications is unknown.

Varying the way product features are described via novel specification formats is likely to influence consumers’ ease of evaluating attributes. As a result, this may have implications for the way in which consumers utilize such information when making choices. It is expected that the easier a feature is to evaluate, the more weight it will have in choice. This view is consistent with the attribute-evaluability hypothesis (Hsee 2000; Hsee 1996; Hsee and Leclerc 1998; Hsee et al. 1999), the motive-driven perspective (Gal 2006), and recent work on fluency and cue weighting (Shah and Oppenheimer 2007). However, extant literature fails to examine the labeling issue of novel specifications, nor choice, nor the idea that features can remain difficult-to-evaluate in joint-evaluation decisions. Therefore, we hypothesize that novel specifications will have less weight in choice compared to conventional specification descriptions.

If novel specifications are discounted in choice it is likely that consumers will resort to easy to evaluate information and heuristics to inform decisions. As it is well established that brands play a significant role in aiding decision making (e.g., Aaker and Keller 1990;

Keller 1993), it should follow that consumers may weigh credible brands relatively higher when faced with novel specifications. However, regardless of the way in which product features are specified, consumers highly motivated to process information may utilize novel specifications regardless of how easy or difficult they are to evaluate.

To summarize, the objective of this paper is to examine how novel specification formats influence choice. We

form hypotheses considering: (1) the way in which novel formats are likely to be perceived relative to more conventional formats (namely, difficult-to-evaluate); (2) how consumers weigh novel specifications relative to conventional specifications in choice (namely, less); (3) how consumers weigh credible signals such as brand when faced with novel specifications in choice (namely, more); and finally, (4) we consider whether the general effects concerning novel specifications (1, 2, 3) are attenuated by processing effort. References are available upon request.

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THE IMPACT OF CONSUMER NOSTALGIAS AND SELF CONCEPT ON BRAND EVALUATIONS

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SUMMARY

As nostalgia boom in the popular culture continues to expand in its depth and scope, nostalgic themes are frequently seen in marketing campaigns (Naughton and Vlastic 1998). Nevertheless, the communication effectiveness of such ads is not well understood nor do researchers and practitioners generally agree on the best approaches to take with nostalgia marketing (Bussy 2008; Muehling and Sprott 2004). The typical approach of nostalgia marketing has been simply juxtaposing nostalgic symbols (e.g., words, images, and music) with brands in marketing and counting on the positive nostalgic feelings aroused to benefit the advertised brands. Indeed, research on individual nostalgia experience has shown that nostalgia is capable of activate a ray of positive emotions such as warm, secure, relieved, and affection in consumers (Holak and Havlena 1998) and trigger positive thoughts and result in positive attitude toward both the ads and the advertised brands (Muehling and Sprott 2004).

Nevertheless, other marketers call for extreme caution in employing the tactic because the use of nostalgia marketing could potentially undermine years of brand heritage (Bussy 2008). This is in line with research findings showing that, in addition to positive emotional feelings, nostalgia could also evoke a poignant mixture of mental pain at the extreme and sadness and distress at a less severe level with the realization of the loss or by-gone of something desirable (Holak and Havlena 1998). Furthermore, research shows that not all segments of consumers have the same amount of appetite for nostalgic appeals in marketing. For example, nostalgia marketing is often deemed to be the most appealing for baby boomers and older consumers, whereas its persuasion effectiveness on younger generations is debatable (Holbrook and Schindler 1994; Naughton and Vlastic 1998).

Clearly, the conventional tactic with nostalgia marketing of simply pairing any nostalgic symbols with brands and then hoping that the arousal of nostalgic feelings in consumers could in some way benefit the advertised brands is not the paramount approach to take with nostalgia marketing. Though the conventional approach with nostalgia marketing seems to be straight

forward and sounds intuitive, such an approach could alienate consumers and cause boomerang effects of persuasion either because of the bitterness inherently associated with nostalgia experience or because of mismatching nostalgic appeals with target consumers (e.g., those who are low in nostalgia proneness). More critically, the conventional approach with nostalgia marketing affords little brand differentiation advantage since the same emotional response is activated repetitively for many advertised brands. Over time, consumers are likely to be either confused with the advertised brands or tired of repetition of the appeals.

Given the richness and complexity of nostalgia experience, a fruitful approach for nostalgia marketing will be to clearly differentiate the themes of nostalgias and then tailor a specific nostalgia appeal to a particular segment of consumers to connect with consumers in a unique way and also at a more intimate and meaningful level that goes beyond a simple warm feeling. Such an approach will also make it feasible for marketers to use nostalgia marketing to appeal differentially and effectively to diverse segments of the market.

In this research, following prior research on consumer nostalgia, we differentiate between two types of nostalgia marketing appeals: individual nostalgia and collective nostalgia (Baker and Kennedy 1994; Davis 1979). Furthermore, we propose that marketers can connect with their target consumers in a unique and meaningful way by aligning their nostalgia marketing to consumers' self concept: independent and interdependent self (Markus and Kitayama 1991). For consumers with a dominant independent self concept, an individual nostalgia appeal will be more relevant to the self idealization and affirmation and consequently be more persuasive than a collective nostalgia appeal, while the reverse will be true for consumers with a dominant interdependent self concept. Our proposition is in line with the work of Belk (1990) and Stern (1992), in which nostalgia has conceptualized and theorized as a process of self idealization. Individuals indulge in nostalgia to derive a powerful sense of identity, extend the self, and create an ideal self by recollecting, reliving, and even actively reconstructing a prime past.

We test our propositions in the context of revitalization of Chinese time-honored brands through nostalgia marketing. Our experimental study employed a 2 (nostalgia appeal: individual vs. collective) x 2 (self concept: independent vs. interdependent) between subject factorial design. Nostalgia appeal was manipulated by presenting subjects two time-honored Chinese brands that are capable of evoking individual and collective nostalgia respectively. The self concept was measured using the

Singelis' (1994) Self-Construal Scale. A total of 113 undergraduate students from a major university in southern China participated in the experiment for course credits. Fifty-five percent of the subjects are female. Supporting our hypothesis, an ANOVA on brand evaluation showed a significant interaction effect between nostalgia appeal (individual vs. collective) and self concept (independent vs. interdependent) ($F(1, 109) = 13.05, p < .01$). References are available upon request.

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THIS WINE LOOKS GOOD: THE EFFECT OF WINE LABEL DESIGN

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SUMMARY

The choice facing a wine consumer is one of dizzying options with thousands of wine brands available. Indeed the wine market is a fragmented one with the typical grocery store offering 3,000 wine brands. When consumers make the purchase decision for wine, they are more likely to be influenced by the package design than in most other product categories. They may be guided by packaging, price, and merchandising primarily. It's not uncommon for consumers to approach a wine purchase with a price heuristic (e.g., a bottle under \$10 for a dinner at home). Still, with so many choices and limited knowledge with which to judge quality and value, consumers turn to the label for purchase cues (i.e., winery, region, year, varietal). This study set out to better understand the influence of wine label design on purchase and perceptions of wine.

Wine labels have been commonplace since the 1860s. For virtually 100 years no major changes occurred in wine label design. Then, during the 1960s, wine label design flourished and color and personality were introduced to labels and naming conventions. Since the 1990s, this trend has resulted in the presence of three specific label and naming patterns: traditional, contemporary, and novelty. Images of coats-of-arms, chateaus, and vineyards are common to the traditional wine label. Popular brands featuring the traditional design include Bogle, J. Lohr, and Acacia. Contemporary wine labels frequently utilize images of animals and art. Popular contemporary designs include Yellow Tail and Luna di Luna. Novelty labels take the approach of "label as fun" and tend to feature images of caricatured animals (e.g., frogs, roosters). Popular brands with novelty designs include 3 Blind Moose and Old Fart. Typically naming conventions and visual designs are congruent in wine labels. Traditional names are based on the wine's maker (e.g., Robert Mondavi, Rodney Strong). The contemporary naming convention is to name the wine after a critter (e.g., Little Penguin, Blue Fish, and Tall Horse). Lastly, wine names may fall into the novelty category (e.g., Smoking Loon, Fat Bastard, and Cardinal Zin).

An online survey was developed to measure attitudes toward the variations in wine label designs and other factors in wine purchase decisions. Three wine names in three designs styles (3*3 factorial design), for a total of nine wine labels for fictitious brands were designed for the study. As participants visited the survey site, they were

randomly assigned to one of three groups. Each group was shown three labels, each of which included one of the test brand names and one of the test designs. The survey included questions designed to measure involvement in the product category, the factors affecting wine choice given a specific wine-use occasion, price points for the wine-use occasions, attitude toward sample label designs and sample names, and likelihood of purchasing the wine represented by the experimental labels. The survey also gathered demographic data.

The results of the research provide clear implications for marketing managers in the wine industry. The research shows that a traditional label design is most associated with a desirable wine. The evolution in the design of some wine labels to more novel designs has not changed the consumer's perception of what a wine label ought to look like. Labels provide a price and quality cue to consumers.

Though novelty and contemporary names scored well in the survey, novelty designs with contemporary and novelty names were less desirable. Further, novelty wines are perceived as cheap and of low quality. They are perhaps for novelty occasions rather than the standard occasions studied in this research.

In terms of what matters when selecting a wine for different occasions, we learned that for the most part, the occasion is not as critical as once thought. The same factors were important whether choosing a wine for a private evening at home, a dinner party at home, a gift, or for a meal at a restaurant. Consumers consistently choose a type of wine and then rely upon familiarity and experience with the brand and price considerations. Likeability of the name and label were influential only for wines chosen to serve as gifts.

Package design influences consumer purchase decisions at a higher rate for wine than most other product categories. When making wine selections in supermarket settings, packaging, price, and merchandising guide shoppers' decisions. It's not uncommon for consumers to approach a wine purchase with a price heuristic (e.g., a bottle under \$10). Still, with so many choices and limited knowledge with which to judge quality and value, consumers turn to the label for purchase cues. There is more to selling wine than picking the right name and designing a good wine label. The wine label and brand do matter when it comes to wine selection.

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A COMBINED EXPERIMENTAL AND EVOLUTIONARY METHOD FOR OPTIMAL STORE TYPE DIVERSIFICATION

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SUMMARY

This paper introduces evolutionary modeling to strategic retail management. We develop an evolutionary model that determines optimal diversification of retail stores by putting experimental data into an evolutionary mechanism of variation and selection. In particular, we implement a Genetic algorithm (GA) to stated-preference data derived from a hybrid conjoint experiment that measures consumer preferences for store attributes. Store preferences may vary across customers and within individuals across time. Therefore, retailers try to make market-driven, empirically determined diversification decisions and develop portfolios of optimally diversified offerings. Thus, it is important to identify the best combination of alternative store types that would yield the highest levels of customer satisfaction.

In our combined experimental and evolutionary approach, the steps toward the determination of optimal store diversity are as follows. First, the consumer preferences for store attributes are empirically determined. In this study, we use hybrid conjoint analysis, which can handle a large number of attribute levels. Second, the derived measures of individual preferences (i.e., part-worth values) are used as inputs to the GA that identifies optimal combinations of alternative store types. As far as is known to the present authors, there has been no such study in the retailing literature.

Genetic algorithms are based on evolution science and can handle highly complex optimization problems with surprising efficiency. Such Darwinian frameworks exploit analogies between evolution in nature and evolution in markets. Evolution is the biological process by which new and different organisms develop as a result of changes in genetic material of a population through successive generations. An organism's inherited traits are determined by genes, which are the carriers of heredity. Thus, evolution arises from the passing of genes over generations. Evolution is shaped by two powerful, and in some respects opposite, forces: genetic variation and natural selection. Genetic variation means that organisms show heritable differences in their traits and is created by two mechanisms: Recombination of chromosomes, which occurs during reproduction, and mutation, which is a random process

and can be favorable, unfavorable or even neutral to survival. Natural selection is the process by which heritable traits that increase an organism's chances of survival and reproduction are favored than less useful traits. This is done because organisms possessing certain heritable traits that make them better adapted to their environment have an advantage to survive, reproduce, and proliferate. Thus, their genes are spread to subsequent generations. Put succinctly, genetic variation creates diversity and natural selection refines diversity by promoting heritable adaptations to the environment. In GAs, candidate solutions to the optimization problem play the role of individuals in a population. It happens in nature and even more so in the economy that the objects of selection are not single traits but higher dimensional structures, in which individual traits are nested. For example, merchandise variety is a single store characteristic that belongs to a greater store attribute bundle and is neither observed nor evaluated in isolation. The GA represents potential solutions of the optimization problem by "chromosomes." The problem's variables are represented by the chromosome's genetic material, i.e., the "genes." A chromosome (store profile) is composed of genes (store attributes), each of which ranges across some discrete values called alleles (attribute levels).

We run our GA to find the optimal solutions for one, two, or three different store types. The optimal store portfolios differ considerably across the derived solutions. Most notably, the store type of the single-store solution is not included in any diversified portfolio, suggesting the discrepancy between a uniform and a differentiated approach to the market. In other words, the optimal single-store format is different from the store formats required by a diversified strategy. This implies that diversifying an existing single-store portfolio would take more than merely adding new variants. Moreover, all the derived store portfolios do not share any common store format, suggesting that optimal retail diversification requires much more than combining new and existing store types. This illustrates the risks associated with diversification strategies and the need for data-driven decisions in strategic retail management. In addition, the choice shares for the two and three-store portfolios reveal that store type shares differ markedly. Thus, the distribution of demand across the elements of a diversified portfolio is asymmetric.

Successful diversification requires identifying not only which store formats to combine but also the significance of each variant in terms of customer demand. Most of all, the derived utility levels suggest compellingly that variation in store formats elevates customer satisfaction, in the sense that diversified offerings better match heterogeneous customer needs. In a very intuitive fashion, consumer diversity is such that a uniform store portfolio is inferior to differentiated offerings, especially with regard to salient store attributes.

The approach outlined above is integrated and comprehensive. It provides in a unified, empirically derived framework three key answers to strategic retail manage-

ment: optimal number of store formats, optimal configuration of each store type, and optimal mix of store formats in terms of consumer demand. From a theoretical viewpoint, the approach stated in the preceding paragraphs suggests a Darwinian scheme of variation and selection, in which stores possess multiple characteristics of selective significance, compete for survival, and only the ones that are best adapted to the market environment succeed. Evolutionary analysis can be applied to several other marketing areas such as advertising scheduling, product line management, and new product development. Evolution sheds new light on marketing phenomena and reveals fascinating opportunities for empirical research. References are available upon request.

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A META-ANALYSIS OF THE DRIVERS OF FRANCHISE SYSTEM PERFORMANCE

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SUMMARY

Franchising is one of the fastest growing forms of retail in the world yet fundamental gaps exist in our knowledge of the primary drivers of performance in franchise systems (Combs, Ketchen, and Hoover 2004; Dant et al. 2007). Understanding the drivers of performance is of utmost concern to franchise managers (Lewis and Lambert 1999) as it enables them to develop strategies that can effectively enhance the performance of their franchise systems. However, a definitive understanding of the franchise performance construct remains elusive and the empirical evidence on the relationships between franchise performance and its drivers provides us with mixed results. The objective of this study is to provide a meta-analytic review of the drivers of franchise performance – system growth, financial performance, and survival. Specifically, this article answers three questions. First, what are the important and commonly examined

factors that influence franchise system performance? Second, what is the relationship between the different performance drivers and franchise system performance? Third, does the relationship between performance drivers and franchise system performance vary by different sampling and study characteristics?

The meta-analysis finds that various predictors such as brand reputation, and size are related to franchise system growth; age and proportion of outlets franchised are related to franchise system financial performance, whereas size, age and start-up costs are related to franchise system survival. The study also finds that the relationship between franchise performance and its drivers varies according to the study's characteristics (e.g., industry sample and number of items used to measure performance). The authors also offer managerial implications for researchers and franchise managers. References are available upon request.

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MANAGING MULTI-CHANNEL COMPETITION IN ONLINE RETAILING SYSTEMS

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SUMMARY

The Internet brings suppliers unprecedented opportunity of selling their products and services directly to consumers, which inevitably results in fierce competition between third-party retailers and the suppliers' direct channels. One typical example is the hotel industry. As online bookings become more and more popular, online travel retailers' (such as Expedia and Travelocity) market share of total travel market keeps increasing, expected to reach 38 percent in the year 2011 (HotelMarketing.com, 2010). Hotel chains are benefitting from the cooperation with online retailers. Meanwhile, the hotel chains started their direct online booking channels. Competitions between hotels' direct channels and online retailers' channel are intense. Since 2002, major hotel suppliers, such as InterContinental, Marriott, Hilton, Hyatt, etc., have adopted the practice of *low-price* guarantee, which promises consumers lower rates from hotels' websites than from any online retailer's sites. Such low-price guarantee not only has attracted more consumers to direct channels, but also has become a mechanism to control channel competition. In the low-price guarantee agreement between a hotel chain and an online retailer, the retailer promises not to undercut the hotel's direct channel price. Retailers who refuse to accept the agreement or fail to comply with the agreement may lose the eligibility of reselling.

However, using the low price guarantee agreement to control the channel competition is still subject to a number of issues. First, luring consumers away from retailers' sites by promising the lowest price on the direct channel may not be effective. Second, many of retailers' promotion strategies, e.g., coupons, rebates and mileage, are beyond the scope of low-price guarantee. Third, the low-price guarantee often results in the consistent price level across channels, which may not necessarily provide competitive advantage for the direct channels over the retailers' channels. Fourth, the low-price guarantee may lead to

undesirable price competition among different brands that inevitably erodes profit margin.

In this paper, we create a game theoretical model to study the supplier-retailer channel competition. In our model, a supplier sells both through her direct channel and through a retailer channel. Both channels have a loyal market segment. Besides, a price sensitive market segment shops between the two channels. The retailer earns commission fees from transactions through his channel and can adjust his price to compete with the supplier's direct channel. We consider two different mechanisms that the supplier can use to manage the cooperative and competitive relationship with the retailer channel, specifically the low-price guarantee, and the capacity control mechanism, under which the supplier does not set any specific control on retailer channel price, but can determine the shares of the total capacity that are available to different channels.

Our model shows the drawbacks of the low-price guarantee mechanism. It cannot completely eliminate the competition between the supplier's direct channel and the retailer's channel. When both the supplier and the retailer choose their respective optimal strategies, one possible market equilibrium is that the retailer channel and the supplier's direct channel sell at a same price. This commonly occurs in reality. However, in this case, channel competition still exists and impairs the supplier's profit.

We then study the capacity control mechanism. By allocating a proper capacity to the retailer, the supplier can motivate the retailer to only serve his loyal consumers but not to compete with the direct channel. We further show that capacity control mechanism can achieve the equivalent first-best profit for the supplier, where the supplier can distinguish consumers across segments and control the pricing strategy in both the direct channel and the retailer's channel. Therefore, the capacity control mechanism dominates the low-price guarantee in managing channel competition.

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THE OPTIMAL COMPLEMENTARY GOOD STRATEGY FOR DUOPOLY FIRMS

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SUMMARY

It has been well acknowledged that a firm has to cooperate with other firms in order to build competitive advantage by creating and delivering superior value to its customers (Kotler 2008). Brandenburger and Nalebuff (1995) pointed out that sometimes it is more important for firms to change the game they play than to play the given game strategically. Therefore, the authors suggest firms should not ignore suppliers of their products or the producers of complements (named complementors by the authors) for their products. When two firms introduce new products that are complements to each other, the nature of their competition often changes. It is important to understand the strategic effects of product mix decisions by a firm on its competition with its rival so that it can leverage possible cooperation from its rival and make such decisions effectively.

Matutes and Regibeau (1988) analyze the compatibility decisions of two producers of competing systems consisting of two complementary products. The authors find that when firms make their components compatible with those of their rivals, they can soften price competition. It happens because cutting the price of one firm's component benefits its rival by raising the demand for the rival's other component included in the mixed system. As a consequence, the two firms have strong incentives to achieve compatibility. Economides (1989) shows this result holds for n firms and a more general specification of demand.

Matutes and Regibeau (1992) extend their original analysis to incorporate mixed bundling strategies (i.e., firms pricing their pure systems with discounts); they show that the availability of mixed bundling strategies may lead to equilibria of prisoner's dilemma for the bundling subgame and thus reduces their incentives to make their components compatible with their rival. Matutes and Regibeau assume that each firm produces the two components, and therefore their results do not have any implications for the firms' optimal product mix strategies.

Cabral and Villas-Boas (2005) analyze the impact of intra-firm product interactions on equilibrium profits for multiproduct firms. In particular, they show that under certain conditions stronger intra-firm demand

complementarity between products makes firms compete more intensively and thus lower their equilibrium profits despite its direct effect (the one with competitors' strategies fixed) is positive. However, their results hinge on the assumption that all firms are symmetric. As will be explained later, when firms are asymmetric in their market positions, the impact of demand complementarity on firms' product strategies and equilibrium profits would differ. In fact, the empirical study conducted by Ma (2004) shows that firms would be better off when both acknowledging the demand complementarity in their own product lines.

The objectives of the research are two-fold. First, we intend to analyze firms' optimal product mix strategies by building a game-theoretic model where two firms can choose whether to introduce a product that is a complement to both its current product and its rival's. Second, the research intends to further analyze how the product mix strategies chosen by the firms influence the competition between them. In particular, we attempt to study under what marketing conditions both firms will choose to produce only one product that is a complement to their rival's and transform their relationship from competition into cooperation.

To achieve the above goals, we consider two asymmetric firms who compete in the market of their basic products, which are differentiated both in their quality levels and in their positions in a horizontal space where consumers' ideal points are uniformly distributed. Furthermore, assume that the complementary product (produced by either firm) creates the same added value to the basic product (henceforth complementarity) for all consumers.

Our results show that the decision of whether to introduce a complementary product depends on consumers' valuations to the basic products of the two competing firms, the value added by the complementary product to the two basic products, and the level of R&D expenditures required. We obtain the following results. First, when the values added by the complementary good to the two competing basic products differ by a small amount, the firm that exclusively introduces the complementary good will set its price low enough to serve all consumers. Second, when the value added to the high-end basic

product by the complementary good is high enough, the high-end firm will choose to allow its rival to exclusively introduce the complementary good and soften the price competition in the market of the basic products. Finally, when the value added to the high-end basic product by the

complementary good is extremely high, the low-end firm may give up its basic product and concentrate on the complementary market. In this situation, two firms become monopolists in their respective markets and act cooperatively.

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CAN ONE SIZE FIT ALL? LESBIAN RESPONSES TO GAY-ORIENTED ADVERTISING FROM A SOCIAL IDENTITY PERSPECTIVE

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SUMMARY

Proponents of the gay consumer market claim that gay males and lesbians tend to develop a strong loyalty to firms that, through their recognition of the market, are perceived as supporting the gay community. For example, according to research by *Harris Interactive/Witeck-Combs*, seventy-five percent of gay males and lesbians said they prefer to buy products from companies that advertise directly to their segment (DeGroat 2001). Recognition of the potential benefits of reaching out to the gay community has led a number of companies to begin advertising in gay and lesbian media. Recent entrants into the gay and lesbian marketing include Tostitos, Diet Pepsi, Lexus, Gillette, Walgreens, Kodak, Kraft Foods, and T-Mobile (Wilke 2006). Furthermore, firms interested in targeting the gay market may choose from a growing number and variety of print media. Gay media and sponsorship grew to \$232 million in 2005, according to the annual Gay Press report from Prime Access Inc. and Rivendell Media.

Despite calls for an appreciation of the diversity between the gay male and lesbian markets (Bowes 1996; Freitas et al. 1996), since the dawn of the “Dream Market” in the 1980s, advertisers appear to consider the gay market as synonymous with the gay male market. Marketers have, almost exclusively, targeted gay consumers using gay male imagery in advertising placed in gay print media (Oakenfull and Greenlee, working paper). Schulman (1999) suggests that these advertisers are deliberately focusing exclusively on gay males to tap the overall income-differential between gay males and lesbians. As such, they are in pursuit of the gay male dollar (Badgett 1998).

However, these marketers may be underestimating the attractiveness of the lesbian consumer market. Recent research has shown that the estimated 6 to 8 million lesbians in the United States are more likely to be college-educated and earn more than heterosexual women. Additionally, given that only one-third of lesbian couples living together have children (a much higher percentage than for gay males, but lower than for heterosexual females), as a consumer group, they spend more dollars on leisure and travel than heterosexual women. Finally, according to publishers of *Curve* magazine, the leading lesbian-focused national magazine, companies such as Macy’s, Kodak, Mercedes Benz, and Frito Lay have begun to explore the opportunity to reach “professional, settled women who tend to spend their money on the finer

things in life and who are planning for their futures, taking vacations, and buying or selling homes” (Warn 2006).

Given the apparent attractiveness of the lesbian market, an alternate, or perhaps additional, explanation of the predominance of gay-male-oriented ads is that advertisers may assume, while pursuing the gay male market that a “one size fits all” approach to the gay market will also capture lesbians. This assumption is based on lesbians’ readiness to identify with gay males as members of an in-group based on sexual orientation. Given the predominance of gay male imagery in gay-targeted advertising, marketers may in fact be disenfranchising lesbians when a more informed treatment of lesbian consumers, that considered the nuances of lesbian identity as distinct from gay identity, would allow marketers to attract lesbians as a distinct consumer segment or as part of a shared gay market with gay males. In this research, we suggest that lesbians vary in the degree to which they feel that gay males and lesbians are part of the same group and this affects their responses to gender-specific gay-oriented advertising. Specifically, we examine the effect of lesbians’ in-group/out-group considerations of gay males on their responses to both gendered and non-gendered gay-oriented imagery.

The findings of this study indicate that lesbians’ consideration of the extent to which they feel they share group membership with gay males plays a vital role in determining lesbians’ attitudes toward various types of advertising imagery. Consistent with perspectives from lesbian feminist theory that focus on the power-hierarchy that exists within homosexual society as a result of societal gender-inequities (Rich 1980; Rust 1992, 1993), and social identity theory’s ideas on in-group bias, this research found that, while all lesbians utilize an in-group attitude toward ads with lesbian imagery and non-gendered gay-oriented advertising, responses to gay male imagery are dependent on in-group/out-group judgments of gay males. Drawing from Identity Theory, which suggests that consumers respond most favorably to advertisements that reflect their self-identity (Jaffe 1991), the key to effectively reaching lesbian consumers is understanding the nuances of the lesbian identity distinct from that of gay males.

However, if advertisers do want to utilize a “one size fits all” approach to reaching the gay population, this research suggests they can do so by utilizing non-gendered ads with gay symbolism to create a dynamic where all gay males and lesbians are targeted as an in-group.

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PRODUCT TRIAL ALTERS THE EFFECT OF REGULATORY FOCUS AND PRODUCT TYPE ON PERSUASION: THE CASE OF AN EMERGING MARKET

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SUMMARY

Two types of regulatory goals have been prominently featured in the literature: promotion goals, aimed at achieving positive outcomes, and prevention goals, aimed at minimizing negative outcomes (Higgins 1997). Previous research findings document that when an individual's regulatory goals match the message frames in terms of regulatory orientation, that is, when there's *goal compatibility*, more positive persuasive effects result (Aaker and Lee 2001).

Building on the prior research, this paper extends the notion of compatibility to the relation between consumers' goals in the context of purchasing hedonic versus utilitarian products and the type of advertising claim (promotion versus prevention) describing these two different product types. Moreover, although a significant body of work has contributed to understanding post-ad exposure effects of message's regulatory focus, it is noteworthy that research to-date has not investigated how these effects are affected by *direct experience* with the product. Our work is designed to provide a broadened perspective related to the divergent effects of message's regulatory focus on attitudes and persuasion, and the impact of product trial on these assessments.

In an experimental setting, we test the combined effects of regulatory focus and product type on ad persuasiveness, product attitudes, and product value (measured as the amount willing to pay for the product), as well as how product trial alters these effects. We conduct our research in the Romania, where consumers have only recently been exposed to advertising and Western brands (Coulter, Price, and Feick 2003; Gal and Kligman 2000). Romania, like many of its Eastern European neighbors, is emerging from decades of a socialist economy where advertising was virtually non-existent. However, whereas consumers have been exposed to advertising after the fall of communism in 1989 and have accepted advertising in a free market economy, they have little confidence in advertising claims and techniques (Petrovici et al. 2007).

Background Literature

In this work, we take an adapted etic approach (Douglas and Craig 2006), leveraging Western theories and

empirical tests as the bases for our hypotheses. Recent research indicates that prevention messages are more persuasive for utilitarian products (i.e., vitamin water), whereas promotion messages are more persuasive for hedonic products (e.g., ice cream) (Micu and Chowdhury 2010). Furthermore, research also indicates that the monetary value assigned to a chosen object is higher when it is chosen using a strategy that matched the individuals' regulatory orientation (i.e., under conditions of goals compatibility) than when the strategy does not fit their orientation (Higgins et al., 2003). Thus, consistent with previous research conducted in the Western countries, we hypothesize an interaction between product type and regulatory focus such that, for hedonic products, promotion (vs. prevention) focus appeals are more effective (generate more positive product attitudes, a higher price willing to pay, and are more persuasive) than prevention ads, whereas for utilitarian products, prevention (vs. promotion) focus appeals are more effective.

With regard to the effects of product trial following advertising exposure, one significant finding is that once people have tried highly diagnostic products (i.e., products for which trial offers tangible, credible evidence of the product, such as those used in our study), pre-trial advertising has little or no effect on their product evaluations (Hoch and Ha 1986; Kempf and Smith 1998; Micu, Coulter, and Price 2009) (see Kempf and Lacznik 2001; Smith 1998 as exceptions). Thus, we expect that consumers' post-trial product evaluations will reflect their assessment of the highly diagnostic product, and hence there will be no difference between the promotion and the prevention focus appeals in consumers' product attitudes and their amount willing to pay for the products.

Results

We conducted a 2 [regulatory focus (promotion versus prevention message)] x 2 product type (hedonic/chocolate versus utilitarian/paper towels) experiment among seventy-four undergraduate students at a large university in Romania. The message's regulatory focus was manipulated by placing the emphasis on the approach (for promotion focus appeals) versus avoidance (for prevention focus appeals) oriented strategies. The manipulation checks indicate that the product type and the message's regulatory focus were manipulated successfully. In gen-

eral, we found support for our hypotheses. For the hedonic product, the promotion (vs. prevention) message was more persuasive and generated more positive attitudes and willingness to pay a higher price for the advertised product. For the utilitarian product, the prevention (vs. promotion) message was more persuasive and generated more positive attitudes. However, product trial moderates most of these effects, except for price willing to pay for the hedonic products: participants exposed to the promotion (vs. prevention) appeal for chocolate were willing to pay a higher price for the product even after trial.

Implications

Marketers are interested in ads that generate attention, create positive attitudes among consumers, increase product sales and product value to the consumers. Previ-

ous research on regulatory focus literature indicates that, under conditions of goals compatibility, more persuasive effects occur. Indeed, our experimental results indicate that, under conditions of goal compatibility, individuals have more positive product attitudes, are more persuaded by the message, and are willing to pay a higher price for the advertised product than when the message is not compatible with one's goals. Specifically, hedonic (utilitarian) products help attain promotion (prevention) goals (Chernev 2004) and when the advertisements are framed based on promotion (prevention) focus, such a compatibility results in consumers expressing more positive reactions to the ad. These findings are important for marketers trying to promote their hedonic or utilitarian products in Romania and perhaps other emerging markets of Eastern Europe. References are available upon request.

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THE EFFECT OF VIDEO GAME PLACEMENTS ON BRAND ATTITUDE

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ABSTRACT

This study explores the effects of use-simulated and peripheral placements in video games on attitude to the brand. Results indicate that placements do not lead to enhanced brand attitude, even when controlling for involvement and skill. It appears this is due to constraints on brand information processing in a game context.

INTRODUCTION

Product placement first appeared in the 1920s, but it was not until the 1980s–1990s that the strategy gained popularity. In 2006, global paid product placement spending increased 37.2 percent to \$3.36 billion (PQ Media 2007). Including non-paid placements, the global market was estimated to be worth \$7.76 billion (PQ Media 2007). With specific regard to electronic games, spending on placements grew more than 20 percent in 2007 (PQ Media 2008). Yankee Group (2007) estimates that the global in-game advertising market generated \$77.7 million in 2006 and will reach \$971.3 million by 2011. Despite these impressive figures, the rapid growth of product placement in games has far outpaced research efforts in the field. Only a handful of studies have investigated the influence of game placements on consumer behavior. The majority have examined their influence on brand awareness.

THE EFFECTS OF PRODUCT PLACEMENT IN GAMES

The most prominent study in the literature is Nelson's (2002), which investigated the effects of video game placements in a console racing game. The results showed that players are able to recall brands (the brands of cars driven and peripheral billboards) both after play and a delay, even upon playing for only a limited amount of time. These findings are supported by Schneider and Cornwell (2005) and Lee, Mulye and Stavros (2009). Qualitative studies performed by Molesworth (2006) and Kuhn, Pope, and Voges (2007) produced similar results.

Several other studies have explored online gaming (e.g., Chaney, Lin, and Chaney 2004; Grigorovici and Constantin 2004; Hernandez, Suh, and Minor 2005; Lee and Faber 2007) and computer games (Nelson, Yaros, and Keum 2006; Yang et al. 2006). These investigations have

shown placements to have a relatively weak influence on brand memory. In particular, Grigorovici and Constantin (2004) found that presence has a detrimental effect on brand recall and recognition, while Lee and Faber (2007) found lower recall for more congruent brands. Studies of online games that feature fewer brands (i.e., advergaming) have shown more positive effects on brand awareness (e.g., Hernandez and Chapa 2009; Winkler and Buckner 2006). Also, with regard to simplistic online games, Yang and Wang (2008) found players can recall placed products, even after a delay.

Most research has focused on brand awareness outcomes, but three studies represent exceptions. Bambauer (2006) found that visual brand placements in a console video game can positively change attitude toward the brand if the placement and game are evaluated positively. Flow was also found to have a positive effect on attitude toward the game, which in turn had a significant positive effect on the change of attitude toward the brand. Wise et al. (2008) examined online advergaming and found a strong positive relationship between attitude toward the game and attitude toward the brand, particularly when the product/ brand had high fit with the game. It is unclear however whether the change in attitudes was significant. Also, both of the aforementioned studies included a pre-test measure, which may have biased results. Mallinckrodt and Mizerski (2007), on the other hand, found no effect on attitudes for a brand placed in a web-based advergaming, though older children in their study did report a higher brand preference.

A weakness of almost all these studies is that they represent laboratory-based experiments, which are exploratory in nature. They have tended to use small, non-random samples made up predominantly of men, even though women now represent a key gaming segment. In many instances, subjects were self-selected game players who are regular game users (e.g., Bambauer 2006; Nelson 2002; Schneider and Cornwell 2005).

To build on the existing body of literature and fill a gap concerning the influence of placements in games, the current research seeks to understand more completely the relationship between game placements and attitudes. In other words: *What is the effect of brand and product placements in video games on the consumer's response in terms of attitude to the brand?*

Motivation as a Determinant of Attitudes Toward Brands in Video Games

The effect of video game product placement on attitudes will depend on an individual's motivation to process information in this context (Greenwald and Leavitt 1984). Motivation is stimulated by activated needs and determines how one attends to information (Mitchell 1981; Petty and Cacioppo 1986). If other motivations are present and other goal objects are the focus of attention, motivation to process information will be low (Mitchell 1981). An individual may even avoid information which is contradictory and potentially an impediment to their goals to preserve limited cognitive resources, as has been shown to be the case in both traditional and interactive media (Cho and Cheon 2004; Speck and Elliott 1997).

The primary motivation for playing a game is to gain an enjoyable experience (Sweetser and Wyeth 2005). This would suggest that it is the game play which is a gamer's primary goal object and therefore the focus of their attention. If this is the case, then it is likely a gamer's motivation to process brand and product placement messages within this context will be low. If the attitudinal impact of persuasive communications depends on the information processing efforts of the audience, then it is likely in a video game where motivation is low that attitudinal effects will not be demonstrated. The following hypothesis is proposed:

H1: An individual exposed to brand and product placement in a video game will not report a higher Attitude to that Brand (A_{BR}) than a similar individual who has not been exposed to the placement.

Video game play is often a social activity that involves many people (ESA 2004). Considering that individual goals affect how viewers evaluate information, it is possible that the effects of placements may be different within a gaming group. Nelson, Yaros, and Keum (2006) examined the influence of playing versus watching a game, demonstrating that playing the game impeded brand recall.

Games demand and automatically elicit attention, but the selective aspect of a player's attention will also be directed to need-relevant stimuli (MacInnis and Jaworski 1989; Rubin 1994). So, a player will engage in activities that are instrumental to winning the game and thus will focus on the unfolding play. With the existence of other motivations at the time of placement exposure and deeper cognitive processes dedicated to the game action, players may not process brand messages. Observers however are more likely to pay attention to whatever is interesting. Their attention and comprehension effort may not be as focused as that of a player. Less goal-directed viewers focus on the appearance of a stimulus and process it at a

structural level, receiving greater exposure to the medium (Rubin 1994). Consistent with H1, any effects on attitudes are unlikely to be significant, but a difference may be evident between players and observers. The following is proposed:

H2: An individual exposed to a brand or product placement in a video game while playing the game will report a lower A_{BR} than a similar individual who has been exposed to the placement as an observer of the game.

Opportunity and Types of Game Placements

Russell (1998) first classified product placement along three dimensions. A "visual" placement involves placing a brand in the background of a show; an "auditory" placement occurs when a brand is mentioned in a dialogue; and the "plot connection" dimension refers to the integration of a brand with a story's plot. However, a fourth dimension is proposed for brands and products in interactive media. These media allow placed products and brands to be used by consumers. This does not occur in a real world context, but is simulated in the medium. It is proposed that these are use-simulated placements, which can vary depending on the extent of their use.

The first key method for integrating brands and products into game content is therefore to feature them as active equipment and characters. The second is that they can be included as passive background props. In the former case, customization features enable players to select, alter and engage with products integrated into the game's plot (use-simulated placements), whereas in the latter, brand logos may appear as part of the game scenery (a peripheral placement). By their nature, use-simulated placements are more prominent, affording a greater opportunity for them to be noticed and processed. Considering the effects of more prominent placements on brand recall (e.g., Schneider and Cornwell 2005), the following hypothesis is proposed:

H3: Whether or not the placement is (1) simulated in use during the video game or, (2) in the form of peripheral advertising will have a significant main effect on an individual's A_{BR} .

Ability as a Moderator of Attitudes

Ability also affects the level of processing an individual can achieve, because like opportunity, it moderates the impact of motivation on attention and processing capacity (Greenwald and Leavitt 1984). Ability represents an individual's skills or proficiency in interpreting brand information (MacInnis and Jaworski 1989) and is dependent on prior knowledge, as well as intelligence (Alba and Hutchinson 1987; Sujan 1985).

In the context of a game, if a placed brand or product is of interest to a gamer and they possess knowledge about it, they are more likely to become involved in the message. An uninvolved individual would be likely to pay only minimal attention to the same message. Nelson (2002) demonstrated that when a brand is a major part of game play, the consumer is actively involved and the brand is relevant, recall is enhanced. Therefore, it is proposed that involvement with a product category may act as a confound in any main effects of product placement on brand attitudes. The following hypothesis is proposed:

H4: An individual's involvement with the product category will covary with any main effect of exposure to a product placement on A_{BR} .

One final factor likely to have an influence is skill level. An individual engaged in a goal directed activity requires greater technical skills than an individual engaged in experiential behavior. These skills are required in order to be successful in winning a game. Video games have high range whereby they offer many possibilities for action at any given time (Steuer 1992). In this mediated environment, users require a high level of skill, concentration and control. Where skills are weak, an individual may be distracted from brands. Indeed, studies have shown that more experienced players are better able to recall and recognize brands than novices (Lee, Mulye, and Stavros 2009; Schneider and Cornwell 2005). Skill level is therefore recognized as a potential confound that may influence attitudinal responses to video game placements. The following hypothesis is proposed:

H5: The skill level of the player of the game will covary with any main effect of exposure to a brand or product placement on A_{BR} for both a player and an observer of the game.

METHOD

A laboratory experiment was employed using a post-test-only, three group experimental design. Subjects were randomly assigned to video game play, video game observation or control. The control group was not exposed to a game, but a placebo brand was included to test for any game effect and eliminate game stimulation. Measurement of the dependent variable was taken using a survey instrument incorporating pre-existing scales.

Treatment of Variables

The independent variable in the current study was video game product placement. Two types were examined: products placed in the video game so that they are simulated in use and those placed peripherally in the background. A console video game featuring these placements represented the stimulus. Selecting a console (played

via a television) enhanced internal validity, because unlike in the case of arcade or online games, greater control over the environment and extraneous variables was afforded. *V8 Supercars 2* for the Microsoft Xbox (called *TOCA Race Driver* in the U.S.) was chosen. This racing game is based on Australia's motor sport series and features existing products/ brands. Its selection counteracted any novelty effects. Three brands from the game were selected for investigation: Holden which represented the use-simulated product placement (the brand of car driven), Qantas as the peripheral brand placement (featured on track signage) and Compaq for the placebo brand. These are all real, familiar brands that have high fit with the game.

The stimulus was directed at two treatment groups: players and observers. They were exposed to the game in a laboratory setting that was designed to simulate a lounge room. To achieve consistency and control other extraneous variables, the vehicle, driver and race circuit were pre-selected by the researchers. Gamers were asked to play the game naturally, though verbal instructions were provided to facilitate the experiment. Gamers were asked to complete one lap of the racetrack as either a player or an observer and then watch a replay of their race. This was a cross-sectional design, so subjects were assigned to one group with one measurement taken. Every respondent was exposed to the circuit at least twice, thereby receiving multiple brand exposures, though the exact number depended on the skill level of the player. If a subject experienced a crash so severe that it rendered them unable to continue game play, they were allowed to recommence the game. Assessing skill level removed several confounds that may have existed. The mean time for exposure to the video game stimulus was 9.5 minutes (SD = 3.93, range = 4-18.5 minutes, N = 40). Actual game play lasted 2 to 14 minutes (M = 5.75, SD = 2.89), while time spent viewing the game replay ranged from 2 to 8.5 minutes (M = 3.5, SD = 1.46).

Response to the stimulus was measured by the dependent variable of attitude to the brand. This was operationalized using the Brand Quality instrument reported by Keller and Aaker (1992). This is a 3-item semantic differential scale anchored by descriptives and their negatives. It was changed to a 3-item Likert-type scale with strongly disagree (1) and strongly agree (7) as anchors. The scale was replicated for each of the brands under investigation, but with slight modification to the statements. The reliabilities were acceptable: all scales achieved a Cronbach's alpha coefficient of greater than .80.

Involvement was operationalized with regards to car involvement and represented a covariate. This was measured using the Srinivasan and Ratchford (1991) Product Involvement scale. The current study applied a 6-item, 7-

point Likert-type measurement anchored by the descriptors strongly disagree and strongly agree, where 1 represented lower car involvement and 7 higher car involvement. A Cronbach's alpha of .95 was achieved. Skill level in the game represented the second covariate and was measured using a single-item, 7-point Likert-type scale, where 1 represented lower skill level and 7 higher skill level. Skill level referred to the driving ability of the player in the game, as reported by players and observers. These respondents were asked to indicate their level of agreement with the statement: "In this race I/ the player drove well."

Sample

The sample was drawn from an Australian east coast university community. It was not necessary for respondents to possess any distinguishing characteristics, but rather a sample was sought to reflect the true, diverse demographics of gamers. It included not only students, but also academics, other staff, university guests, and any associates or family who were on campus at the time of the research. Simple random sampling using a mall-intercept technique was employed, whereby every fourth person passing a given point was asked to participate until a sample size of 20 respondents per group was achieved ($N = 60$). To prevent bias in sample element selection, respondents were recruited from different locations across the university and the experiment was conducted on different days, at different times. A random split-pair technique was used to allocate subjects to the treatment of player or observer.

Survey Instrument and Administration

Data were collected from respondents via a self-administered survey. This was administered to the treatment groups following exposure to the game stimulus (players and observers were separated to ensure no contamination of the results). The control group completed the survey at the location where they were recruited. Respondents were asked to indicate their opinion on a number of statements relating to each of the brands, their involvement with cars, skill level (removed for the control group), age and gender. The average time for survey completion was just over three minutes. Following completion, respondents were debriefed as to the true purpose of the research, which had not been disclosed to control for demand artifacts. At this time, respondents were also entered into a draw to win free movie tickets, as a gesture of appreciation.

RESULTS

Sample Overview

A total of 32 males and 28 females participated in the study. The mean age for the sample is 25.03 years ($SD =$

9.70, $N = 60$). The standard deviation and the range in age from 17 to 60 years can be explained by the sampling procedure. Given the range in age, no further testing was performed in relation to this variable.

H1: Effect of Brand and Product Placements on Brand Attitude

Hypothesis one stated that an individual exposed to a brand or product placement in a video game would not have a higher attitude to the brand compared to an individual not exposed to the placement. All three groups were included as part of this analysis, but were collapsed into two groups: those exposed to the video game including players and observers ($N = 40$) and those not exposed, or in other words, the control group ($N = 20$). Each brand (Holden, Qantas, Compaq) was tested separately. The summated scale for measuring brand attitude was the same for all three brands.

In relation to the Holden brand, which was simulated in use in the video game, the results indicate that those respondents who were exposed to the placement ($M = 4.40$, $SD = 1.50$, $N = 40$) had a lower attitude to the brand than those who were not exposed ($M = 4.71$, $SD = 1.65$, $N = 20$). To test whether the means were significant, a one-way analysis of variance was conducted. This indicates that there is not a significant difference in attitude to the Holden brand between individuals exposed to the Holden video game product placement and individuals not exposed ($df = 1, 58$; $F = .55$; $p = .46$).

The Qantas brand, which was featured in the video game in the form of a peripheral brand placement, was also tested. Respondents who were exposed to the Qantas brand placement in the game ($M = 4.64$, $SD = 1.60$, $N = 40$) had a slightly higher attitude to the brand than those who were not exposed to the brand in the game ($M = 4.60$, $SD = 1.26$, $N = 20$). There was no significant difference in attitude to the Qantas brand between individuals exposed to its video game product placement and individuals not exposed ($df = 1, 58$; $F = .01$; $p = .92$).

Finally, the same test procedures were conducted for the third brand, Compaq (recall that this was the placebo brand not featured in the video game). Comparison of the exposed ($M = 4.40$, $SD = 1.41$, $N = 39$) and not exposed ($M = 4.41$, $SD = .88$, $N = 20$) groups showed a slight difference in means. This difference is not significant ($df = 1, 58$; $F = .00$; $p = .98$).

In summary, the results indicate that there is not a significant difference in brand attitude between individuals exposed to a brand or product placement in a video game and those not exposed to the placement. H1 is therefore supported.

H2: Effect on Brand Attitude – Players versus Observers

H2 predicted that an individual exposed to a brand or product placement in a video game while playing would have a lower attitude to the brand than would an individual exposed to the placement while observing the game. Two groups were included in the analysis: those who played the video game ($N = 20$) and those who observed ($N = 20$).

Respondents who were exposed to the Holden product placement while playing the video game ($M = 4.37$, $SD = 1.73$, $N = 20$) were found to have a slightly lower attitude to the brand than those who were exposed to Holden while observing the game ($M = 4.43$, $SD = 1.28$, $N = 20$). The results of a one-way analysis of variance indicate that there is not a significant difference in attitude between individuals exposed to Holden video game product placement while playing and individuals exposed while observing ($df = 1, 38$; $F = .02$; $p = .89$).

Attitude to the Qantas brand was also tested. The mean for individuals who played the video game ($M = 4.78$, $SD = 1.77$, $N = 20$) was higher than for individuals who observed ($M = 4.50$, $SD = 1.44$, $N = 20$), suggesting players had a higher attitude to the Qantas brand. A one-way analysis of variance showed this difference is not significant ($df = 1, 38$; $F = .31$; $p = .58$).

Comparison of the two treatment groups in relation to Compaq revealed a lower attitude among respondents who played the video game ($M = 4.30$, $SD = 1.56$, $N = 20$) than those who observed ($M = 4.52$, $SD = 1.26$, $N = 19$). But, as in the case of Holden and Qantas, the results indicate that there is no significant difference in attitude to the Compaq brand between individuals who played and individuals who observed the game ($df = 1, 38$; $F = .23$; $p = .63$).

Overall, the results indicate that there is not a significant difference in brand attitude between individuals exposed to a brand or product placement while playing a video game and those exposed to a placement while observing a game. H2 is not supported.

H3: Effect on Brand Attitude-Use-Simulated Placements versus Peripheral Placements

H3 examined whether a placement simulated in use in a video game or placed peripherally in a game would have an effect on an individual's attitude to the brand. To test this, only two of the three brands were included in the analysis: Holden, which was the brand of vehicle driven in the game and Qantas, which was a peripheral brand placement. Compaq was excluded since it was not featured. Brand attitude was measured for the two treatment groups, that is, players ($N = 20$) and observers ($N = 20$).

These were combined to create one group: those exposed to the game. Unlike in the previous tests, the purpose was to detect a difference between the two different types of placements, rather than between groups of respondents.

Respondents exposed to the game (both players and observers) had a lower attitude to the brand simulated in use ($M = 4.40$, $SD = 1.50$, $N = 40$), than to the brand placed peripherally in the game ($M = 4.64$, $SD = 1.60$, $N = 40$). Results of a one-way analysis of variance indicate that this difference in attitude to the use-simulated brand and attitude to the peripheral brand for individuals exposed to the video game is not significant ($df = 1, 78$; $F = .48$; $p = .49$).

Thus, whether a placement is simulated in use or featured peripherally in a video game has little effect on brand attitude; any difference lacks practical significance. H3 is not supported.

H4: Influence of Involvement

Earlier it was suggested that an individual's involvement with a placement's product category may act as a confound in any effects of exposure to a placement on attitude to the brand. To test this, an analysis of covariance was undertaken.

Involvement was operationalized with regards to car involvement and represented the covariate in the analysis. Involvement was measured on a 6-item, 7-point Likert-type scale, with 1 being lower car involvement and 7 higher car involvement. The analysis of covariance showed no statistically significant effect of involvement on attitude to the brand ($df = 1, 37$; $F = .02$; $p > .05$). H4 is not supported.

H5: Influence of Skill Level

It was predicted that the skill level of the game player may act as a confound in any effects of exposure to a placement on attitude to the brand for both a player and game observer. Attitude to the brand was examined for Holden and Qantas, using the summated scales. An analysis of covariance showed no statistically significant effect of skill level on attitude to the brand ($df = 1, 37$; $F = .02$; $p > .05$). Thus, H5 is not supported.

DISCUSSION

The current study found that consumers' attitude to a brand is not higher as a result of exposure to game placements, consistent with H1. We argue that these results are due to constraints placed on brand information processing in a game context. Recall that whether an individual attends to and processes a message depends on their motivation level, and whether they have sufficient

opportunity and ability (MacInnis and Jaworski 1989). When all three conditions are low, attitude change is unlikely.

Processing motivation can be reduced if other motivations are present at the time of ad exposure (Kahneman 1973; Mitchell 1981). Gamers probably lack the motivation to process placements, because their primary motivation is to play and win the game. They are likely to allocate most of their attentional and processing resources to the encoding and storage of main messages (the game action), and less to secondary messages (placements). This conclusion is supported by Grigorovici and Constantin (2004). Also, the interactive and vivid nature of games means they demand and automatically elicit attention, so even for observers, attention is directed to the play. Further, with product placement there are several sensory dimensions present and when combining this with the sensory immersion of a game, it is likely players and observers will be too overwhelmed to process any brand information. In support, Lee and Faber (2007) found that when involvement in a game is high, brand recall and recognition are reduced.

Whether a placement is simulated in use in a video game or featured peripherally also has no influence on attitude to the brand. It may be that the circumstances of exposure reduce opportunity (MacInnis and Jaworski 1989), eliminating the potential for ad factors to have any effect. First, the presence of other people could place further constraints on processing capacity and attention. Often gamers play in groups (ESA 2004), so if attention is allocated to secondary tasks such as conversation, there is the potential for further distraction from placements. Indeed, subjects in the current study spoke to one another, with observers offering words of encouragement and instructions to players. Second, a condition of low opportunity may be created by the fact that a video game is a competitive, dense-with-messages environment. Information processing is reduced when the number of environmental stimuli exceed an optimal level (Schroder, Driver, and Streufert 1967). The number of placements may also contribute to perceptions of “advertising clutter” (Speck and Elliott 1997), resulting in ad avoidance (Cho and Cheon 2004) so as not to affect already strained cognitive resources. This may explain why studies of advergaming and other simplistic online games have shown more promising results, because they feature fewer stimuli.

The findings also demonstrate that involvement does not influence the relationship between video game product placement and attitudes. This is unlikely to be due to inadequate prior knowledge on the part of respondents constraining ability, because familiar brands were selected for investigation and subjects possessed a level of involvement with cars (a mean of 4.00 was recorded, but involvement was not so low as to suggest that respondents had no familiarity with the product category). Instead, it

may be that prior knowledge was unable to enter working memory due to involvement in the game. One further explanation is that product placements are designed to be unobtrusive and non-commercial (Balasubramanian 1994), so some gamers may not recognize them as “ads,” like in the case of television placements (La Pastina 2001). Processing may therefore be difficult due to the nature of the message (Edell and Staelin 1983), not just because of the game environment.

Finally, a player’s skill level in a video game was also identified as a potential confound, but it too was found to have no influence on attitudinal response to brand and product placements. The skill level of subjects in this study was poor with a mean of 2.88 observed, where one represented lower skill and seven higher skill. The game play was obviously difficult for respondents, so it is likely this placed higher demands on processing resources. Players and observers would have been forced to concentrate even harder on the game play, thereby further constraining cognitive capacity for placement processing.

CONCLUSIONS

It has been suggested that electronic games are becoming the most powerful marketing medium ever created (e.g., Nelson 2002), but there is insufficient evidence to validate their use as a promotional tool. The current study makes an important contribution in this regard, specifically in terms of understanding the potential for placements in video games to influence brand attitudes: a key objective for practitioners (Avery and Ferraro 2000). Contrary to existing assumptions, particularly in the trade literature (e.g., Reid 2010), this research provides empirical evidence that brand and product placements in games do not produce strong attitudinal responses. The nature of the game medium, game playing experience and product placement impose constraints on gamer motivation, opportunity and ability to process these messages, thereby precluding their impact on attitude to the brand.

The findings must be considered in light of some key limitations. These pertain to the experimental design, stimulus and sample, which threaten the external validity of the current research. It is difficult to generalize the findings to other game types, genres, game playing situations, brands and the larger population of gamers, including different sub-groups. The laboratory setting for the experiment and the sample satisfied the requirements for high internal validity, but further research across different contexts and samples is warranted. That said, a major strength of the study is that the treatment and control groups were of like type and the experimental design suggests that replication would yield similar results.

Research that uses different stimuli and manipulates the conditions for placement presentation would be use-

ful, whether through replication of this study or a field experiment. The use of longer-term measures would also make an important contribution. The current research addresses many of the method-based limitations of other studies (e.g., lack of control groups, small non-random samples), but a key weakness is its single-exposure design, consistent with other product placement investigations conducted to date (for a notable exception see Russell 2002). Future studies should explore the effects of placements after extended play (perhaps using longitudinal

research designs), as this would more accurately reflect the true conditions by which gamers are exposed to brands, and allow for the structural aspects of games and their influence to be taken into account. Such research will be of utmost practical significance. Industry developments are encouraging the use of games as a medium for placement messages, but further academic work will provide practitioners the necessary empirical evidence to help guide promotional strategy decisions.

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TO USE OR NOT TO USE? AGE BASED SALES PROMOTIONS AND THE OLDER CONSUMER

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SUMMARY

The aging of the global population is a profound demographic change that is well documented (UN 2007). Similarly, the literature already highlights the importance of senior consumers from a marketing perspective. However, whilst there have been fresh additions to the body of knowledge pertaining to specific consumer behaviors of seniors, there are still major knowledge gaps. One area, relatively neglected in the USA and almost ignored in European studies, is senior sales promotions – including special offers and age-related price discounts. Yet, despite the lack of empirical data, it is noteworthy that senior discounts and promotions are the most commonly used marketing strategy to target older adults (Thompson and Thompson 2007). Given that more baby boomers have now entered the mature market, it is important that marketers targeting older consumers understand the possible ways in which such age-based promotions are received by a segment that, although far more marketing-literate than previous cohorts, is currently accustomed to being ignored, patronized, or treated as an undifferentiated monolith.

Senior Sales Promotions

Several previous studies have found that some older adults refuse to participate in senior discount schemes (Gillett and Schneider 1978; Long 1987; Spiller and Hamilton 1993), leading Blazey (1987) to speculate that it may be due to a reluctance to associate with a scheme for seniors, and to suggest that “future investigations may . . . reveal whether a reluctance to participate in activities designed for old people is based on a pessimism toward growing old” (p. 12). Indeed, the well-documented existence of a negative stereotype of the old is still prevalent in western culture (Kite et al. 2005). Moreover, labeling theory suggests that merely assigning people a label influences subsequent behavior, a suggestion that has much empirical support (Breakwell 1986; Chasteen et al. 2005; Tybout and Yalc 1980). For some, then, does acceptance of the discount imply acceptance of old age? Rejection of such promotions, therefore, may be a coping strategy to forestall susceptibility to the stereotype: if one denies oneself is old, then society’s (negative) view of the elderly is not applicable to oneself. However, only two previous studies (Moschis and Mathur 2006; Tepper 1994) have given attention to the possibility that self-

perceived age, rather than chronological age, is the crucial variable, with inconsistent results. On this basis, the current study set out to ascertain whether or not consumers’ age – both self-perceived and chronological – reflects their different attitudes, behaviors, and intentions toward age-based sales promotions.

Method

A self-complete questionnaire, administered to an age-based quota sample ($n = 650$) aged 50–79, measured chronological age, cognitive age (Barak and Schiffman 1981), and age identity (Cavan et al. 1949). Additionally, questions derived from previous literature pertaining to senior sales promotions provided quantitative data, while an open-ended question which asked respondents to explain their answers provided rich insights into the underlying reasons for those answers.

Results

Almost one third (30%) of respondents take advantage of senior promotions most of the time, while 43 percent never or rarely use them. With respect to both use of and attitudes toward senior promotions, significant differences emerged between chronological age decades ($F(2, 612) = 17.437, P < 0.001$), with those in their 60s displaying the most positive attitudes, and those in their 50s the least positive. Likewise, those who consider themselves middle aged displayed significantly higher usage levels than those who feel young or old ($F(2, 597) = 3.837, P < 0.05$). However, few differences emerged between those who feel young, and those who have already assumed an old identity. Likewise, those whose cognitive age was in the 50s or 60s displayed significantly more positive attitudes toward senior promotions than both cognitively older and cognitively younger consumers ($F(2, 612) = 9.859, P < 0.001$). However, there was little difference between those whose cognitive age is still in the 40s or younger and those who are cognitively over 70. Overall, then, it is clear that the relationship between senior discount usage and age is not linear. Rather, it is the middle-aged groups, in terms of chronological, cognitive, and age identity, that display the highest usage levels and most positive attitudes than either the youngest or oldest groups. Indeed, when self-perceived age is considered, strikingly similar results emerged for the older and younger groups.

The qualitative data pertaining to these findings revealed valuable insights into the underlying reasons for these answers. For many in the middle-aged groups, sound economic sense was the reason for using senior discounts. However, while the oldest and youngest groups had similar attitudes, marked contrasts emerged in terms of their underlying reasons. The oldest group was highly skeptical of senior promotions, so *“There’s always a catch”* was a common remark. Fear of bombardment with direct mail and telesales were also reasons not to participate in some schemes. In contrast the younger group – both chronologically and cognitively – was adamant they don’t use senior promotions due to their youthful identities, summed up by expressions such as: *“I feel young, so I can’t be bothered with them!”* Some, too, expressed concern not only about protecting their own self-image, but were also worried about what others would think: *“It reminds you that you are old and gives the wrong impression to other people.”*

Conclusions and Managerial Implications

These findings reveal attitudes toward senior promotions are more complex than previously thought. Three distinct groups emerged, requiring three distinct strategies. The middle-aged are those that are most positive in

their attitudes, thus positioning senior promotions as loyalty rewards would be viable; this group has no reservations about consuming senior discounts in public. In contrast, the oldest group is averse not on the basis of age, but because they are skeptical toward marketing and abhor many direct marketing techniques. This group needs more information and reassurance before they are likely to overcome their skepticism. Guarantees of data protection, assurances of no resulting bombardments with direct mail or telemarketing, and careful communication strategies are required to target them. The final group is relatively and cognitively young, and is still unsure about senior promotions simply because they do not yet feel old enough to qualify. Certainly, many of these consumers would refuse to accept such discounts; for them rejection of the label and indeed the status are apparent, particularly in public. Thus, marketers need to find creative ways of targeting these older adults without specific reference to age. Discounts on the basis of loyalty, for example, may be preferable. Nevertheless, for some in this group it may be that senior discounts are acceptable if offered via post, the telephone, or the Internet. This way, they can continue to resist the social label, and perhaps minimize compromising their young self-perceived age, as they do not have to admit to being old enough for such promotions in public. References are available upon request.

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CONCEPTUALIZING THE SELECTION PARADOX DURING MERGERS AND ACQUISITIONS: IMPLICATIONS FOR CONSUMER-BASED BRAND EQUITY

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SUMMARY

Mergers and acquisitions (M&As) often fail to produce shareholder value and generally have a negative effect on customer satisfaction (ACSI 2009; Jackson 2007; Tuch and O'Sullivan 2007). During M&As, firms often produce forward-looking statements, but we contend that these forward-looking statements may contain problematic assumptions and/or lack key information that can influence consumer-based brand equity and investor returns. In this study, we present a conceptual model that provides additional insight as to why firms may fail to achieve shareholder value during M&As.

Consider the following excerpt from the SEC filings representing the Sprint-Nextel Communications (2005) merger:

“Based on current subscriber figures, Sprint Nextel would have a combined customer base of more than 35 million wireless subscribers on its networks, 5 million additional customers through affiliates and partners and more than 20,000 points of distribution. This merger effectively gives us the size and scale of our two largest competitors, a balanced customer mix and networks that directly cover nearly 262 million people, more of the United States population than any other carrier (Forsee 2004).”

A fundamental concern with Sprint-Nextel's forward-looking statement is that officials made assumptions about customer loyalty based on previously-enacted consumer decisions. Such assumptions should be questioned. Most brand valuations in M&As adopt the income approach whereby present and future cash flow expectations of brands are computed and multiplied by a royalty rate (Bahadir, Bharadwaj, and Srivastava 2008). While these techniques are likely favored due to the accessibility of the metrics, a major assumption is retained. That is, inherit in the practice of using income approaches to make post M&A future transaction value estimates is that the assumptions associated with the “consumer choosing the brand” and the “brand choosing the consumer” are treated as if they are equal and will yield similar results. Considering that the initial mode of consumer brand engagement is different, customer equity variables may change; thus valuation assumptions used in M&As could be faulty and are explored in this study.

The Selection Paradox

In this study, we introduce the selection paradox, which reflects how assumptions may be upset when brands select or “preempt” consumers. The selection paradox reflects an asymmetry in the relationships that exists between consumers and brands in merger and acquisition situations, compared with non-merger consumer/brand relationships.

Building on acculturation theory, we employ the use analogy strategy for theory development (Yadav 2010) to present a conceptual model to describe four brand-preemption strategies that enact the selection paradox. Moreover, we describe possible consumer outcomes based on the brand-preemption strategy employed.

Acculturation Theory

Acculturation theory refers to the contact and presence of adaptation that takes place after contact with groups from different cultural backgrounds occur (Berry 1980, 1997). When M&As occur, a shift in firm identity [albeit major or minor] may occur. Accordingly, acculturation theory (Berry 1980, 1997) was used to provide theoretical support for why value creation may be unrealized during M&As. Acculturation theory is especially important in the M&A context based on its bidimensional model of receiving-culture acquisition and heritage-culture retention. The bidimensional model of acculturation theory has led to the creation of four outcomes that typically occur after contact between two cultures has occurred: assimilation, separation, integration, and marginalization (Berry, 1997). These same outcomes may occur during M&As.

Conceptual Model

We introduce four different models of brand preemption that delineate expected consumer outcomes during M&As. The four brand preemption models include: (1) *Brand preemption* that leads to *brand extinction* [Preemption-Extinction Model], (2) *Brand preemption* that leads to brand emersion [Preemption-Emersion Model], (3) *Brand preemption* that leads to brand sharing [Preemption-Sharing Model], and (4) *Brand preemption* that leads to brand creation [Preemption-Creation Model]. Our model outlines the assumptions associated with each preemption

strategy and provides guidance for firms considering M&As.

Conclusion

Our central thesis, the selection paradox, has key implications for managers during M&As. Forward-looking statements are often presented based on pre-existing conditions, whereby consumers have selected brands. However, managers must consider that, during M&As, brands are selecting consumers and thereby introducing a

different form of brand engagement. This form of brand engagement, brand preemption, assumes predictable consumer outcomes and has several implications for firm value creation. When exploring business combinations, managers should closely examine the assumptions inherent in the type of business combination, assess risk based on potential consumer-based brand equity changes, and develop contingencies for unrealized consumer outcomes. Future research will provide revisions to existing equity risk assessment models to be used during M&As. References are available upon request.

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SHAREHOLDER WEALTH EFFECT OF INDIAN BRAND ACQUISITIONS

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SUMMARY

Introduction

The paper seeks to examine the announcement effect of brand acquisitions on the acquiring company shareholders wealth. Brand is an intangible strategic resource of the company that enables it to create competitive advantage in the market and hence build shareholders wealth. Brands can be built in-house; else these can be acquired from another company either indirectly while acquiring the control of a company or directly in a stand alone brand acquisition transaction. Generally, in a highly dynamic business environment where the resources erode quickly, a company prefers to pursue brand acquisition than building it from scratch to make up for the resource gap and attain competitive advantage in the market. The reason being building a brand from a scratch is not only expensive but also has a long gestation period coupled with a lower probability of success.

Research Objective

Since brand acquisitions are aimed at filling the existing resource gap influencing the future performance of a company, the impact of such a decision should be reflected in the market price of the acquiring companies' securities. That is, the brand acquisition decision should lead to either shareholder wealth creation or destruction depending upon the expected synergies and the price paid by the acquiring company for such an acquisition. Though, existing literature claims a positive relationship between brand value and shareholder value, yet empirical research is scanty. There is hardly any study in brand valuation literature as well as in the literature on mergers and acquisitions that has analyzed the announcement impact of brand acquisitions on the wealth of the acquiring company shareholders except for Mahajan et al. (1994) who have developed a model to measure the perceived importance of brand equity attributes under acquisition conditions and conclude that the value assigned to a brand under an acquisition depends upon the perception of the acquirer.

Thus, keeping in view the lacuna in the existing brand literature and mergers and acquisition literature, the specific objective of the present study is to assess the impact of brand acquisition announcement on the wealth of acquiring company's shareholders.

Database and Methodology

For attaining the above objective a sample of 48 brand acquisitions pursued by 29 Indian acquiring companies during the period 1st April 1997 to 31st December 2008 comprise the sample set. For assessing the impact of brand acquisition announcement on the wealth of acquiring company shareholders, firstly, the announcement returns are ascertained for the overall sample of brand acquisitions with the help of standard event study methodology. For this study, a brand acquisition is defined as an acquisition where an acquiring company has directly acquired one or more product level brands from the target company in an acquisition deal along with the related assets in some cases. Thus, brand acquisition is defined as the transaction where the specific objective of the acquiring company is to obtain a brand or its related assets and not to obtain the minority or majority control of the target company. For example, in case of acquisition of Jaguar and Land Rover from Ford Motor Company, the acquiring company that is, Tata Motors has acquired only product level brands along with their related assets that is, manufacturing plants.

Besides analyzing the impact of overall brand acquisitions on the shareholder wealth, sectoral effect and cross border effect are computed to assess the impact of bid specific variables on the shareholder value creation. Sectoral effect is defined as the difference between the abnormal returns accrued to the acquiring company shareholders in FMCG and Pharma brand buyouts. Likewise cross border effect measures the difference between the abnormal returns generated to the acquiring company shareholders in foreign and domestic brand acquisitions.

Results

It has been found from the overall results that brand acquisition is a value creating strategy for the acquiring company shareholders though a general M&A may not necessarily be. The reason being brands are one of the prominent intangible assets that enable a company to increase its future cash flows by leveraging on the brand's long term relationship with the customers. The market has responded positively to such an announcement of the acquiring company as it believes that the company would be filling a resource gap that has the potential to create higher and stable cash flows in future and thus would generate higher wealth gains for them. However, this

value creation does not accrue to all brand acquisitions and is rather sector specific and country specific.

Sector wise analysis shows that companies in the FMCG sector have created statistically significant higher returns for the shareholders than for those in the pharma sector. The results are in consonance with the opinion of Doyle (2001) who states that in an industry like pharma the intangible assets like technology, skills and competence of the staff are the major drivers of shareholder value than the brands itself. Unlike pharma sector, brands are a dominant source of value creation for companies in the FMCG sector (Doyle 2001; Simon and Sullivan 1993).

Also, the idiosyncrasy of the Indian pharma sector is that its strength lies in the generics drugs market (in reverse engineering the off-patented drugs) that has been created as a result of 25 years of process patent (Jha 2007). Brands are not so important for companies dealing in generic drugs as these can be replicated by the competitors and in such a scenario companies compete purely on the basis of price. However, brands are an important intangible asset for an FMCG company that enables it to establish a long term liaison with its customers than these are for a pharma company. This is the reason for the FMCG brand buyouts creating higher value for the shareholders on the announcement of such acquisitions as compared to those of the pharma brand buyouts.

Cross border analysis has shown that foreign brand buyouts have created lesser value for the shareholders as compared to the domestic brand buyouts. The reason being, most of the foreign brand acquisitions are directed toward developed countries, more importantly toward the U.S. and the European countries where target companies attach higher premium to their brands (Mishra 2007). To get access to these brands the acquiring companies end up paying a higher price for the brand as compared to the contribution of the brand to the total future cash flows of the acquiring companies. Contrarily, brands acquired within the country have created more value for the shareholders.

Conclusion

From the above discussion it can be inferred that brand buyout is an important strategy for the companies to create shareholder wealth. However, this wealth creation is not universal. It is pronounced only in those cases where shareholders perceive that the brand acquisition has the potential of creating wealth in the long run. Thus, in order to cope up with the dynamic business environment, if the acquiring company aims to quickly fill the resource gap, via a brand acquisition, it should take into consideration three important success factors namely, the market attractiveness, the market growth and the pricing of the brand.

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WHAT IS A BRAND WORTH IN EXPORTING: EXPLORATIONS ON THE OEM VERSUS OBM STRATEGIES OF CHINESE EXPORTING FIRMS

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SUMMARY

China has one of the fastest growing economies in the entire world. China's exports, in large part, have been a major driving force of economic growth for the country. For a Chinese exporter to start a business overseas, he or she often faces a critical choice between deciding to go OEM (Original Equipment Manufacturers) or OBM (Original Brand Manufacturers). However, the choice between OEM and OBM has always provoked controversial debates among academics and practitioners alike.

We examine OEM and OBM strategy adoption by Chinese exporters in two models. We first investigate what factors ex ante affect strategic choice between OEM and OBM strategies, then we analyze ex post effects of the strategic choice on export outcome. In the first model, we account for institutional level (Market similarity, Industry position, Export intensity) and organizational level factors (Competence, Proactive-vision, Exploit motivation, Customer orientation) to shed light on elements that help predict firm's OEM and OBM choice. In the second model, we deal with the outcome consequence of adopting different strategies. Most importantly, our innovation in addressing this question is to not only explore static effect, but also investigate the impact of strategic choice on export outcome over time. In particular, we use a unique dataset that contains two time periods of export data to investigate firm OEM/OBM strategies and performance outcomes, in both economic booming periods and economic recessions. This provides us with a new approach to understanding the Chinese exporters' branding and non-branding strategies from a comparative perspective.

The data collection was conducted twice in two different time periods. The first wave of data collection was conducted from April 2005 to January 2006, with duration of 9 months. The second wave was conducted from April 2008 to March 2009, with duration of 11 months. The reason why we choose these two periods of time is because they depict different macro economic situations respectively.

We examine what influences firms' choices between OEM versus OBM strategies and their subsequent performances. Findings of the first model show that Chinese exporters' pursuit of OEM/OBM strategy is affected by both institutional factors and organizational factors, with institutional factors including firms' relative position in industry and export intensity, and organizational level factors including motivation to exploit foreign market.

Investigation of exporters' subsequent performance after implementing an OEM/OBM strategy is conducted in the second model. The model uses a unique dataset on a set of OEM and OBM firms across many industries during two time periods. The impact of an exporting strategy on a firm's sales growth and self evaluation outcome is tested in the context of both economic booming and recession periods, depicting a comparative approach. The results reflect a contingency effect that, in prosperous times, the employment of OEM strategy brings strong growth engine to Chinese exporters as compared to that of OBM strategy, whereas in times of economic downturns, OEM firms suffer more than OBM firms with comparable characteristics. OBM is shown to be more immune to global recession shocks, and it appears to be a more sustainable strategic choice in the long run.

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DOES IT MATTER WHEN A BORN GLOBAL WAS BORN?

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SUMMARY

Recent work in internationalization of the firm has identified an archetype called “Born Globals” who enter foreign markets shortly after formation; and achieve a high proportion of revenue from international operations (Oviatt and McDougall 1994). The traditional stages model of internationalization has been described as insufficient to explain the internationalization behavior of these firms. For example, unlike the normative predictions described in the Uppsala model, Born Globals do not expand their export activities in incremental stages (Knight 1996). As a firm’s early internationalization has important implications for a company’s successful expansion, survival and performance (Zahra 2005), it is important to understand the antecedent conditions that lead to early internationalization, and the impact of both antecedents and early internationalization upon performance.

The primary purpose of this research is to investigate whether the impact of antecedent factors upon early internationalization and export performance differs between younger and older firms. To the best of our knowledge, no systematic consideration of this difference

exists in the literature. The findings of two studies by Moen (2002) and Moen and Servais (2002) suggest that age of the firm by itself does not explain internationalization behavior of firms. However we argue firms founded in older generations have unique cohort characteristics that moderate the effect of internationalization drivers on time to first export and export performance.

Important Findings

Analysis of survey data from 95 Iranian exporting small and medium sized enterprises indicate export behavior differs along several dimensions according to a firm’s age. A founder’s greater international experience accelerates time to first export and this effect is stronger for older firms. Market research accelerates time to export more for older firms, who also place greater emphasis on formal strategy than younger firms. Psychic distance slows time to first export and this effect is stronger for older firms. An emphasis upon strategy accelerates time to first export more for older firms. Collectively these results suggest internationalization propensity and export performance differ by firm age. References are available upon request.

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PREFERRED STRATEGY IN ENTRY MODE CHOICE: AN INSTITUTIONAL PERSPECTIVE

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SUMMARY

Introduction

The purpose of the present study is to investigate the choice of foreign market entry modes of international operating retailers which is of particular interest for research and practice. From a practical point of view, the choice of foreign market entry mode is crucial for several reasons. First, it impacts inherently the desired level of control and the amount of resource commitment. For instance, Hill, Hwang and Kim (1990) state that wholly owned subsidiaries are characterized by a high level of control and resource commitment, whereas licensing agreements are characterized by the opposite. Second, the choice of foreign market entry is a critical strategic decision because initial entry mode choices are difficult to change without considerable loss of time or money (Root 1988). Accordingly, Pedersen, Petersen and Benito (2002) found evidence that the initially chosen market entry mode influences subsequent switching and exit costs. Third, many researchers concluded that the choice of foreign market entry mode influences directly the success in the entered country (e.g., Brouther, Brouthers, and Werner 2003; Fey and Beamish 2001; Nitsch, Beamish, and Makino 1996). Hence, Johnson and Tellis (2008) demonstrated that market entry modes with a high level of control are more successful. Finally and in contrast to manufacturers, the choice of market entry mode is particularly important for retailers due to their inherently high resource commitment and their high degree of customer interaction and cultural specificity. Thus, it is particularly important to consider the local business of a retailer because a lack of understanding of consumer preferences and culture leads to failure in international retailing (Bianchi and Ostale 2006). From a scientific point of view, it is important to understand the choice of foreign market entry modes in order to investigate which determinants are responsible for choosing a specific entry mode. By explaining these determinants significantly, important starting points for choosing the most effective market entry mode are provided.

Theoretical Background

Many scholars in the international business literature investigate determinants which have to be considered for

employing the most effective entry mode (e.g., Kim and Hwang 1992). Thus, a wide range of factors has been provided, which are mainly related to transaction costs, firm resources, internationalization advantages, culture and risk (e.g., Zhao, Luo and Suh 2004). However, in conclusion to the meta-analysis of Morschett, Schramm-Klein and Swoboda (2010) the influence of some determinants is still ambiguous after decades of research and a holistic framework for explaining the choice of market entry mode is still missing. Moreover, by analyzing a huge amount of antecedents, it is implicitly assumed that managers consider each determinant for each choice of market entry mode. In contrast to this, practice draws another picture. For instance, the Metro Group states on their homepage that “our sales divisions follow the same fundamental concept in all countries” (Metro 2010). Thus, it is a subject to question how international operating retailers choose their foreign market entry mode. Do they consider a set of various internal and external indicators or do they rather have some kind of a preferred market entry mode? By responding to this research question, this study sheds light on the choice of foreign market entry modes by assuming that the retailers’ choice is basically influenced by a preferred entry mode which has been evolved during previous market entries rather than by a huge amount of determinants. Therefore, on the basis of institutional theory the impact of a preferred market entry mode on subsequent market entry modes is hypothesized. Moreover, specific internal and external determinants cannot be neglected. Thus, the influence of the internal and external environment is assumed by the moderating impact international experience, internationalization speed, openness toward FDI and market potential. Finally, the results are controlled by cultural and geographical distance as well as market and firm size.

Empirical Study and Results

By testing the conceptual framework, a longitudinal research design based on secondary data is employed by analyzing 322 market entries from 1947 to 2008 of the worldwide most internationalized grocery retailers. The results would support the assumption that the choice of a foreign market entry mode is rather predetermined by a preferred entry mode and influenced to a certain extent by different internal and external determinants. Therefore, significant contributions for research and practice are

drawn. From a scientific point of view, the results contribute to the knowledge about which determinants are responsible for the choice of foreign market entry modes which is of particular interest on the way to a comprehensive framework. Furthermore and in contrast to many other studies, the results of this study support the notion that the choice of foreign market entry modes is rather predetermined by a preferred strategy than by a huge amount of internal and external determinants. From a practical point of view, managers should be aware that

employing a market entry mode is predetermined by institutional constraints but it can also directly be influenced to a certain amount by considering internal and external determinants. This finding is counterintuitive to the widespread opinion that each foreign market has to be analyzed in detail for deciding for the most appropriate market entry mode. Furthermore, it would be more efficient to follow this approach because the decision making process can be shortened. References are available upon request.

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SUCCESS FACTORS OF INTERNATIONALIZATION STRATEGIES IN BUSINESS RESEARCH

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SUMMARY

Most of the top journals in business research are edited in the United States and the number of U.S. authors is predominant in these journals. However, the share of non-US authors is steadily increasing over the years. This paper investigates the success of strategies that authors outside the United States can take in order to successfully internationalize their research activities.

We address this issue by looking at international journal publications of German scholars in the business field and by explaining the success of these publications (in terms of citations a paper receives) with different internationalization strategies of German scholars. Literature provides a framework of three main market entry modes for companies that we modify and apply to scholars' internationalization strategies as follows:

1. "Export" considers all articles that were exclusively authored by German authors who were working at German universities.
2. "Cooperation" refers to articles that were authored by German authors who are working at German universities in cooperation with U.S.-authors.
3. "Foreign subsidiary" refers to articles from authors with German affiliation who were working in the United States together with U.S. authors.

The sample of our study consists of journal articles published by business research scholars with German affiliation. We use citations that an article receives as dependent variable and the different strategies as independent variables. Additionally, method type is being analyzed which refers to the method the article uses – conceptual, empirical, methodological, and/or analytical method. We apply a binomial regression analysis in order to analyze the data.

The results show that the success of German researchers publishing only with other German scholars and German scholars who work in their home country and publish together with U.S. authors does not differ. That is,

publications resulting from German-German cooperation are cited just as much as articles from German-U.S. cooperation. The superior internationalization strategy is to leave the country and to work abroad together with U.S. scholars. Interaction effects indicate that the internationalization strategy is particularly superior for scholars working on methodological issues, whereas analytical method studies are the ones that benefit less from going abroad.

Following our reasoning on market entry modes, the "foreign subsidiary" strategy is the most successful internationalization strategy for scholars. It brings about a complete integration in the foreign market and access to market information. For instance, scholars working abroad are more likely to get to know the foreign journals editors' and reviewers' priorities and evaluation criteria and to learn about successful publication strategies. While scholars might benefit from such knowledge when cooperating with U.S. authors, this advantage might be compensated by the disadvantages the cooperation strategy brings about, such as more complex coordination and communication between research partners.

Interestingly, success of a "subsidiary strategy" also depends on the method that scholars apply. It seems that scholars with German affiliation who work abroad do strongly benefit when it comes to methodological papers. This might be explained by simple language issues since the success of methodological papers is more strongly dependent on fluent English proficiency than many other kinds of research papers (e.g., analytical, empirical). On the other hand, the impact is weaker for analytical papers. This can be explained by the peculiarities of the German academic tradition in business research that is strongly driven by an analytical approach with strong roots in economics.

The study has some obvious implications for non-U.S. scholars who try to successfully internationalize their research by showing that the superior choice for successful publications in an international journal is to go abroad and work with U.S. scholars. References are available upon request.

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DOES ONLINE ADVERTISING CROSSES CULTURAL BARRIERS? A CROSS-CULTURAL ANALYSIS OF ADVERTISING EFFECTIVENESS

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SUMMARY

Marketers were being increasingly held accountable for showing how advertising promotes corporate success (Rust et al. 2004). In the age of globalization and worldwide online availability, they are expected to design efficient and effective global advertising campaigns (Taylor 2005). Thus, a profound understanding of the foreign target market is critical to business success. In this context, recognition of cultural values as primary determinants of consumer behavior is widespread (Alden, Hoyer, and Lee 1993; Clark 1990). Segmentation by culture has been researched in-depth in an offline environment, and the associated research has indicated theoretical and empirical differences in the way consumers from different countries react to advertising (Hofstede 1980). But does the traditional strategy of customizing advertising to a particular culture also hold true for the Internet?

The literature covers several approaches that capture the concept of national culture. A widely accepted concept is Hofstede's (1980) theory of four dimensions of national culture – power distance, masculinity, uncertainty avoidance, and individualism (Hofstede 1980). These four dimensions are broadly applied by many researchers in the comparison of countries (Money, Gilly, and Graham 1998; Steenkamp, ter Hofstede, and Wedel 1999). Individualism and uncertainty avoidance are mainly related to people's perceptions and behavior (Cutler, Erdem, and Javalgi 1997). Since our study is primarily concerned with the perception and processing of advertising information as well as respective buying behavior, we focus on these two dimensions. "Uncertainty avoidance" measures the degree to which people in a country prefer structured over unstructured, risky, ambiguous or undefined situations (Hofstede 1980). Countries with a high degree of uncertainty avoidance show high uniformity, high secrecy, high conservatism, low professionalism (Salter and Niswander 1995). Furthermore, they also show stronger interpersonal and interorganizational ties (Money, Gilly, and Graham 1998), and they are more likely to focus on prevention and problem solving (Roth 1995). They try to avoid situations leading to uncertainty though the use of planning and the establishment of regulations for all possible scenarios (Brettel et al. 2008). "Individualism" relates to how people in a country perceive themselves in relation to others (Hofstede 1980). In

individualist societies, self-determination and uniqueness are valued. Those individuals are admired who show initiative or work well independently.

We chose the United States and Germany for our analysis. In the literature, the United States is considered a credible representative of a culture with high individualism and low uncertainty avoidance (Hofstede 1980; Spence 1985; Salter and Niswander 1995). Germany is regarded as a country with high uncertainty avoidance and low to moderate individualism (Deshpandé, Farley, and Webster 2000; Hofstede 1980). The data set used for the present analysis is high-quality field data obtained from a leading online platform for trading books. It contains extensive longitudinal data and provides indicators on advertising activities and sales on a day-by-day basis. Furthermore, specific customer data such as individual purchase volumes were provided on a per-purchase basis. During the 365-day period, 3,103,000 transactions were recorded. We applied formative and reflective constructs in a two-stage (Jianan, Cook Jr., and Strong 2005) structural equation model (Bagozzi 1980; Bagozzi 1994; Chin 1998). The study's main question – how advertising exposure on people from specific cultures translates into the company's sales – was tested in two groups. Path estimates show that four out of six hypothesized relationships (H2, H3, H4, and H6) can be supported by our data. Although H1 and H5 show the expected cultural relationships, these hypotheses have to be rejected due to the non-significance of one path estimate in each case. The support of hypotheses H2, H3, H4, and H6 shows that in the online world as well, different advertising channels have different impacts on sales and that these impacts are strongly moderated by national culture. People from cultures with a high degree of uncertainty avoidance and low degree of individualism are likely to buy only at places they already know (H2), and if not, they use search engines to obtain a significant amount of information in order to identify relevant alternatives (H3). By comparison, people from highly individualistic countries are likely to act opportunistically and value individual benefits such as low price (H4) or product coupons and rebates (H6). Differences between path estimates of U.S. and German consumers are significant at least at a level of $p < 0.01$ (one-sided t-test). The path constituting email newsletters to revenues in Germany (H1) and the path constituting banner advertisements to revenues in the United States (H5)

appeared not to be significant. Explanation can be found in the lag effect of email advertising and the primary interaction characteristics of banner advertising, which will both be explained below.

Overall, the results show that online advertising has different sales effects on consumers in countries with different levels of individualism and uncertainty avoidance. The study thus extends the existing research from an offline to an online perspective. As it does Hofstede's concept of four cultural dimensions. It further enhances the understanding of the functional relationship between advertising exposure and respective purchasing behavior

of consumers in distinct countries. The unique, high quality sample with more than 3,103,000 online transactions and 365 records permits the creation of a model with good explanatory power and strong predictive relevance. With the variance-based PLS method, an applicable variance-based technique is firstly applied for such research questions. Consequently, the findings of this study imply that the Internet, which has been regarded as a more global medium, is influenced by culture after all. More specifically, consumers should be targeted individually through appropriate online advertising channels. References are available upon request.

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THE IMPACT OF BOARD MEMBERS ON FIRM PERFORMANCE AND MANAGEMENT EFFECTIVENESS

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SUMMARY

This paper investigates the impact of industry connectedness through board members on firm financial performance and management effectiveness. Board member selection is most often attributed to industry expertise and connections. However, marketing is yet to study how industry-specific connections formed through board member linkages may impact firm level outcomes.

The prevalence and visibility of intra-industry board member appointments is growing. Top firms are increasingly hiring high-powered board members hand-picked from the industry. These directors not only come from firms within the firm's supply channel, but from related industry partners such as government regulators and academic circles. Examples include ex-EPA regulator William K. Reilly's appointment to three high-polluting energy firms' boards and the president of Rensselaer Polytechnic Institute's appointment to top-paying stints on five high-tech firms' boards. Reilly touts his industry experience aiding the firms on which he serves as a board member in reducing political, economic, and public relation liabilities (Byrnes 2010).

Industry connectedness at the top-levels of firms is also a recent topic of interest in many firm failures. Specifically, Toyota's recent troubles, including their public relations failures, have been linked to a lack of board-formed connections outside the firm. Indeed, the entire corporate governance structure of Japan is nearly void of connections to outside market agents (Economist 2010). In the United States, a lack of oversight by external board members have similarly been blamed for allowing the collapses of Enron, WorldCom, and Tyco (Byrnes 2010).

As the business press blames myopic board of directors who are either embedded within the firm or lack the industry understanding to offer meaningful oversight for business failures, the business world increases board member pay – up 66 percent since 2003; and improves director involvement – with a 125 percent increase in average time per year spent on board duties by directors (Byrnes 2010). Clearly, boards of directors matter. Yet, the financial and managerial impact of firms' own industry board member connectedness is not studied.

This study addresses this gap in the literature by utilizing within-industry board member Power Blocs across 12 industries as a measure of firm connectedness within its own industry. The impact of these board-formed industry connections on management's ability to access capital and firm financial performance (as measured by sales, profit, and ROA) are studied. In addition to the direct effects of board member industry connectedness, the moderating impact of industry competition and environmental turbulence across industries are investigated as board-created industry connectedness may vary across industries and subsequently impact the ability of firms to benefit from such connections.

The results of this study show that board-formed industry connectedness improves the ability of management to gain access to capital and enhances the financial performance of firms. These outcomes are moderated by industry competition and environmental turbulence. Firms within more competitive industries benefit more from board-formed industry connections than do firms in less competitive industries. In addition, the impact of board-formed industry connections on firm management and financial performance is lessened for firms within more turbulent industries

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HEDGING CUSTOMERS' RISKS: A PORTFOLIO DYNAMICS PERSPECTIVE

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SUMMARY

It seems to be common sense that, in order to increase profits, firms should focus their effort on the most important customers (e.g., Bolton et al. 2004). While there is evidence, that customer prioritization can lead to higher firm profits (e.g., Homburg, Droll, and Totzek 2008), it can also increase the volatility of portfolio performance, which is not a desirable outcome (Srivastava, Shervani, and Fahey 1998). From financial hedging theory (e.g., Brenner and Galai 1989), we derive and formalize the idea of customer hedging and its potential stabilizing role in a customer portfolio.

Hedging Risk

A large body of research, both theoretical and empirical, examines firms' incentives to engage in corporate hedging. Existing theories suggest that firms undertake hedging in order to reduce expected taxes (e.g., Mayers and Smith 1982; Smith and Stulz 1985), financial distress costs (e.g., Dolde 1995; Haushalter 2000), and underinvestment problems (e.g., Froot, Scharfstein, and Stein 1993). The present value of these saved costs should be reflected in a higher market valuation (Jin and Jorion 2006). Corporate hedging, thus, refers to the use of off-balance-sheet instruments, i.e., forwards, futures, swaps, and options, to increase firm value by reducing expected taxes, expected costs of financial distress, or other agency costs (e.g., Nance, Smith, and Smithson 1993). While these studies provide valuable insights into a potential hedging premium, they do not address the impact on the risk that volatility itself may change, i.e., vega risk. In practice, however, imperfections of capital markets create a rationale for lowering the volatility of earnings through hedging (Jin and Jorion 2006). By allowing investors to hedge directly against shifts in volatility, these securities enable investors to avoid the costs of dynamically adjusting positions for changes in volatility. Thus, the pay-off depends explicitly on some measure of volatility.

The literature on the management-finance interface that has emerged around the hedging of risk is extensive, whereas to our knowledge, there is only one study that discusses this strategy in a marketing context (Dhar and Glazer 2003). Nevertheless, the application of a hedging approach to customer portfolio analysis seems to be

particularly appropriate. The approach might resolve the challenge how to adjust for the differential risk of various customers. However, since corporate hedging instruments are tradable, this assumption is questionable in the context of Customer Equity calculation. In general, as Devinney and Stewart (1988) note, models that have their root in financial markets cannot always be applied to product markets, because this may violate key assumptions underlying them. In addition, Hogan et al. (2002) caution that an application of financial valuation methods to assessing risk in customer relationships may actually not be as simple and straightforward as it may seem. Yet, a thorough theoretical discussion and empirical applications and illustrations of how exactly this should be done are not available. Therefore, we do not recommend either of these financial instruments for valuing customer hedging in a marketing context; rather, we argue that firms can use hedging to allocate firm's total customer portfolio risk exposure among multiple sources of risk (e.g., Schrand and Unal 1998). In conclusion, it is not clear to what extent empirical evidence from the management-finance interface on corporate hedging can be transferred to customer portfolio management. Thus, there may be risk-reduction benefits from customer hedging. It is therefore important to study how – if at all – customer hedging can contribute to marketing's value creation as marketing moves away from a sole focus on customer-demand impact to a focus on firm-value impact (e.g., Rust et al. 2004), which is the primary contribution of this study.

Managerial Relevance and Theoretical Implications

Based on simulations, our study provides important insights that should encourage especially marketing managers to think differently about their actions. First, our results show that customer prioritization leads to a higher volatility of portfolio revenues. Thus managers who decide on the composition of the customer portfolio, budget allocation etc. can influence the volatility of the performance of their portfolio. Second, top-tier customers, i.e., customers with higher responsiveness to marketing efforts, are good news for the marketing manager because his/her expenditures produce higher returns. On the other hand, higher responsiveness has a dark side since it makes revenues more volatile. These findings suggest that marketing managers should think differently about CRM spending tactics that are frequently used. These tactics

improve a portfolio's performance but we expect them to have an effect on the volatility of revenues, as our simulations suggest. Since volatility incurs additional financial costs (e.g., Opler et al. 1999; Froot, Scharfstein, and Stein 1993), even revenue-effective customer prioritization strategies may turn out to be harmful to the bottom line. This creates a managerial trade-off. In particular, our results reveal that it is critical how much weight marketing managers put on recently realized revenues compared to past accumulated revenues and thus how fast they switch between different allocation strategies. The more myopic marketing managers allocate CRM budgets toward customers, the earlier the portfolio destabilizes, and thus increases revenue volatility. The

more myopic marketing managers allocate CRM budgets toward customers, the earlier the portfolio destabilizes, and thus increases revenue volatility.

Our findings reveal that customer hedging *per se* does not prevent from destabilization of the portfolio. *Myopic* customer hedging implies that in the presence of customers to hedge out revenue volatility, the portfolio equilibrium destabilizes *even earlier*, and thus increases revenue volatility. *Putting less weight* on recent realized profits, customer hedging, however, *may* stabilize the customer portfolio and turns out to be *more effective* against revenue volatility than without hedging. References are available upon request.

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INTERPLAY BETWEEN INTERNAL INVESTMENT SPECIALIZATION AND RELATIONSHIP SPECIALIZATION IN VALUE CREATION AND VALUE APPROPRIATION

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SUMMARY

Creating value for customers and appropriating the created value in the marketplace are at the core of marketing strategy that pursues sustainable competitive advantages (Mizik and Jacobson 2003). Value creation activities include research and development (R&D) for product or process innovations, whereas value appropriation activities include various marketing activities, such as sales, promotion, or advertising. Firms are faced with decisions to allocate scarce resources between value creation and value appropriation. Such value creation and value appropriation activities are further extended to interorganizational relationships as firms are engaged in various collaboration activities particularly for R&D and marketing (Bucklin and Sengupta 1993; Rindfleisch and Moorman 2001; Swaminathan and Moorman 2009). Previous studies have recognized the critical role of resource allocation between value creation and value appropriation in achieving and maintaining competitive advantages (March 1991; Mizik and Jacobson 2003). However, findings are limited in two aspects: First, a consensus or implicit assumption has been widely accepted in previous studies regarding the superior benefits of balancing value creation and value appropriation, compared to specializing in either value creation or value appropriation; however, “such consensus [in allocating resources] may be somewhat premature and not necessarily logical in all contexts” (Gupta, Smith, and Shalley 2006, p. 694). In particular, the benefits of specializing in either value creation or value appropriation have yet to be examined. Second, even though previous studies have examined the trade-offs or synergy between activities associated with value creation and value appropriation, they were limited to either internal investment decision (He and Wong 2004; Katila and Ahuja 2002) or interorganizational relationship formation (Lavie and Rosenkopf 2006; Lin, Haibin, and Demirkan 2007), rather than considering both of them together. However, internal investments and relationship formation are complementary strategic tools that firms rely on to access valuable resources for the overall performance (Das and Teng 2000). Thus, firms are faced with aligning their strategies for internal investments and relationship formation.

This study addresses these two research gaps by examining firms’ strategic emphasis in conducting inter-

nal investments and forming interorganizational relationships for R&D and marketing. In this study, strategic emphasis refers to the extent to which a firm specializes in R&D or marketing, that is, (1) specialization in R&D and (2) specialization in marketing. In particular, I examine how a firm’s strategic emphasis in allocating internal resources interacts with its strategic emphasis in allocating relationships for the profitability of the firm. Thus, the focus of this study is on investigating the benefits of specializing in either value creation or value appropriation across two levels, internal investments and relationship formation.

The analysis of high-tech industries, including computers and related products, electronic equipment, and semiconductors, shows the benefits of specializing in either value creation or value appropriation, while most previous research has focused on the benefits of balancing value creation and value appropriation. The findings of this study contribute to existing literature in three ways. First, the results of this study indicate that specializing both internal investments and relationship formation in either value creation or value appropriation leads to higher profitability. That is, the conventional wisdom on the need of balancing value creation and value appropriation may not hold for firms that rely on interorganizational relationships as well as internal investments for value creation and value appropriation. Second, even though specializing internal investments in R&D can reduce a firm’s profitability, this negative effect can be relieved by relationship strategies. This study shows that innovative firms that focus internal resource investments on R&D activities can benefit from specializing relationships in either R&D or marketing. That is, innovative firms have more options in using relationships effectively: they can further enforce their innovative positions gained from internal investments in R&D by focusing their business relationships on R&D activities; alternatively, innovative firms can also benefit from relationships specialized in marketing, which will leverage their expertise in R&D. Third, in the dynamic environment, the results of this study indicate that firms should be cautious in allocating their relationships between value creation and value appropriation. Concentrating relationships on either R&D or marketing, rather than balancing relationships between the two, can deteriorate a firm’s profitability in the dynamically changing environment.

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CUSTOMER RELATIONSHIP MANAGEMENT PROCESSES: UNDERSTANDING FIRM COMMITMENT TO CUSTOMER EQUITY

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SUMMARY

The use of customer relationship management (CRM) business processes increased gradually over the past decade. Despite a high implementation failure rate, CRM principles are becoming widely accepted within marketing and sales business units of major firms. Previous studies have suggested approaches for applying customer lifetime value principles (e.g., Rust, Zeithaml, and Lemon 2004) as well overarching conceptual frameworks that provide guidance on how business strategy determines CRM processes and implications for multi-channel integration (e.g., Payne and Frow 2005). Despite substantial research in industry and academia, significant hurdles remain to successful implementation of CRM systems. In this regard we believe that insufficient commitment to certain core CRM principles may explain disappointing CRM experiences. Customer equity or the management of customers according to their profit potential is one such CRM core principle (e.g., Blattberg and Deighton 1996). Although researchers have clearly specified alternative approaches to determining customer equity, the commitment of firms to the customer equity principle has gone unaddressed. This article addresses this gap in the literature by examining the *faithfulness* of firms to managing customer according to their profit potential.

We define customer equity faithfulness as the extent to which the CRM processes of a firm adhere to the principle that each customer should be treated according to his/her profit potential. We examine customer equity faithfulness in two specific customer-facing areas, namely *customer acquisition* and *customer maintenance* decisions.

We evaluate moderating factors that enhance firm performance resulting from acquisition and maintenance profitability faithfulness. Our conceptual framework proposes that customer profitability faithfulness will increase as the level of customization requirements, market growth rate, CRM technology use and information integration increase. We examine the implications of customer profitability faithfulness for firm performance. We argue that improvement in firm performance arising from customer equity faithfulness is contingent on the level of customization requirement and market growth rate. We also examine the role of a customer focused structure in increasing firm performance. More specifically, we assess whether a customer focused structure moderates the effect of customer equity faithfulness on firm performance

We test our conceptual framework using survey data from 217 business units comprising both business-to-business and business to consumer firms. The study reveals that while customer acquisition faithfulness is only enhanced by market growth rate, all aforementioned antecedents increase customer maintenance faithfulness. We also find that customization requirements and market growth rate act as moderators increasing the levels of firm performance derived from customer equity faithfulness as they increase. Finally, our study demonstrates that a customer focused structure fully mediates the effect of customer maintenance faithfulness on firm performance. Building from this we argue that managers should approach the creation of a customer-focused structure as part of a broader philosophical commitment to treating customers according to their profitability.

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THE EFFECT OF STANDARDIZATION AND CUSTOMIZATION ON SERVICE SATISFACTION

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SUMMARY

As service businesses increasingly focus on the needs of small segments of customers or even individual customers, one fundamental issue is how to deliver superior value to its customers in a cost-effective way so as to ensure customer satisfaction. As firms standardize the service process and product to reduce cost, achieve reliability, and improve productivity, while customize the service offering to ensure that customer needs are met, this challenge eventually boils down to the balance of standardization and customization of service processes and offerings. Yet, few studies are explicitly devoted to balancing standardization and customization, and little is known as to the possible nonlinear effects of standardization and customization on customer outcomes such as customer satisfaction.

We argue that standardization and customization may contribute to service satisfaction in a nonlinear fashion, and simultaneous efforts of standardizing and customizing service may not produce synergy in affecting customer perceptions of service. The effect of standardization on customer satisfaction may be null or negative at low or medium levels of standardization, because there are significant costs and investments involved in the standardization effort, and there is a steep learning curve for the company as well as for the employees (Senge 1990). As the level of standardization increases, economy of scale sets in, service failure rate drops dramatically, and so do cost and waiting time. A combination of high reliability, fast delivery, and low cost will heighten customer satisfaction. As such, we hypothesize a U-shaped quadratic relationship between standardization and service satisfaction.

Customization means higher cost, longer waiting time, and higher customer involvement in the service delivery process, which are greater customer sacrifices. At a low level of customization, the offering may not meet the customer's exact needs, yet the cost, involvement, and other sacrifices may have increased. The customer may not be willing to pay a higher price for a service is not necessarily better (Bardakci and Whitelock 2004). In other words, the marginal return for the additional cost

may be zero or even negative. Only when the customization effort is able to identify the exact customer problem and offer the exact product for the customer needs, the customer will be delighted to pay a price premium. Thus, we expect U-shaped a quadratic relationship between customization and service satisfaction.

Standardization and customization require different organizational resources to accomplish. Standardization calls for a strict process while customization requires flexibility and innovation (McCutcheon et al. 1994). Standardization originates from the organization's pursue of reliability and lower cost. Customization is driven by the desire to satisfy each individual customer, generate greater revenue, and expand the market. As a result, the effort to standardize or customize is often implemented by different functional areas in the organization, which may not work well with each other as interdepartmental coordination is a constant struggle for management. In addition, organizational culture supporting these efforts may differ. The culture that supports standardization is more focused on internal operational efficiency whereas that for customization is more market and customer oriented. Because of the inherent contradiction involved in the simultaneous pursue of standardization and customization, the resulting service may be of questionable quality. Hence, the effects of customization and standardization on service satisfaction may be weaker when the firm attempts to standardize and customize simultaneously.

We collected data from a sample of automobile after-sale service customers and found empirical support for these hypotheses. We found that for both standardization and customization, their effects on customer satisfaction are negative when they are at low levels. Only when the firms are fairly competent in providing relatively more standardized or customized offerings do their effects become positive. In line of the argument that simultaneously pursue of revenue expansion and cost reduction may be counterproductive (Rust et al. 2002), we found that customer satisfaction can be achieved through either a high level of standardization or a high level of customization, but high levels of both standardization and customization actually do not produce maximal satisfaction.

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A RESOURCE THEORY APPROACH FOR UNDERSTANDING CUSTOMER LOYALTY TO A BUSINESS

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SUMMARY

Loyalty has been depicted as a specific type of relationship in which the relationship partners dedicate themselves to the relationship through their willingness to invest both social and economic resources (cf., Bendaupdi and Berry 1997; Berry and Parasuraman 1991; Dorsch and Carlson 1996; Carruthers and Babb 2000; Dwyer, Schurr, and Oh 1987; Price and Arnould 1999). Consequently, Resource Theory (Foa and Foa 1974, 1980) represents a potentially meaningful framework from which to examine whether different loyalty states can be understood in terms customer resource investments.

According to resource theory, transacted resources may be grouped into the following six distinct categories: Love, Status, Information (Knowledge), Services, Goods, and Money (Foa and Foa 1974, 1980). Furthermore, while resource investments are typically considered from a favorable context, it is also possible for customers to oppose a brand or business by making negative (unfavorable) investments in that brand/business. In this case, love becomes hate and customers engage in negative word of mouth, collect negative information and attempt to publicly harm the brand or the business (e.g., Grove, Fisk, and John 2004; Harris and Reynolds 2003; McColl-Kennedy et al. 2009). Correspondingly, an exploratory study was conducted to examine whether the magnitude and direction of a customer's resource investments in a business is a reflection of the customer's loyalty-state with the business. Our research hypothesis for the study is as follows.

H1: The more favorable a customer's loyalty to a business, the more favorable are customer investments of (a) Love, (b) Status, (c) Knowledge, (d) Service, (e) Money, and (f) Goods in that business.

The Study

A between-subjects study was conducted to examine whether customer resource investments in a business are reflective on the customer's loyalty state (i.e., Loyal, Indifferent, and Opposed) with the business. The research design consisted of dividing a convenience sample of 240 undergraduate business students randomly into three groups, with each group being assigned randomly to a different loyalty state. Respondents were asked to think

about a specific business relationship that characterizes their assigned loyalty-state and to complete a questionnaire asking them about their resource investments in that business. To reduce the possibility of a demand bias, the study purpose was broadly described to respondents as an investigation about customer-business interactions. In addition, the loyalty states were not defined for the respondents; instead, they had to use their personal experiences and judgment to interpret the meaning of their assigned loyalty state. One-hundred-fifty-four students (64.2%) completed the study and provided usable responses.

Measurement scales representing the resource categories were developed using Churchill's (1979) recommendations and pre-tested with forty students who did not participate in the main study. During the main study, *Love* (ten items), *Status* (fifteen items), *Knowledge* (eleven items), and *Service* (seven items) were measured using seven-point semantic-differential scales. The other resources (i.e., *Money* (six items) and *Goods* (four items)) were measured using seven-point Likert-type scales. After data collection, the measures were purified and scale reliabilities were assessed with coefficient alpha (Cronbach 1951). The coefficient alphas ranged from .91 to .99, which indicated that scales were reliable.

A two-step approach was used to examine the group differences (i.e., Loyalty State) for multiple dependent variables (i.e., the customer resource investments). During the first step, a multivariate analysis of variance (MANOVA) was conducted. During the second step, ANOVAs were used to examine the separate contributions of each customer resource investment to the separation of the loyalty states independently of the other dimensions.

Findings and Conclusions

As hypothesized, the findings demonstrate that customer resource investments differed by loyalty state (i.e., Loyal, Indifferent, Opposed), with loyal customers making the most favorable resource investments in the businesses. In contrast, indifferent customers made few investments in the business, and customers who opposed a business tended to make mildly negative investments. The findings also reveal that social resource investments, such as Love, Status, Assessment, and Service, accounted for

the greatest amount of variability among the loyalty states, relative to the more economic resource investments (e.g., Money, Goods, and Knowledge). These results are consistent with the related studies employing different methodologies (cf., Beatty et al. 1996; DeWulf, Odekerken-Schröder, and Iacobucci 2001; Gwinner, Gremler, and Bitner 1998; Reynolds and Arnold 2000).

Our research findings have implications for theory and practice. First, our findings demonstrate the applicability of Foa and Foa's (1974, 1980) Resource Theory for understanding customer loyalty. Second, the research

findings reinforce the importance of social resources for explaining loyal customer-business relationships. Third, companies are better able to optimize and adjust their company's customer relationship management programs to match a desired configuration of the resource dimensions. Consequently, continued research is needed to deepen our understanding of customer resource investments, their importance for forming loyal customer-business relationships, and approaches to actively stimulate desired resource investments. References are available upon request.

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TIME AND SEQUENCE EFFECTS IN THE RELATIONSHIP BETWEEN CRM AND PERFORMANCES (CUSTOMER ACQUISITION, GROWTH AND RETENTION)

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SUMMARY

Scope of this paper is to investigate the moderating effect of the maturity of implementation of the Customer Relationship Management (CRM) project in the relationship between CRM and performances and to understand the impact of the delay of implementation of critical CRM components on performances.

More precisely, this study wants to contribute to the understanding of the high failure rates of CRM projects by taking into account the “*time*” variable.

In fact, current work on CRM describes the impact on performances only at a specific point in time, without considering the evolution of CRM over time and the critical role of experience and learning in the company.

In addition, due to CRM complexity, companies may fail in assigning to the different aspects of CRM their appropriate importance, thus neglecting or delaying the implementation of some critical activities.

In our research, CRM is modeled as a second order construct with four first order components (CRM implementation – Organizational Alignment – Customer Management – Technology).

Similarly to Becker et al. (2009) and Reinartz et al. (2004), we recognize top priority for CRM the management of customer relationship and its phases (initiation, growth and termination) across the company to maximize the value of the customer base for the enterprise. We thus define CRM performances as customer acquisition, growth and retention.

Our hypotheses are tested in an extensive survey finalized at investigating time and sequence effects in the relationship between CRM, its four components and performances.

A letter of invitation was sent to 4235 subscribers (companies) of a newsletter of a leading CRM consultancy company, asking them their interest in participating in a CRM survey.

We obtained in the first round 1035 positive answers. Then, the questionnaire was emailed to these respondents.

We obtained answers from 316 companies. After data cleaning and missing data, 298 questionnaires were usable.

Dissimilarly from Reinartz et al. (2004) and Becker et al. (2009), who focus on European companies, companies in our sample are equally distributed between Europe (43.3%) and USA (56.7%), presenting also a good balance between small and big companies and different industries. In addition, our sample includes companies that have started the CRM project at different points in time; 40 percent of the companies started the CRM project less than four years ago, while the remaining part more than four years ago.

Results clearly show that the impact of CRM components on performances evolves and differs over time and that the sequence of implementation of CRM components plays a role.

In particular, we note that for companies that have started to implement CRM less than four years ago, no CRM component significantly affects performances. However, the scenario changes when we consider companies that have started to implement the CRM project more than four years ago: for instance, for “customer growth,” we note that three out of four CRM components have a significant impact on performance, but while two components are positively related to performance (CRM Implementation and Technology), the component Organizational Alignment is negatively related.

This result clearly suggests that actions finalized at changing employee’s behavior and processes are the main obstacle for improving customer growth. Organizational change, employees’ empowerment and behavioral change appear here negatively affecting “customer growth” still four years later that the CRM project has started.

When analyzing the impact of the sequence of implementation of the CRM components on performances, we discover that in particular for “customer retention,” the best results are obtained when a company adopts a comprehensive view of the project (thus starting almost simultaneously the four CRM components). On the contrary, when technology guides the process, *and* organizational change is left at the end of the project, performances decrease.

To test the effect of a delay of implementation of CRM components on performances we use discriminant analysis. In particular, it clearly appears that a delay in the

implementation of the component Organizational Alignment has the highest negative impact on performances.

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CUSTOMER-BANK RELATIONSHIP LIKING: CHINESE AND GREEK PERSPECTIVES

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SUMMARY

The concept of “liking” has largely been discussed in the B2B literature (e.g., Nicholson et al. 2001; Hawke and Heffernan 2006) which mainly stemmed from socio-psychology literatures focusing entirely on the interpersonal liking observed only between individuals (Altman and Taylor 1973; Rotter 1980; Zajonc 1980; Hendrick and Hendrick 1983). However, liking has been overlooked in the consumer relationship market. Despite the huge interest in liking in the advertising literature (e.g., Haely and Baldinger 1991; Walker and Dubitsky 1994), no study was found to solely examine the effect of consumer liking on their relationship with service providers.

As a concept, liking is a complex and intertwined with other constructs and influenced by various contexts, mainly cultural and industrial. Liking is distinguished from other reactive behaviors by its ability to develop a positive long-term interactive responses (Cialdini 2004). Thus, liking is not a character trait but rather is a cooperative trait (Stone 2006). Reactive and interactive likability is typically a response toward liked behavior or meaning provoked by another individual or entity (Davis 1985). Individuals with high liking level acts as reinforcing of the initial behavior of the provoker of liking (Sternberg 1987). As an attitude, liking is influential in creating favorable responses (Cialdini 2004) and propensity to stay in the relationship (Altman and Taylor 1973; Swan et al. 1985). According to Lovas and Holloway (2009), liking is a subconscious perception and can be a positive or negative based on the level of familiarity, similarity and interest. Zajonc (1980, p. 151) made the point that liking “occurs only after considerable cognitive operations have been accomplished.” Biel and Bridgewater (1990) suggested that liking has persuasive effect as it can directly influence feelings and emotions. Thus, once liking exists, it motives and affects relational behavior significantly (Altman and Taylor 1973; MacKenzie and Lutz 1989), influences favorable treatment (Wexley and Nemeroff 1974), improves rating of relationships (Carnevale et al. 1982; Turban and Jones 1988; Borman, White, and Dorsey 1995), increases relationship attraction (Byrne 1971; Caballero and Resnik 1986), predicts quality of relationships (Liden et al. 1993) and enhance the evaluation of the service experience (Jayanti and Whippe 2008).

Although there is a growing theoretical and empirical literature focusing on liking of commercials and its impact on brand (Aaker 1991; Keller 1993; Ye and Raaij 2004) and sale (Kennedy 1998), there has been little work that addresses the influence of liking the relationship on service provider-customer relationship. Financial services are known to be complex, personalized, and delivered over a continuous stream of transactions (Eisingerich and Bell 2006). Customers are relatively unsophisticated about financial services (Burton 2002) and have uncertainty about technical outcomes (Colgate and Lang 2001). Thus, the success of customers-service providers’ relationship depends to large extent on both parties developing liking for their relationship and personalize their interaction. Ennew and Binks (1999) found reducing the degree of fear in customer-bank relationship to be highly important. Customer education (Smith et al. 1999; Eisingerich and Bell 2006), customer participation (Bitner et al. 1997; Ennew and Binks 1999), and service quality (Crosby et al. 1990) are all essential antecedents of customer-bank liking of their relationship. Liking influences the key fabrics of relationships. Liking found to increase trust (Nicholson et al. 2001), commitment (Hawke and Heffernan 2006), and loyalty (Bell and Eisingerich 2007).

The paper examines customer liking in services and develops and empirically test a model of the mediating role of liking in customer-bank relationships. The antecedents of liking within the banking industries are identified as customer education, customer participation and service quality. The consequences of liking include affective trust, affective commitment and loyalty. The model was tested in the banking sectors in China and Greece. Because liking has persuasive effect as it can directly influence feelings and emotions (Biel and Bridgewater 1990), China and Greece were selected based on the fact that customers from collectivist cultures involve more emotion and feelings in relationships (Yau et al. 2000; Jayakody and Sanjeevani 2006). China scores low on Hofstede’s (1991) dimension of individualism at 20 which make China the highest collectivist culture in Asia. Greece also scores low at 35 making it the second highest collectivist cultures in Europe. The findings largely support the model in both countries. These results show that neither sample had a significant c^2 value (357.04₁₇₉, $p > .05$ for the

Chinese sample and 458.12₁₇₉, $p > .05$ for the Greek sample). However, other fit statistics indicated what could be considered adequate fit. For the Chinese sample both the CFI and IFI values were .94 while the RMSEA was

.06. For the Greek sample, CFI and IFI were again .94 with the RMEA being .08. The results are discussed and recommendations for future research are provided.

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FACTORS INFLUENCING THE USE OF CONSUMER-GENERATED PRODUCT REVIEWS: AN INFORMATION SEARCH PERSPECTIVE

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SUMMARY

One of the biggest changes the Internet has brought about in the marketplace is consumers' massive and active participation in marketing communications by means of electronic word-of-mouth (hereafter eWOM) (Dellarocas 2003). Millions of consumers can now share, in a wide range of online venues with no temporal or geographical constraints, their personal experiences, ideas, and suggestions concerning a variety of products and services (Henig-Thurau and Walsh 2003). In line with the rapid expansion of eWOM, consumer-generated product reviews (hereafter CGPR) in the online environment have recently shown an impressive growth and gained mounting attention (Chen and Xie 2008). Approximately 62 percent of American consumers seek advice from CGPRs (Forrester Research 2008). Almost nine out of ten American online shoppers read CGPRs before making their final purchase decisions (The e-railing group 2008). These figures together indicate the growing importance of CGPRs in the pre-purchase stage.

Reflecting the emerging significance of online CGPRs as a persuasive communication tool and information source, a growing body of research has investigated consumer-generated product reviews from different perspectives (e.g., Hennig-Thurau et al. 2004; Park and Lee 2008; Sen and Lerman 2007; Xia and Bechwati 2008). Nevertheless, academic investigation of online CGPRs from an information search perspective is scarce and our understanding of what motivates or influences consumer use of CGPRs in the online environment is limited. The purpose of this study, therefore, was to identify key factors that influence consumer use of online product reviews generated by peer consumers in the pre-purchase stage. In particular, the present study linked situational factors to the past use of CGPRs and connects perception-related factors to the future intention of CGPRs.

Concerning situational factors, the current study investigated how (1) choice confusion, (2) time pressure, and (3) geographical limitations affected consumers' past use of online CGPRs. In addition, drawing on past research, this study explored how perceived benefits from using online CGPRs such as (1) perceived low search cost, (2) perceived quality of information content, (3) trust in

product-related information of CGPRs, (4) perceived influence of CGPRs in making purchase decision, and (5) perceived satisfaction with CGPRs would influence consumers' intention of using CGPRs in the future.

The present study employed a self-administered online survey. A total of 259 undergraduates were recruited from a large southwestern university and 239 (M = 20.0; 83% female) usable surveys comprised the data set for analysis after incomplete surveys were eliminated. In assessing the proposed relationships among the variables of interest, the online survey was contextualized with information search for a laptop purchase. Respondents were asked to answer questions about their current perceptions of online CGPRs in general, their past usage of online CGPRs, and their intentions to use online CGPRs for the next purchase of a laptop. In examining the impacts of the identified situational and perceptual factors on consumers' past usage of online CGPRs and their future usage intentions, multiple regression analyses were performed.

Among the proposed three situational determinants associated with the past use of online CGPRs, choice confusion was found to be the only significant predictor. This finding is consistent with past research, suggesting that consumers facing a large number of alternatives available in the marketplace perceive a high level of choice confusion and exhibit a great degree of external information search (Cox and Rich 1964; Punj and Staelin 1983). Although its impact was marginally significant, another factor that could contribute to consumers' use of online CGPRs was time pressure. Unexpectedly, time pressure was negatively related to consumer reading of product reviews. Geographical limitations did not show significant predictive power of consumers' previous use of online CGPRs.

As for consumer future usage of online CGPRs, the results indicated the positive influence of consumers' perceived search costs. This finding is consistent with past research results indicating that perceived lower search costs are a key increasing consumers' intention to use an information source (e.g., Punj and Staelin 1983; Srinivasan and Ratchford 1991). Perceived quality of information content was another predictor of consumers' future intention to use online CGPRs. This finding is in line with

Montoya-Weiss and Voss' (2003) findings, suggesting that if consumers perceive that information on CGPRs is useful, accurate, and timely, they are likely to turn to such product reviews in their future information search. Given the anonymous nature of the Internet, trust is an increasingly important determinant affecting consumers' engagement in information seeking and giving in virtual environments (McKnight, Choudhury, and Kacmar 2002). Indeed, the results suggested that consumers with greater trust in product reviews and belief in their peer recommenders as possessing expertness are more likely to search product information on CGPRs for their future purchase. Similarly, consumers' perceived susceptibility to being influenced by CGPRs based on the past experience was positively related to their future usage. In other words, when consumers feel that their previous purchase decisions were influenced by information in product reviews, they would continue to rely on this source as an effective venue for obtaining information. Finally, perceived satisfaction with online CGPRs also appeared to be

a significant factor that predicts consumers' future usage of the source.

With the continued advances of new communication technologies, CGPRs have become a unique venue for online information search which facilitates information accessibility and sharing, and thus influences consumers' purchase decisions. This study expands the literature on information search by identifying the factors that influence consumers' use of the emerging type of consumer-generated content. Theoretically, findings from this study add depth to our knowledge of consumer information search in computer-mediated environments. From a managerial perspective, this study provides valuable insights into how market environments, situational factors, and differences in consumer perceptions of CGPRs together influence consumers' use of CGPRs, which could be potentially used to help segment consumers and develop effective marketing campaigns in the growing online environment.

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LOOKING FOR INFORMATION VERSUS LOOKING FOR INTERACTIVITY: A COMPARATIVE ANALYSIS OF CONSUMERS' MOTIVES FOR USING WEBSITES AND WEBLOGS

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ABSTRACT

The present study employed Uses and Gratification Theory to analyze consumers' motives for using websites and weblogs to learn more about a specific product. In an online study (N = 182) four primary motives were located both for using websites and using weblogs: Convenience, information, entertainment and interactivity. Moreover, findings indicate that the motives differ significantly between the two media channels investigated.

INTRODUCTION

With the Internet, a broad range of computer-mediated technologies such as websites, bulletin boards, or weblogs have emerged and are employed to communicate in an increasingly interactive way with consumers. These new communication technologies have extended consumers' informational and interactive capabilities (Papacharissi and Rubin 2000). In line with this development, consumers rely less on traditional mass media to learn about products and services that are offered in the marketplace, but are beginning to actively seek out information they are interested in (Stafford and Stafford 2001). This shift from rather passive recipients to a more active audience entails a fundamental change in consumer behavior. Companies must react to this change in consumer behavior. Particularly, in a marketing and advertising context it becomes increasingly important to analyze and understand the motives that drive media use. Understanding which media channels consumers are accessing for information prior to and during the purchase process will help companies to better design their advertising campaigns. Employing the Uses and Gratification Theory (Katz, Blumler, and Gurevitch 1974; Rosengren 1974; Rubin 2002), this working paper investigates and compares consumers' media usage motivations for websites with usage motivations for weblogs.

THEORETICAL BACKGROUND AND RESEARCH QUESTIONS

Uses and Gratification Theory is a psychological communication perspective that shifts the focus from a mechanistic view on media effects to individuals' purpose

of media use (e.g., Papacharissi and Rubin 2000; Rubin 2002). Uses and Gratification Theory is a well-established approach for identifying and analyzing motivations for media use (Rubin 2002; Ruggiero 2000). In particular, it is considered an appropriate perspective to develop a profound understanding of interactive media use (Luo 2002). The theory is grounded on the assumption that communication behavior, including the selection and use of media channels, is goal directed, purposive and motivated (Katz et al. 1974; Rosengren 1974). Therefore, Uses and Gratification Theory focuses on "the social and psychological origins of needs, which generate expectations of the mass media or other sources, which lead to differential patterns of media exposure, resulting in need gratifications and other consequences" (Rubin 2002, p. 527). Instead of being used by the media, consumers select and use media to satisfy their felt needs or desires. Moreover, the approach recognizes the importance and the variability of audience activity to explain the outcomes or consequences of mass communication (Levy and Windahl 1984; Rubin 1994).

Past research has applied Uses and Gratification Theory to analyze and compare motives across traditional media (for an overview see: Rubin 2002) like newspapers, radio, and television (Babrow 1987; Convey and Rubin 1991; Ferguson 1992; Katz, Gurevitch, and Haas 1973; Rubin 1983) as well as for newer media such as the Internet (Ferguson and Perse 2000; Papacharissi and Rubin 2000; Stafford and Stafford 2001). Therefore, the list of gratifications derived from mostly early television studies has been expanded with unique facets of the Internet medium (LaRose and Eastin 2004). Communication using the Internet differs from traditional communication particularly in respect to interactivity (Morris and Ogan 1996; Rafaeli and Sudweeks 1997). Interactivity is defined as "the degree to which participants have control over, and can exchange roles in their mutual discourse" (Williams, Rice, and Rogers 1988, p. 10).

Previous studies confirm the importance of different motives for Internet use: Papacharissi and Rubin (2000) identified five motives for using the Internet: Interpersonal utility, pass time, information seeking, convenience, and entertainment. The motives information seeking,

entertainment, and convenience had the highest mean scores, whereas passing time and interpersonal utility were less important motives for using the Internet.

While predictors of Internet use in general are well researched (Charney and Greenberg 2001; Kaye 1998; LaRose and Eastin 2004; LaRose, Mastro, and Eastin 2001; Parker and Plank 2000), only few studies analyzed motives in a commercial context (Ko, Cho, and Roberts 2005; Luo 2002). Luo (2002) identified different motivational antecedents such as information seeking and entertainment on consumer behavior in the context of e-commerce. Ko, Cho, and Roberts (2005) investigated Internet uses and gratifications in the context of interactive advertising. Their research confirms the motives found by Papacharissi and Rubin (2000) and additionally differentiates between three different types of interactivity motivations: Social-interaction motivation, human-message interaction and human-human interaction (Ko et al. 2005). They found positive relationships between the traditional motives (information motivations) and human message interaction, and between the motives social interaction and human-human interaction. Both, human-message und human-human interaction had a positive effect on attitude toward the website and subsequently toward the brand and purchase intentions.

So far only one study (Ko et al. 2005) has investigated the motives that drive usage for commercial websites in an advertising context. This study focused on gratifications obtained (Palmgreen, Wenner, and Rosengren 1985). In line with insights from recent research that report improved explanation of usage motives, the present research will focus on prospective, or expected gratifications (LaRose and Eastin 2004). The first research question is designed to confirm the motives for using websites in order to learn about a product or service that is offered in the marketplace focusing on prospective gratifications.

RQ1: What are the motives to use commercial websites to learn about an offer in the marketplace?

Further, only a small number of studies investigate uses and gratifications of social-media applications (Joinson 2008; Lampe, Ellison, and Steinfield 2008; Shao 2008). Shao (2008) explores the question of motives for using user-generated content from a conceptual perspective. A few studies investigated the specific uses of Facebook (Joinson 2008; Lampe, Ellison, and Steinfield 2008), finding motives such as social connection, shared identities, etc. as prevalent motives for using this social networking site.

Previous research – to the best of our knowledge – has not yet investigated the motives related to the use of weblogs in an advertising context. Therefore, the second research question is aimed at uncovering the expected

gratifications consumers derive from using a products weblog:

RQ2: What are the motives to use commercial weblogs to learn about an offer in the marketplace?

Previous studies so far have not compared motives for the use of different interactive media such as websites and weblogs. Therefore, one critical question will concern the differences between motives that drive the use of websites and motives that drive the use of weblogs.

RQ3: What motives drive the use of weblogs as compared to the use of websites in a commercial context?

Previous studies have investigated the relationship between motives and actual usage in a non-commercial context (LaRose and Eastin 2004; Papacharissi and Rubin 2000) and the relationship between motives and attitudes toward the website and purchase intentions (Ko et al. 2005). Thus, the present study investigates the relationship between motives and intentions to use the website or the weblog respectively.

RQ4: What website-related motives are linked to usage intentions of websites?

RQ5: What weblog-related motives are linked to usage intentions of weblogs?

METHODS

Sample and Procedures

An online study was conducted in September and October 2009. Six hundred ten college students of a Swiss business school were contacted per e-Mail and invited to participate in an online survey. College students are a common and appropriate sample motives for new media use (Ferguson and Perse 2000; Papacharissi and Rubin 2000). Participation was voluntary and participants could take part in a raffle for four gift certificates of a total value of \$200. A sample of 182 college students in Switzerland participated in the study (29.9% total response rate). Recent research assessing response rates indicates that the present rates were consistent with studies employing online surveys (Yun and Trumbo 2000). As a total sample (N = 182) participants were 46 percent male and 54 percent female. Age ranged between 19 and 36 (Mean = 24; Median = 23; SD = 3.3). All analyses were conducted using SPSS statistics version 16.

Measures

To measure motives for using the website and weblogs to learn more about a product or service we used an

abbreviated version of the measurement scales used by Papacharissi and Rubin (2000). Measures include the following motivations: Information seeking, interactivity, entertainment and convenience. Each motive was measured with two to four items. In total, respondents indicated their agreement with 15 statements about their expectations on the gratifications to use the website and to use the weblog on a five point-scale, ranging from 1 (disagree) to 5 (agree). This way of measuring motives is in line with Social Cognitive Theory (Bandura 1986, 1989, 2002; LaRose and Eastin 2004; LaRose et al. 2001). Social Cognitive Theory proposes that expected gratifications are better predictors for actual usage than obtained gratifications (LaRose and Eastin 2004; LaRose et al. 2001). Respondents were asked to answer the questions concerning their motives to use the media channels in respect to a specific and real new consumer durable (a messenger bag with an integrated solar panel) in order to increase the external validity of the study. The measures are listed in Table 1. The same statements were used for the website and for the weblog.

Participants also indicated which medium they would use to learn more about the specific new product on a six point-scale (TV, radio, flyer, billboard, newspaper, magazine, website, blog, or bulletin board). Finally, they indicated their trust in those different media channels on a five point-scale and how often they used those different media from 1 (several times daily) to 5 (several times per week).

RESULTS

Table 1 provides a summary of measures and descriptives for motives measured for website and for weblog use. We used principal component analysis with Varimax rotation to extract and interpret motivational factors. The analysis accounted for 59.6 percent of the variance for websites and 68.6 percent of the variance for weblogs. Additionally, we conducted reliability analysis for each factor. Responses to the items were summed and averaged to form the scales representing each factor. The reliability (Cronbach's α) of the resulting multi-item scales was marginally acceptable, as the reliability values ranged from .61 (website: interactivity motivation) to .89 (blog: convenience motivation). The generally agreed lower limit for Cronbach's α is .70, although it may decrease to .60 in exploratory research (Hair, Money, Samouel, and Page 2007).

The first research question explores the motives for website use. Table 1 summarizes the scale scores. Paired t-tests identified differences among the strength of motives. Convenience motivation was the most salient motive for using the website to learn about the specified product. Paired t-test showed that it was significantly more endorsed than information motivation ($t[181] = -9.9, p < .001$), than interactivity motivation ($t[181] = -31.3, p < .001$) and

entertainment motivation ($t[181] = -27.8, p < .001$). Although the difference is significant, information motivation ($M = 4.11$) was almost as strong a motivation as convenience motivation ($M = 4.62$) for using the website. Information motivation differed also significantly from interactivity motivation ($t[181] = 28.2, p < .001$), and entertainment motivation ($t[181] = 22.7, p < .001$). The motivation for entertainment and the motivation for interaction on the website were significantly weaker than the other two motives and did not differ significantly ($t[181] = -1.9, p = .06$).

The second research question explores the motives for weblog use. The strength of motives is in tendency similar to the motives to use the website. Both convenience and information motivation were significantly more endorsed than entertainment motivation (convenience: $t[181] = -6.5, p < .001$; information: $t[181] = -9.9, p < .001$), and interactivity motivation (convenience: $t[181] = -3.33, p < .001$; information: ($t[181] = 7.18, p < .001$) but did not differ between them ($t[181] = -.93, p = .35$).

The third research question compares the motives for website use with motives for weblog use. Respondents were significantly more motivated to seek information on websites than on weblogs ($t[181] = 5.52, p < .001$) and significantly more convenience motivated ($t[181] = 14.12, p < .001$). However, entertainment ($t[181] = -5.5, p < .001$), and interactivity ($t[181] = -11.02, p < .001$) were significantly more salient for weblogs.

Research question four and five concerned how the different motives to use the website or to use the weblog are linked to the intention to use the website or the weblog, respectively. Table 2 summarizes the bivariate Pearson correlations. The only significant correlations are found between the information and convenience motivation and the intention to use the website.

Multiple regression was also used to explore the multivariate relationship of the four motives to use the website and intentions to use the website to learn more about the specified product. Information motivation ($\beta = .20$) was the only significant predictor of the intention to use the website ($R = .279, R^2 = .06, F(4, 178) = 3.97, p < .01$). There was no significant predictor for the intention to use the weblog.

DISCUSSION

The present study employed Uses and Gratification Theory to analyze consumers' motives for using websites and weblogs to learn more about a specific new product. Results shed light on the underlying motives that guide consumers' media usage. In this investigation four primary motives were located both for using websites and

TABLE 1
Summary of Measures and Descriptive Statistics

Items/Scale	Website		beta	α	Weblog		beta	α
	M	SD			M	SD		
Information seeking	4.11	.68		.70	3.63	1.20		.88
Learning about product benefits	4.57	.85	.71		3.83	1.37	.82	
Learn something new	4.03	.91	.67		3.82	1.34	.89	
Learn about technical properties	3.37	1.08	.64		3.09	1.44	.81	
Learn something useful	4.13	.93	.70		3.77	1.40	.90	
Interactivity	2.37	.70		.61	3.33	1.26		.84
Learn what other people said	3.34	1.12	.42		3.92	1.40	.78	
Meet people with my interests	1.70	.89	.76		2.85	1.51	.81	
Provide my feedback	2.69	1.13	.74		3.31	1.49	.90	
Participate in customer discussions	1.71	.88	.79		3.21	1.59	.88	
Entertainment	2.40	.82		.67	2.95	1.27		.83
It's entertaining	2.89	1.10	.84		3.21	1.45	.86	
To pass time	1.67	.89	.60		2.51	1.57	.80	
It's enjoyable	2.87	1.08	.87		3.13	1.37	.92	
Convenience	4.62	.71		.79	3.69	1.35		.89
It's convenient to use	4.61	.84	.64		3.67	1.38	.81	
Get what I want for less effort	4.64	.74	.75		3.71	1.43	.83	

TABLE 2
Pearson Correlations: Motives to use the Website and to use the Weblog

Intention to use:	Motives Information	Interactivity	Entertainment	Convenience
Website	.263***	.118	.037	.191**
Weblog	.097	.114	.088	.083

Note: *** = $p < .001$; ** = $p < .01$; * = $p > .05$ (2-tailed)

using weblogs. The most salient motive to use the website and the weblog was convenience motivation. In previous research the notion of convenience was not endorsed as strongly as in the present research (Ko et al. 2005; Papacharissi and Rubin 2000). Probably, in the context of advertising and information on products consumers are most interested in being informed in a fast and practical way. Similarly, important for both investigated media channels was the information seeking motivation. This finding is consistent with previous research on predictors of internet use (Ko et al. 2005; Papacharissi and Rubin 2000). In contrast to previous findings, interaction motives (Ko et al. 2005; Papacharissi and Rubin 2000) and enter-

tainment motives (Ferguson and Perse 2000) have been found less important.

Additionally, findings indicate that the motives that bring consumers to utilize websites or blogs differ significantly. Motives for interaction and for entertainment are stronger for weblogs as compared to websites. The reverse is true for the information and convenience motivations which are stronger for the website than for the weblog. Further, the investigation of the relationship between motives and the intention to use websites and weblogs revealed that information motives are a reliable predictor for website use. Likewise the expectation of convenience

significantly influences consumers' intention to use the website. Surprisingly, neither entertainment nor interactivity motivations were related to intentions to use the website or the weblog.

Managerial Implications

With the changing patterns of consumers' media use, practitioners are no longer confronted with the question whether or not to engage in Web 2.0 activities. Rather they have to face the question how to use Web 2.0 applications in means of relationship marketing. The findings of this research can help marketing and communication managers to better design advertising and communication campaigns to promote new products or services. Primarily, when promoting a new product or service information and convenience are the two most important needs to be fulfilled. Findings indicate that on websites information should be accessible and conveniently to find. Conversely, consumers seem not to be interested in being entertained or in interactivity. Likewise, weblogs should be designed to enable convenience oriented information seekers to orient themselves. Consumers are more likely to accept offers for entertainment and interactivity on weblogs than on websites. However, companies have to be aware of the fact, that in regard to new products consumers show only little interest in entertainment and interactivity.

With respect to the findings regarding the motives for weblogs and websites to learn more about a new product, practitioners should consider the implementation of Brand Community (BC) to communicate with their target groups. As a specified form of a website, Brand Communities enable companies to link both salient motives convenience motivation and information seeking motivation. Due to the brand knowledge and the commitment of the community members a lot of brand and product information can easily be found on such BC-Websites. Moreover

companies can gain useful information and ideas for the development of new products and have a well-established peer-group at hand for testing new products.

Limitations and Further Research

Similar to all research endeavors, this study does have its limitations. First, the nonrandom sample of college students might weaken the generalizability of these findings to the population as a whole. Second, we do not find an interrelation between the intention to use the weblog and the regarding motives. This missing finding might be explained with a presumably low interest in the new product used in the study. Third, self-reported data for the intention to use specific media channels to learn more about a product or service in the marketplace may not be a valid measure.

Therefore, further research is needed to investigate the relationship between motives to use websites and weblogs and actual usage of these interactive media. In particular, further research is needed to explain the missing correlation between intention to use a weblog and the regarding motives. In this further research special attention will be paid to possible confounding factors such as interest in the product, familiarity with website or weblog use and individual differences. Methods for this future research will be qualitative interviews. Additionally, further applied research is needed to explore the use of online Brand Communities.

In spite of its limitations, this research helps to better understand the motivations that drive media use in a commercial context from a psychological perspective. Additionally, insights from this research may help practitioners to design communication strategies for new products in accordance with consumers' expected uses and gratifications.

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WHAT IF THE WEB CONTENT AND THE WEB AD ARE IN TWO DIFFERENT LANGUAGES? A CODE-SWITCHING EFFECT TEST

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SUMMARY

Bilingualism is a noteworthy phenomenon around the world today. For bilinguals, code-switching is a widely adopted linguistic practice, which refers to the insertion of a foreign word or expression into a sentence. In advertising, code-switching generally consists of inserting a foreign word or expression into an ad slogan. The current study examines the code-switching effects of advertising on the Internet. It differs from prior studies in three aspects. First, most prior studies regard co-existence of two languages within an ad slogan as code-switching (the micro-level code-switching). However, the current study considers co-existence of the commercial message and the editorial content written in two different languages on a website to be code-switching (the macro-level code-switching). Second, most prior studies test the code-switching effects of advertising written in English and Spanish. Given the importance of the Chinese language in the United States and on the Internet, the current study tests the code-switching effects of advertising in English and Chinese. Finally, most prior research focuses on code-switched advertising in traditional media (e.g., magazine ads). This study tests the effects of code-switched advertising in the computer-mediated communication setting.

The study is designed to be a 2x2 factorial experiment. A total of 60 bilingual consumers who speak both Chinese and English participate in the experiment, where they view a designated website that contains two news stories and two banner ads. The two factors manipulated in the experiment are news story language (Chinese vs. English) and banner ad language (Chinese vs. English). After participants finish viewing the website, they are requested to fill out a post-experiment questionnaire, which measures their ad recall, attitude toward the ad and brand, website readability, and purchase intention for the advertised product.

According to the data analysis results, it is shown that participants perceive the websites with Chinese news stories to be more readable than those with English news stories. However, they recall more of the ads on the websites with English news stories than those with Chinese ones. It is also found that participants generate a more favorable attitude toward the brand names when they are written in English than in Chinese. Finally, participants want to purchase the products more when the ads are presented on the websites with English news stories.

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COLOR EFFECTS ON IMPLICIT MEMORY IN A PRINT ADVERTISING CONTEXT: A PROCESS DISSOCIATION PROCEDURE APPROACH

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ABSTRACT

A laboratory experiment seeks to shed some light on the relative ability of different colors in an advertising context to affect implicit memory and to distinguish between the conscious and the automatic component of memory employing the Process Dissociation Procedure, a generally accepted but scarcely used in the field of marketing method originating in cognitive psychology.

INTRODUCTION

Is it possible that the colored background of a magazine advertisement can influence the ability of the target audience to recall both the ad and the advertised brand without them being aware of the fact? This paper aims at answering this thought-provoking research question, drawing on recent research in the field of marketing that deals with the effects of advertising (Droulers 2004; Holden and Vanhuele 1999; Liu and Johnson 2005; Perfect and Edwards 1998; Shapiro and Krishnan 2001; Shapiro and MacInnis 1992) and advertising elements (Alexomanolaki, Loveday, and Kennett 2007; Hansen et al. 2009) on implicit memory. Acknowledging the inherent incapacity of measures based on explicit memory to fully describe the effects of advertising elements on memory (Du Plessis 2005; Leigh, Zinkhan, and Swaminathan 2006; Mehta and Purvis 2006; Trendel and Warlop 2005), the present study seeks to shed some light on the relative ability of different colors in an advertising context to affect implicit memory and to distinguish between the conscious and the automatic component of memory employing the Process Dissociation Procedure, a generally accepted but scarcely used in the field of marketing method originating in cognitive psychology (Jacoby 1991, 1997; Shapiro and Krishnan 2001).

THEORETICAL BACKGROUND

Literature Review

Memory and advertising. The effect of advertising as a whole, as well as advertising elements, on consumer memory is perhaps one of the most debated issues in advertising research. Traditionally, both academics and practitioners have been trying to capture the memorization process of the individual through the use of self-report measures, such as recall and recognition that present inherent weaknesses (Du Plessis 2005; Leigh, Zinkhan,

and Swaminathan 2006; Mehta and Purvis 2006). One of the most important arguments in this context is the inability of these measures to encompass all aspects of the memorization process; recall and recognition correspond only to the explicit component of memory, completely ignoring the implicit one (Shapiro and Krishnan 2001).

Implicit and Explicit Memory. The distinction between implicit and explicit memory has its origins in cognitive psychology and refers to the mechanism of memory retrieval (Alexomanolaki, Loveday, and Kennett 2007; Trendel and Warlop 2005). Explicit memory retrieval is revealed “when performance on a task requires conscious recollection of previous experiences,” whereas implicit memory retrieval surfaces when “previous experiences facilitate performance on a task that does not require conscious or intentional recollection of previous experiences” (Schacter 1987). The notion of duality in memory has also been extensively examined by Jacoby (1991), who also devised a method for separating the contribution of explicit and implicit memory. It should also be noted that the dual-process nature of memory is also supported by neuropsychological, event-related potential and Functional Magnetic Resonance Imaging (fMRI) studies (Rugg and Yonelinas 2003). The dual nature of memory also lies beneath other theories, such as the distinction between episodic and semantic memory and long-term versus short-term memory (Ambler, Ioannides, and Rose 2000; Baird, Wahlers, and Cooper 2007); however, in the present paper, we will focus solely on the implicit – explicit memory dichotomy.

Advertising and Implicit Memory. The notion that unconscious reactions to marketing stimuli are far closer to actual behavior than self-reported reactions is constantly gaining popularity among marketing scholars and practitioners (Fitzsimons et al. 2002; Zaltman 2003). Especially in the field of advertising, recent studies have shown that traditional memory measures, based on conscious retrieval, cannot possibly capture the sub-conscious effects of advertising (Shapiro and Krishnan 2001). Paraphrasing Krugman (1977), “memory without recall” refers in contemporary terms to the ability of advertising to affect implicit memory. Recent publications investigating the unconscious influence of television, radio, print and web advertising on implicit memory include the works by Courbet (2003), Droulers (2004), Holden and Vanhuele (1999), Perfect and Edwards (1998), Shapiro and MacInnis (1992). Within these studies, only a few

have dealt with the effect of specific advertising elements, such as humor (Hansen et al. 2009) and music (Alexomanolaki, Loveday, and Kennett 2007), on implicit consumer memory.

Color in Print Advertising. The effect of color in print advertising on memory is only one part of a complex multivariate model, in which the effect of color on memory, along with its biological effects and its effect on emotion (internal color effects), as well as color symbolism and color preferences (external color effects) influence the interpretation of the advertising message (Panigyrakis 1981; Panigyrakis and Kyrousi 2009).

Color and Memory. In general, color is thought to have an impact on human memory, despite the fact that research on the subject is scarce (Roullet and Droulers 2002). According to Jin and Shevell (1996), colors with medium (green) and high (red) wavelengths are better remembered than those characterized by low wavelengths (blue). Another point to be taken into consideration is that existing studies in their majority do not treat color as a peripheral cue but rather as a core property of the stimulus investigated, with the exception of a study by Wichmann, Sharpe, and Gegenfurtner (2001) that proved that the presence of a colored frame facilitated recognition of natural scenes. We should also acknowledge the value of an experiment recently conducted by Roullet (2004) who examined the role of color as a peripheral cue, by comparing, among other things, the effect of different hues, saturation, and brightness levels of a colored screen border on the ability of individuals to memorize a text; however, analysis of the findings did not produce significant differences in memorization scores of subjects exposed to different hues.

Color in Advertising and Implicit Memory. The effect of color in an advertising context on memory has solely been studied with memory being addressed as a unidimensional construct; therefore, only the explicit memory component has been examined. Several researchers have acknowledged that the recall of an advertisement is facilitated by color, as early as 80 years ago (Cheskin 1954; Gilbert 1933; Poffenberger 1932). These early studies were mainly concerned with establishing the superiority of advertisements in color to those in black and white, an issue that nowadays seems obvious. To our knowledge, few recent studies have dealt specifically with the effect of color in advertising on consumer memory, the most notable being that of Lichtlé (2005) that sought to link color preferences and memory for advertised brands.

Identification of Research Gap

In their seminal study, Shapiro and Krishnan (2001) introduced the use of implicit memory measures in advertising, capitalizing on existing knowledge in the field of

cognitive psychology. Their study conforms with the ongoing shift of marketing and advertising theory from behaviorism, that traditionally formed the basis of theories of consumer behavior, to cognitive psychology and neuroscience (Weilbacher 2003). Shapiro and Krishnan (2001) found that implicit memory measures produce different results from the explicit ones when investigating brand memory after exposure to advertising. In their directions for future research, they explicitly state that “one goal on advertising research should be to demonstrate that specific parts of (advertising) stimuli are prone to implicit versus explicit retrieval processes.” With the exceptions of Alexomanolaki, Loveday, and Kennett (2007), who investigated the effect of music on implicit memory for a commercial, and Hansen et al. (2009), who studied the influence of humour on implicit memory for advertised brands, no other attempts, to our knowledge, seem to have been made toward that direction.

HYPOTHESES

The main assumption of the study is that the background color of print advertisements will facilitate implicit memory retrieval, whereas it will have no effect on explicit memory retrieval in low attention conditions. We chose to simulate low-attention conditions because they better match actual consumer behavior. First of all, we posit that explicit memory retrieval remains unaffected by background color as a peripheral cue in print advertisements. In other words, we hypothesize that the existence of a colored background will heighten the possibility of individuals previously exposed to advertising stimuli to recognize ad elements without being consciously aware of doing so. This hypothesis derives mainly from existing studies in psychology, a detailed account of which is provided by Wichmann, Sharpe, and Gegenfurtner (2001); some of these studies find differences in recall of stimuli surrounded by peripheral color cues, while others negate the existence of such a difference. We posit that the reason for these conflicting findings has to do with the duality of memory; similarly to music (Alexomanolaki, Loveday, and Kennett 2007), we expect that color will facilitate implicit memory retrieval, whereas it will have no significant effect on explicit memory retrieval. The inferred analogy between color and music in an advertising context has been suggested before; for instance, Gorn (1982) suggests that his findings regarding music in advertising can apply to all “background features” of advertising, such as humour and color. Thus, we hypothesize that:

H1: Performance on explicit memory tests for colored advertisements will not differ from that for non-colored advertisements.

H2: Performance on implicit memory tests for colored advertisements will be better than that for non-colored advertisements.

Regarding the relative ability of different hues (in order to simplify the research design, the effect of saturation and brightness is temporarily ignored) to affect implicit memory, existing research does not point clearly to a concise direction. Even if the effect of diverse colors on explicit memory were to be used as a starting point for the hypothesis formulation, study results are inconclusive; for instance, Jin and Shevell (1996) argue that colors with medium and high wavelengths are better remembered while Lichtlé (2005) attests that individuals tend to recall brands advertised with preferred colors. Given the almost panhuman tendency toward blue (Crozier 1999) we would expect, in contrast to the findings of Jin and Shevell (1996), that blue would aid memory retrieval. Of course, both of these studies can only be used as a starting point, since they refer to explicit memory. We are actually more inclined to favor the direction indicated by Lichtlé (2005), mainly due to the fact that her study is in the context of print advertising. Therefore, we posit that:

H3: Subjects exposed to advertisements with blue as a background color will tend to exhibit a higher performance on implicit memory tests than subjects in the other groups.

The fourth hypothesis refers to the Process Dissociation Procedure (PDP), first devised by Jacoby (1991, 1997). The PDP serves as a method purification device; by simply comparing performance on implicit and explicit memory tests, we cannot exclude the possibility of conscious recollection contaminating performance on implicit memory tasks (Liu and Johnson 2005). In essence, the PDP is a tool developed for the needs of psychological experimentation; the first account of the PDP in marketing literature can be found in Shapiro and Krishnan (2001). Since then, it has been used to discern automatic country-of-origin effects on brand judgments (Liu and Johnson 2005), to demonstrate that humour in advertising does not affect implicit memory (Hansen et al. 2009), to suggest a mechanism through which advertisements operate as hidden persuaders (Goode 2007). The PDP is employed in this study in order to separate the automatic influence of background color on memory from its conscious influence.

H4: Background color should increase automatic memory components, but not conscious memory components.

DESCRIPTION OF THE STUDY

Method

Design. The design of the study was based principally on the study by Shapiro and Krishnan (2001), and to a lesser extent on similar studies investigating implicit memory effects (Alexomanolaki, Loveday, and Kennett 2007; Courbet 2003; Hansen et al. 2009; Liu and Johnson

2005). A laboratory experiment, followed by two pen and paper memory tests (post-experimental questionnaires) was chosen to test the formulated hypotheses.

Sample. For the purposes of the study, 111 participants were recruited from five classes of the full-time and part-time MBA in the Athens University of Economics and Business. Members of each class were assigned to five groups, codified as blue, green, red, yellow, and control group.

Stimuli. The stimuli used were existing print advertisements, modified accordingly with the purposes of the study (see Appendix). They referred to three fictional brands of product categories familiar to the respondents (beverages, chewing gum, and apparel). Each advertisement was produced in five different versions, which only differed in the color that was used as a background (red, green, blue, yellow, and achromatic). The selection of colors was derived from Chattopadhyay, Darke, and Gorn (2002). To simulate actual consumer exposure settings, the target ads were inserted in an existing issue of a magazine (3 ads of the same color at a time) along with 17 distractor ads. This procedure resulted in five different versions of the magazine issue, each one used as a stimulus for the corresponding group.

Procedure

In the first part of the study (thereby referred to as “exposure”), each group was divided in sub-groups of 5–8 persons and summoned in a room. Before entering the room, the participants were told that they were about to read a few articles in a magazine issue and later respond to some questions. These instructions were given to cater for low attention conditions. They were left for 30 minutes in the room, in the presence of a moderator who solely observed. Afterwards, they were told that they would receive further instructions by phone. The one-week time delay had a two-fold purpose: first, to simulate real-life where exposure to advertisements and recognition of the brand differ temporally and second, because the PDP requires a somewhat faded memory of the exposure in order to compute as accurately as possible the automatic memory component (Hansen et al. 2009). A week later, the instructors of the classes of the participants distributed a pen and paper implicit memory test. The experimenters themselves did not appear in an effort to conceal the link between the implicit memory test and the exposure episode which would lead to the use of explicit retrieval processes; an attempt to discourage awareness of the relationship between exposure and subsequent implicit tests was also employed by Courbet (2003) and Shapiro and Krishnan (2001). After the completion of the test, one of the experimenters entered the classroom, informing the participants about the true purpose of the study and handed them an explicit memory test. Afterwards, a

similar to the previously administered tests questionnaire was completed for the purposes of the PDP.

Measures

For the purposes of the present study, implicit and explicit memory measures were developed, similarly to Shapiro and Krishnan (2001) and Alexomanolaki, Loveday, and Kennett (2007).

Implicit Memory. The test for implicit memory included two recognition tasks; the first had to do with brand memory, while the second referred to ad memory. In the first task, participants were presented with a list of product categories; the three target brands appeared next to their product categories, along with a distractor fictional brand, while the remaining five product categories were used in an attempt to hinder reference to the exposure episode. Distractor categories and brands have also been used by Courbet (2003) and Shapiro and Krishnan (2001). In the second task, 40 ad-related words, of which only eight referred to the target ads the subjects had seen, were presented in a list. Before completing each task, subjects were shown a slide, colored accordingly with the stimulus they had been presented within the exposure episode. For the first task, subjects were told that they were to indicate one brand in each product category that they would purchase. For the second task, respondents were asked to select eight words from the list that they associated with the color X (blue, green, red, yellow). No reference to color was made to subjects in the control group. Performance was calculated as shown in Equation 1.

$$\text{Implicit brand memory (Target brands chosen/3) + implicit ad memory (ad-related words chosen/8) (1)}$$

Explicit memory. The test for explicit memory included the same 2 recognition tasks, however, subjects were explicitly asked to refer back to the exposure episode and indicate, first, the brands they had seen advertised (distractor product categories were removed) and then, the words that they associated with the ads they had seen. Performance was calculated as shown in Equation 2.

$$\text{Explicit brand memory (Target brands chosen/3) + Explicit ad memory (ad-related words chosen/8) (2)}$$

Process Dissociation Procedure. In the PDP task, participants were asked to indicate eight ad-related words for brand A among a list (inclusion task). Then, they were asked not to choose ad-related words for brand B (exclusion task). The computation of the automatic and the conscious component was based on Shapiro and Krishnan (2001) and Hansen et al. (2009). First, the probability to choose ad-related words under exclusion instructions is computed; a subject might choose an ad-related word, despite being advised not to do so, only if conscious

memory retrieval failed ($1-C$) and automatic memory retrieval (A) influenced their choice, or $P(\text{choice}|\text{exclusion}) = A(1-C)$. Then, the probability to choose ad-related words under inclusion instructions is computed; a subject might choose an ad-related word when instructed to do so, either if conscious memory retrieval is successful (C) or if, conscious memory retrieval having failed ($1-C$), automatic memory retrieval prompts a correct response ($A(1-C)$), or $P(\text{choice}|\text{inclusion}) = C+A(1-C)$. Solving these equations for C and A , we are presented with the estimates for the conscious and automatic component of memory, as shown in Figure 1 below.

RESULTS

The analysis of the findings is mainly based on a series of one-way ANOVAs and correlations for the examined variables; the criterion for this choice was the suitability of these analyses for the validation of the hypotheses. The same statistical tools have been employed by Hansen et al. (2009), Liu and Johnson (2005) and Shapiro and Krishnan (2001). After data collection, codification and subsequent data clearing (which resulted in the elimination of 8 observations, thus providing the researchers with 103 exploitable test scores), a series of one-way ANOVAs was used in order to test the hypotheses posited. Prior to that, data was checked for normality and equality of variances. The results of the corresponding tests (Levene's Test of Homogeneity of Variance, $p > 0.10$ and Shapiro Wilk test for normality, $p > 0.05$) confirmed the main assumptions of ANOVA. Initially, one-way ANOVA was used in order to compare the five different performance means on the explicit memory test. In other words, the dependent variable in this test was the explicit memory score, and the factor was a categorical value corresponding to the different color groups. The analysis confirmed that there were no significant differences across groups regarding the performance on the explicit memory test, as posited in H1 ($F(4,98) = 0.09, p > 0.10$). Thus, explicit memory performance remained unaffected by color manipulation.

However, this was not the case with implicit memory performance. A similar one-way ANOVA was conducted on the implicit memory scores of the subjects, comparing differences in means initially between the color groups and the control group. It was shown that there were significant differences ($F(1, 101) = 32.40, p < 0.05$), and as predicted by H2, implicit memory performance for the subjects that had been exposed to the colored stimuli was better than that of those in the control group (corresponding mean scores were 0.62 and 0.31 respectively). A second ANOVA was carried out to determine whether there were differences across the four different color groups, showing that there was a significant main effect of color background treatment on implicit memory performance ($F(3, 84) = 13.05, p < 0.05$), as shown in Table 2.

FIGURE 1
Graphical Representation of Computation of Automatic and Conscious Memory Components
 Source: Adapted from Hansen et al. 2009

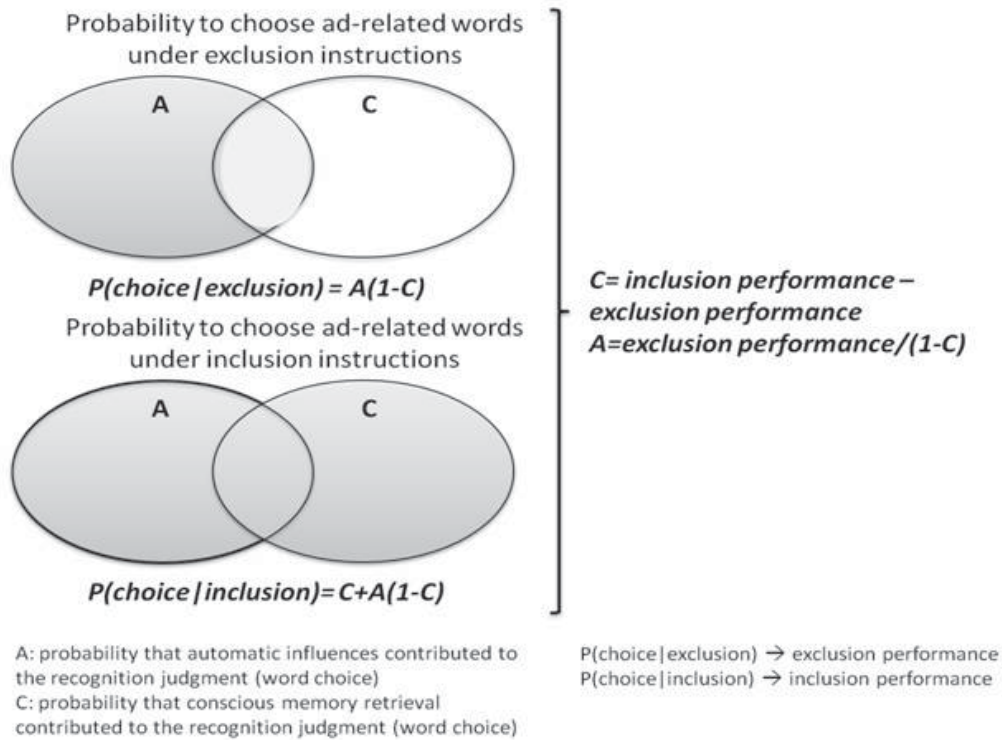


TABLE 1
ANOVA Table – Differences of Mean Explicit Memory Test Scores among Color Groups (Control Group Included)

Source	Sum of Squares	Df	Mean Square	F-Ratio	P-Value
Between groups	0.0287792	4	0.00719481	0.09	0.9841
Within groups	7.4868	98	0.0763959		
Total (Corr.)	7.51558	102			

Post-hoc examination of the data, using Fisher's least significant difference (LSD) procedure, revealed that subjects exposed to stimuli with blue background tended to perform better in the implicit memory test than those in the other three groups ($p < 0.05$), a finding consistent with H3. From the LSD test, it was also shown that subjects exposed to advertisements with a yellow background tended to exhibit lower implicit memory scores than those in all other three groups. Interestingly enough, Multiple Range Tests revealed that there was no statistically sig-

nificant difference between the implicit performance means of the red and the green group.

Finally, data was analyzed in order to test the fourth hypothesis, referring to the PDP, based mainly on the corresponding analysis of Shapiro and Krishnan (2001). It should be noted that the control group did not take part in the tests for the PDP. The automatic and the conscious memory contributions were estimated according to the equations presented in Figure 1. An ANOVA conducted,

TABLE 2
ANOVA Table – Differences of Mean Implicit Memory Test Scores among Color Groups
(Control Group Excluded)

Source	Sum of Squares	Df	Mean Square	F-Ratio	P-Value
Between groups	0.0287792	4	0.00719481	0.09	0.9841
Within groups	7.4868	98	0.0763959		
Total (Corr.)	7.51558	102			

TABLE 3
Multiple Range Tests for Implicit Memory Test Score Overall by Color Group
(Control Group Excluded), Method: 95.0 Percent LSD

B.Group	Count	Mean	Homogeneous Group	Contrast	Sig.	Difference	+/- Limits
4	20	0.447917	X	1 – 2	*	0.122737	0.101062
3	23	0.588768	X	1 – 3	*	0.18252	0.101062
2	23	0.648551	X	1 – 4	*	0.323371	0.104702
1	22	0.771288	X	2 – 3		0.0597826	0.0999329
				2 – 4	*	0.200634	0.103613
				3 – 4	*	0.140851	0.103613

* denotes a statistically significant difference.

shown in Table 4, using as a dependent variable the conscious component, was found to produce a pattern similar to the ANOVA conducted for the explicit memory score (only for the ad-related words part, in order for the results to be comparable), with no significant differences across different color groups ($F(3, 84) = 0.98, p > 0.10$). Not surprisingly, as shown in Table 5, the measure for the conscious component was significantly correlated with the performance on the explicit memory test for the ad-related words ($r = 0.9409, p < 0.01$). According to Shapiro and Krishnan (2001), this suggests that performance on the explicit memory test for ad-related words relies on explicit retrieval processes. As for the automatic component, an ANOVA using its estimation as a dependent variable across different color groups produced results similar to those of the ANOVA conducted for the implicit memory score (only for the ad-related words part, in order for the results to be comparable). As expected, the ANOVA on automatic component estimates revealed significant differences across different color groups ($F(3, 84) = 15.30, p < 0.05$), with subjects belonging to the blue color group exhibiting higher performance scores on the automatic memory test, just as was the case with performance

on the corresponding part of the implicit memory test. Moreover, the automatic component estimate was found to be significantly correlated with performance on the ad-related words part of the implicit memory test ($r = 0.3669, p < 0.01$) and, more important, it was not correlated with performance on the ad-related words part of the explicit memory test ($r = -0.0156, p > 0.10$). It can be thus inferred that performance on the automatic memory test had nothing to do with explicit memory retrieval, as measured by performance on the explicit memory test. In summary, the results of the PDP confirm that background color increases automatic memory components, but not conscious memory components.

DISCUSSION AND RESEARCH IMPLICATIONS

Theoretical Implications

The verification of the central hypothesis that states that background colour, as a peripheral cue in a print advertising context, affects implicit, but not explicit, memory of the subjects exposed to it for the advertisement and the advertised brand constitutes the main contribution

TABLE 4
Results of One-Way ANOVAs for the PDP

Explicit Memory Test Performance (Ad-Related Words Score)(Ad-related Words Score)		Implicit Memory Test Performance Component	Conscious Component	Automatic
N	88	88	88	88
<i>One-Way ANOVA</i>				
F-Ratio	0.04	15.77	0.98	15.3
P-Value	0.988	0	0.4072	0
<i>Means</i>				
Blue Group		0.395909		0.6
Red Group		0.363043		0.474793
Green Group		0.346087		0.467909
Yellow Group		0.2825		0.345238

TABLE 5
**Correlations Between the Automatic and Conscious Memory Components
and Implicit and Explicit Memory Test Scores (Ad-related Words Part)**

	Automatic Component	Conscious Component	Implicit Memory Test Score (Ad-Related Words Part)	Explicit Memory Test Score (Ad-Related Words Part)
Automatic Component		-0.1405 (88) 0.1916	0.3669 (88) 0.0004	-0.0156 (88) 0.8855
Conscious Component	-0.1405 (88) 0.1916		-0.4350 (88) 0.4790	0.9409 (88) 0.0000
Implicit Memory Test Score (Ad-Related Words Part)	0.3669 (88) 0.0004	-0.4350 (88) 0.4790		-0.1054 (88) 0.3286
Explicit Memory Test Score (Ad-Related Words Part)	-0.0156 (88) 0.8855	0.9409 (88) 0.0000	-0.1054 (88) 0.3286	

of the study. In this sense, the present study fills a research gap both in the research field regarding the role of colour in advertising, where its effect on memory has been examined solely through explicit measures, and in the research field that deals with the effect of specific advertising elements on implicit memory, which is recently emerging. A second theoretical implication derives from the relative ability of the colour blue to aid implicit memorization; it remains to be determined whether this is

a result of it being strongly preferred by subjects, as suggested by Lichtlé (2005) that links explicit memory with colour preference, or has to do with other factors, such as its impact on the human organism from a biological standpoint. It is interesting to note that the relative rank order of colours regarding their ability to enhance implicit memory (blue, green/red, yellow) is very similar to their rank order of general preference (blue, green, red, yellow) (Crozier 1999); however, no causal relationship between

these two variables has been established so far. Another theoretical implication of the study regards the usefulness of the PDP as a method purification device; results from this study, as well as the findings of Hansen et al. (2009) suggest that the PDP accurately separates the conscious and the automatic memory effects of specific advertising elements. This application of the PDP can be proved fruitful, since the memory effect of advertising content and design elements such as music, animation, emotional appeals, can be separated into conscious and automatic.

Managerial Implications

The findings of the study present important implications for advertising practitioners. First of all, since color as a peripheral cue affects implicit memory, the obvious implication for advertising practitioners seeking to select a color as a background for a print advertisement is that they have an interest to use the color blue, if their purpose is increased recall. However, it should be noted that this is not a “one-size-fits-all” solution, since this suggestion does neither cater for purposes other than memorization of the ad or the brand, nor encompasses the effect of other variables on consumer implicit memory. Thus, a more meaningful implication for advertising practitioners is that they should use both implicit and explicit measures while pre-testing versions of an ad, depending on the specific ad element whose impact on memory they examine. If the use of alternative color backgrounds is examined, implicit memory measures are recommended.

LIMITATIONS OF THE STUDY AND DIRECTIONS FOR FUTURE RESEARCH

The present study undoubtedly presents some limitations, which hinder to an extent the external validity of its findings. First of all, the fact that the sample used for the purposes of the study was not selected randomly limits the generalizability of the findings (Yoo 2007). Secondly, the process of the exposure of tested subjects to the stimuli, although designed in order to best simulate reality, inadvertently differed from actual exposure to advertising stimuli, as was also the case in Liu and Johnson’s (2005) study. Another limitation of the study derives from the measures used; implicit and explicit memory tests heavily relied on word recognition tasks. It would be nevertheless useful for future studies to attempt to estimate the effect of color on implicit memory using cues other than verbal; for instance, fractions of the stimuli could be used as visual cues for explicit and implicit memory testing. Moreover, the scarcity of existing similar studies rendered the application of more advanced statistical tools rather difficult. Additional limitations stem from the use of the PDP itself as a purification technique; Jacoby (1991) himself clearly states that the PDP is based on the assumptions of independence and invariance. The PDP has received criticism for producing paradoxical results, when the assumption of independence is violated (Curran and Hintzman 1995; Dodson and Johnson 1996). An alternative method for examining effects on implicit memory is response-latency analysis (Fitzsimons et al. 2002).

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APPENDIX

EXHIBIT 1

Selected Stimuli from the Study, 3 Advertisements in 5 Color Versions
(Red, Yellow, Green, Blue, and Achromatic)



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EFFECTS OF INSTITUTIONAL CHANGE TOWARD MODERNIZATION ON CONSUMER'S RESPONSES TO SEX-APPEAL ADVERTISING

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SUMMARY

Conceptual Framework and Hypotheses

Sexual imagery has been increasingly adopted by advertisers to break through clutter and capture consumers' attention. However, most of the literatures on sex-appeal advertising were largely based on individual-level factors from the microscopic perspective, such as gender of the receivers and the products advertised. Identifying the factors from the macroscopic perspective, such as institutional change toward modernization, is still an unexplored area. Besides, previous researchers conducted their empirical work mainly in western countries (e.g., Gould 1994; LaTour and Henthorne 1994; Severn, Belch, and Belch 1990). Relatively few studies (e.g., Liu, Li, and Cheng 2006; Tai 1999) have been conducted to examine consumers' responses to sex-appeal advertising in the Chinese context, yet the use of sex appeal is on the rise in China. The current study attempts to fill out these gaps.

Drawing on institutional theory, we integrate the micro and macro factors and describe how these factors affect consumers' responses to sexual advertising in the Chinese context. Specifically, we argue that institutional change toward modernization has two components, cultural openness and regulatory tightness. Paradoxically, these two dimensions have opposite effects on consumers' attitudes to sex-appeal advertising. On the one hand, formal rules and regulations serve as a source of legitimacy for people and constrain them from behaving liberally concerning sex issues. Regulatory tightness, therefore, is predicted to have a negative effect on the degree of acceptability to sex advertising. On the other hand, as people learn from their past experiences and encounter more explorations in the process of modernization, cultural openness will be greater. This exerts a positive effect on the degree of acceptability to sex advertising. As a result, a paradox exists in the effects of institutional change toward modernization. The two opposite effects, due to regulatory tightness and cultural openness, are expected to have a non-linear relationship with consumers' responses to sexual advertising. Formally, the relationships between level of modernization and consumer attitudes and buying intention would follow an inverted U-Shape pattern (Hypothesis 1).

Previous researches provided empirical evidences that female generally possesses more negative attitude and lower acceptability to sex-appeal advertising (e.g., Fahy et al. 1995; Sengupta and Dahl 2008). Empirical studies also found that women generally possess more critical attitudes toward sexual role portrayals and perceive that companies which portray women offensively in their advertising holds discriminatory view (Ford, LaTour, and Lundstrom 1991; Lundstrom and Sciglimpaglia 1977). Hence, it is predicted that gender of the models shown in the ads and gender of the receivers will moderate the effect of level of modernization on consumers' attitudes to sex-appeal advertising. Specifically, the inverted U-shape pattern is more pronounced for female audience than for male audience (Hypothesis 2a) and the inverted U-shape pattern is more pronounced for female model than for male model (Hypothesis 2b).

Methods

The study adopted a 3 (three Chinese cities with varying level of modernization) x 2 (gender of the model) x 2 (gender of the receiver) factorial design. All three factors are between-participants. Two print ads, featured with either a male or a female fully nude model, were designed as the experimental stimuli. The graphic design and layout of both ads were the same. PDA Phone was promoted in the test ads. Fictitious brands were used to eliminate the confounding effect of prior experience with a particular brand on attitude formation. In order to lessen the confounding effect of culture, three Chinese cities sharing the same national culture, Hong Kong, Fu Zhou, and Shanghai, were selected to represent different institutional contexts and varying level of modernization (Source: Beijing Modernization Report 2003; Competitiveness Ranking of China Cities 2006). Besides, all three cities are coastal cities and are located quite close to one another. Therefore, the effects of regional differences (i.e., coastal versus inland) can also be minimized.

A non-probabilistic quota sampling was used in an attempt to achieve a grossly equal representation of male and female participants in each city. College students were used mainly for their accessibility and homogeneity (Calder, Phillips, and Tybout 1981). Besides, they are the potential market for PDA phone. Two-hundred and ten

college students were successfully recruited in each city, adding up to a total of 630 respondents participated in this study. The proportion of gender was kept parallel as around 50 percent. Participants with same gender in the same city were randomly assigned to one of the experimental groups, i.e., one of the two test ads. They were first exposed to either of the two ads and then requested to finish the questionnaire with dependent measures. On completion of the tasks, all participants were debriefed.

Results

Hypothesis 1 is testing if there are significant differences on consumers' attitudes and buying intention among the three cities. On the basis of the Competitiveness Report of China Cities 2006, Hong Kong should be the most competitive city, representing the highest level of modernization. Shanghai is ranked as the second most competitive city among the three, thus representing the medium level of modernization. Fu Zhou is ranked as the least developed and competitive city among the three and represents the lowest level of modernization. As predicted in the hypothesis, Shanghai respondents are expected to possess the most positive attitudes than the other two cities. The means and standard deviation of the dependent variables were compared among the three cities. In summary, the results of ANOVAs reveal that consumer atti-

tudes and buying intention are significantly different among the three cities with varying level of development and modernization. The patterns of the relationships between level of modernization and consumer attitudes are generally inverted U-shape.

To test the moderating effect of gender of the receiver and gender of the model shown in the ads on the relationships, we conducted a series of two-way ANOVA (3 cities with varying level of modernization by 2 types of gender) for consumer attitudes and buying intention. Hypothesis 2a suggests that the interaction should be significant, with a more pronounced effect for female receiver than for male receiver. Hypothesis 2b suggests that the interaction should be significant, with a more salient effect for female model than for male model. In conclusion, the results of ANOVAs demonstrate that the interaction effects between level of modernization and gender of the receiver are generally significant. The patterns for female audience are more pronounced than for male audience. In contrast, the interaction effects between level of modernization and gender of the model are not significant for most dependent measures, except for attitudes toward the obscenity of the advertisement. Therefore, the gender of the model shown in the ads does not have any significant effect on the patterns of relationship. References are available upon request.

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COMPARING HEALTH PERSUASION AMONG EASTERNERS AND WESTERNERS

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SUMMARY

Do Easterners self-enhance as do Westerners? Recent debate in the field of cross-cultural psychology sheds some light on the significance of the topic, yet offers rather contrasting views on the subject. One view is that, regardless of one's cultural background, individuals share a universal tendency to view themselves positively (e.g., Sedikides, Gaertner, and Vevea 2005; Sedikides, Gaertner, and Toguchi 2003). According to Sedikides et al. (2003), both Easterners and Westerners self-enhance but along strategically different dimensions: self-enhancement among Western individualists is pronounced more on individualistic attributes such as freedom and independence (i.e., culturally relevant dimensions), whereas self-enhancement among Easterners is pronounced more on collectivistic attributes such as loyalty and patience.

However, some researchers have argued otherwise, maintaining that self-enhancement is a culture-specific phenomenon (e.g., Heine 2005; Heiner, Lehman, Markus, and Kitayama 1999; Kitayama, Markus, Matsumoto, and Norasakkunkit 1997). For example, Kitayama et al. (1997) contended that unlike Western individualists, Eastern collectivists tend to self-criticize rather than self-enhance. According to Kitayama et al. (1997), such cross-cultural differences in self-perception are rooted in, at least in part, their functional utility in each culture. Being self-critical perhaps brings social benefits to individuals in collectivistic societies, yet being self-enhancing brings autonomous benefits to individuals in individualistic societies (also see Lalwani 2009; Lalwani, Shavitt, and Johnson 2006; Lalwani and Shavitt 2009; Lalwani, Shrum, and Chiu 2009). Consistent with this speculation, Kitayama et al. (1997) found that among U.S. participants success situations have more influence on self-esteem than failure situations, but among Japanese participants failure situations have more influence on self-esteem than success situations. On similar lines, Japanese have been reported to accept their failures more readily than their successes in social comparison (e.g., Takata 1987).

In a related vein, Heine and Lehman (1995) showed that Japanese were more pessimistic than Canadians in their predictions for positive and negative life events. According to Kitayama et al. (1997), a collectivistic "cultural system (is) rooted in the importance of maintain-

ing, affirming, and becoming part of significant social relationships. (Hence), this sensitivity to negative self-relevant information . . . has positive social and psychological consequences" (p. 1246). Chang and Asakawa (2003) correspondingly found that European Americans compared with Japanese were more likely to predict positive events, yet less likely to predict negative events, to occur to self than to a sibling. Their findings appeared to indicate that Westerners' self-views tend to be positively biased (i.e., optimistic bias), but Easterners' self-views tend to be negatively biased (i.e., pessimistic bias), indirectly supporting the notion that collectivists have a tendency toward self-criticism and individualists have a tendency toward self-enhancement.

What is noteworthy in their study was that Chang and Asakawa (2003) made a distinction between "general others" and "specific others" by specifying the identity of "others." In past studies in which similar self-other comparisons were made, participants were merely asked to compare themselves with unspecified others, possibly leading to a culturally subjective interpretation of a reference group (Heine et al. 2002).¹ One might plausibly argue that when encountering unspecified "others," Easterners are more likely to imagine close others (e.g., family and friends), but Westerners is more likely to imagine distant others (e.g., the general public); thus, the distinction between general and specific others removes the possible reference group confound. In this regard, Chang and Asakawa (2003) ingeniously provided participants with a concrete identity of the reference group (i.e., sibling). In the studies reported in the present paper, we measured the perceived health consciousness and perceived advertising effect at two (study 1) or three (study 2) varying social distance levels (e.g., "self," "close others," and "distant others" in study 2) by providing participants with the specific identities of others (e.g., close friends and family or the general public).

The literature further suggests that culture can systematically influence psychological functioning in fundamental ways. Based on the assumption that certain cognition is, to some degree, malleable and shaped by culture, it has been theorized that Eastern and Western societies differ in their systems of thoughts, and such cross-cultural differences can have a direct impact on the nature of their psychological processes (e.g., Kitayama et al. 1997;

Nisbett, Peng, Choi, and Norenzayan 2001). That is, there are circumstances under which one's cultural orientation might considerably shape how one feels, thinks, and acts toward a given stimulus.

We examined the implications of these cultural differences on perceived health consciousness of self versus others (studies 1 and 2) and the effectiveness of health related ads on self and others (study 2). Data for study 1 were collected with U.S. participants, whereas those for study 2 were collected from Korean and American participants. Questionnaires were back translated using standard methodology used in cross-cultural research. Findings suggested that collectivists believe themselves to be less health conscious than others, whereas the opposite is true of individualists. Further, collectivists report themselves to be less influenced than others by positive health related messages, whereas individualists report the opposite.

Moreover, cross-cultural differences in the efficacy of advertising messages were found to be mediated by perceived health consciousness.

The findings have implications for the efficacy of advertisements across different cultures. For instance, since collectivists believe that others are more health conscious than themselves, marketers of health products may use others (e.g., the general public) as spokespersons in their ads. Collectivists would likely pay greater heed to the advice of these others, who would presumably be perceived as more knowledgeable. In contrast, individualists believe that they are more health conscious than others. Hence, marketers of health products may use self-appeals (e.g., "Did you know that you can benefit from drinking milk everyday") in such cultures. Individualists are likely to respond positively (e.g., "Yes, I knew that") and be more likely to follow the suggestion.

ENDNOTE

1 Relevant discussion can also be found in the third-person effect literature. See Perloff (1993) for a thorough review.

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THE MODERATING ROLE OF CONSUMER AFFECT ON THE EFFECTIVENESS OF NOSTALGIA ADVERTISING

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SUMMARY

Even though the use of nostalgia as a promotional tool is on the rise, research on the topic – especially nostalgia in an advertising context – remains scarce, and the effectiveness of such marketing practice is not well understood (Muehling and Sprott 2004). Some research has found that nostalgic cues are capable of triggering positive thoughts in consumers and may result in positive attitude toward the advertised brand. Nevertheless, others have viewed the use of nostalgia ads as a minefield, noting that although nostalgia may be a useful approach for advertising, it has the likelihood of potentially alienating consumers and may even cause boomerang effects if nostalgic appeals are not accurately matched with target consumers. In addition, research shows that not all segments of consumers have the same amount of appetite for nostalgic appeals (Davis 1979; Holbrook and Schindler 1994). Thus, it would appear to be beneficial to align nostalgia advertisements to better fit consumer characteristics in order to maximize their effects.

We seek to study one such consumer characteristic, namely, viewers' affective states, especially, their chronic affect (i.e., their general feelings about personal experiences; their general state of mind). Research has shown that individuals differ with respect to their chronic affect; some people have a more positive feeling of their past, whereas others have a less positive feeling (Watson, Clark, and Tellegen 1988). Given that nostalgia ads are expected to evoke consumers' memory of the "good old days," we propose that their effectiveness at arousing positive feelings may be impacted by viewers' chronic positive affect. For viewers who have a more positive chronic affect, nostalgia ads are expected to match consumers' affective states and, therefore, be more effective at arousing positive feelings, which in turn should boost advertising persuasiveness. For viewers who have less positive chronic affect, nostalgia ads are expected to mismatch with their affective states and should be less effective at arousing positive feelings and being persuasive.

Method

We conducted one empirical study to test our proposition. One hundred thirty-seven undergraduate students

participated in the study. We used an experimental study with a 2 (Ad appeal: nostalgia ad vs. control) x 2 (viewers' chronic positive affect: high vs. low) between subject factorial design. Ad appeal was manipulated by developing two fictitious ads for Kodak digital cameras from the literature: one nostalgia ad and one non-nostalgia ad (i.e., control) (cf., Muehling and Sprott 2004). Participants' chronic positive affect was measured using the positive affect sub-scale of the PANAS Scale (Watson, Clark, and Tellegen 1988). Participants were placed into high and low chronic positive affect groups via a median-split procedure. The primary dependent measures in this study included: *purchase intention, brand attitude, ad attitude, and ad-aroused positive emotion*. These variables were measured using standard scale found in the literature.

Results

Statistical tests indicated that our manipulations of ad appeal were successful. Our hypotheses were supported. A two-way ANOVA (Ad appeal: nostalgia vs. control and chronic positive affect: high vs. low) on intention to purchase revealed a significant interaction effect between ad appeal (nostalgia ad vs. non-nostalgia ad) and viewers' chronic positive affective state (high vs. low) ($F(1, 133) = 6.47, p < .05$). Subsequent pair-wise comparisons showed that when participants were in a high chronic positive affect, those who viewed the nostalgia ad had a higher intention to purchase the advertised product ($M = 4.28$) than those who viewed the non-nostalgia ad ($M = 3.75$) ($t(133) = 2.00, p < .05$). On the other hand, when participants were in a low chronic positive affect, those who viewed the nostalgia ad reported an intention to purchase the advertised product ($M = 3.52$) comparable to those who viewed the non-nostalgia ad ($M = 3.92$) ($t(133) = 1.59, p = .11$). Similar results were found on other dependent measures including *brand attitude, ad attitude, and ad-aroused positive emotion*.

Conclusion

We demonstrated that a nostalgia ad was more persuasive than a non-nostalgia ad when viewers' were in a high chronic positive affective state, but had no measurable effect when viewers were in a low chronic positive affective state. Thus, the effectiveness of nostalgia advertising may be largely contingent on the ad's efficacy

at evoking positive emotional resonance among viewers. To this end, among others, advertisers should strive to tailor their nostalgia advertising to a particular segment of consumers to connect with them in a unique way and also at a more intimate and meaningful level. Such an approach will make nostalgia advertising relevant to and well

received by consumers and subsequently evoke more positive emotional resonance among viewers. Future research is very much needed to study other consumer characteristics that can facilitate the arousal of positive emotional resonance in viewers by nostalgia advertising and also easy to be used to segment viewers for advertisers.

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USING BRAND NAMES TO CREATE BRAND PERSONALITY

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SUMMARY

Numerous benefits may accrue to brands with strong, positive brand personalities. A favorable brand personality can increase consumer preference and usage, increase emotions in consumers, increase levels of trust and loyalty, encourage active processing on the part of the consumer, and provide a basis for product differentiation (Freling and Forbes 2005). Aaker (1996) offers that a number of factors can affect brand personality including product-related and non-product related characteristics. Product-related characteristics include the product category itself, the packaging, the price, and the physical attributes. Non-product-related characteristics include user imagery, sponsorships, symbols, age or tenure of the brand, ad style, country or region of origin, company image, CEO image, and celebrity endorser(s).

Subsequent research on brand personality antecedents indicates that brand personality is malleable—i.e., the antecedents can modify an existing brand personality. For instance, Wentzl (2009) found that frontline employees can impact consumers' existing impressions of brand personality. Similarly, Diamantopoulos, Smith, and Grime (2005) found that brand extensions can alter consumer perceptions of brand personality. Along these lines, Johar, Sengupta, and Aaker (2005) found that individuals differ in their use of subsequent brand information to change (or maintain) their brand personality inferences.

Surprisingly overlooked in extant research is the role of antecedents in *creating* a brand personality. This raises a fundamental research question: how can marketers *create* brand personality? This research begins to answer the question by examining the role of the elemental building block of the brand—i.e., the brand name. Thus the central research issue addressed here is whether and how brand names can be formed to create brand personality. Specifically, this research empirically investigates the potential effect of certain letters or sounds in a given brand name on various brand personality dimensions. In doing so, this research draws on theory and literature from both brand personality and sound symbolism.

Brand personality is considered to be “the set of human characteristics associated with a brand” (Aaker 1997). To develop a conceptual framework of brand personality, Aaker borrowed from personality research which examined the “Big Five” model (cf., Goldberg 1990). Aaker examined the perceived human characteristics of brands and measured the valence of these traits among subjects. The end result of Aaker’s study was a Brand Personality Scale (BPS), consisting of 42 traits that capture five personality dimensions: Sincerity, Excitement, Competence, Sophistication, and Ruggedness.

Sound symbolism refers to “the direct linkage between sound and meaning” (Hinton, Nichols, and Ohala 1994). To illustrate, the popular press contends that the *Kraft* brand name communicates efficacy through the letter *K* (*Frozen Food Age*, anonymous 2006). In a study of fictitious brand names, Klink (2000) found that products with brand names containing front vowels, as opposed to back vowels, are perceived as smaller, lighter (relative to darker), lighter (relative to heavier), milder, thinner, weaker, softer, faster, colder, prettier, more bitter, friendlier, and more feminine.

Given that some of the information conveyed by sound symbolism is shared directly with traits of the BPS, one might expect that brand name sounds can be used to create brand personality. An empirical study investigated whether different brand name vowels can create the various brand personalities, as defined by Aaker’s BPS. Results indicate that brand names with front vowels better create *Sincerity*, *Sophistication*, and *Excitement* personalities, while brand names with back vowels better create *Ruggedness* and *Competence* personalities.

Contributions of this study include (a) assisting managers in creating brands with personality; (b) extending Aaker’s BPS to new brand names; (c) gaining greater theoretical and practical insight into the antecedents of brand personality; and (d) linking theory and research from brand personality, a popular area in marketing inquiry, with sound symbolism, an emerging area of study in marketing.

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WHY IS APPLE COOL? AN EXAMINATION OF BRAND COOLNESS AND ITS MARKETING CONSEQUENCES

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SUMMARY

Chasing cool is quickly becoming an obsession among top companies, to the point that a new profession has emerged, *coolhunter* – an expert hired to identify emerging trends and predict those that would become widely accepted as cool in the near future (Gladwell 1997). In their pursuit of creating and maintaining a cool brand image, companies are spending vast amounts of money, both on the practice of coolhunting as well as the subsequent marketing campaigns aimed at elevating their brands' coolness factor. Some brands fail in their efforts to be seen as cool (e.g., Microsoft continuous improvement and promotion of their Zune), others are only marginally successful (Dell's Appleization efforts), while Apple continues to reign supreme as the "must have" brand (e.g., Apple's iPod, iPhone). So, what makes Apple cool?

Following a scientific approach, the purpose of the study is twofold: to gain a better understanding of the "cool" construct as it applies to branding, and to develop an instrument to measure a brand's coolness. This is the first empirical investigation of the concept of cool within a marketing context and the first study to provide a clear conceptualization of the concept of cool as it applies to branding. To date, most studies have focused heavily on the activity of *coolhunting*, or utilized interpretive techniques to understand cool consumption. Furthermore, this study provides the first theory driven, psychometrically sound measure of a brand's level of coolness, which provides a powerful diagnostic tool for both academics and practitioners.

Based on an extensive review of several streams of literature, brand coolness is defined here as a gestalt brand image composed of an amalgamation of perceived qualities, particularly authenticity, uniqueness, innovativeness, excitement, and congruity with self-image. It should not be thought of as a dichotomous construct, but rather as a continuum ranging from uncool to cool. A very cool brand (far right on the spectrum) embodies the most desirable attributes that consumers aspire to have, own and reflect. Cool is inherently hedonistic, and hence implies feelings of fun and excitement. A cool brand has an air of exclusivity but is yet attainable. It reflects an authentic essence, while still being relevant in contemporary life. A cool brand is consistent with a consumer's self-concept, and a symbol of what the individual aspires to be. Drawing on

findings in the literature, as well as first-hand focus group interviews with consumers, brand coolness is proposed here as a multidimensional construct with five defining components: uniqueness, excitement, innovation, authenticity, and self-image congruity. Uniqueness is the extent to which the brand is perceived as different or distinct from other brands (Netemeyer et al. 2004), while the excitement dimension is a reflection of a brand's ability to embody a fun and exciting personality (Aaker 1997). Furthermore, a brand will not be perceived as cool by consumers unless the company can integrate two seemingly conflicting brand requirements: creating an image of newness and innovation, while maintaining a perception of authenticity (Brown, Kozinets, and Sherry 2003). Finally, the congruity dimensions of brand coolness is defined as the extent to which the individual perceives his/her ideal self-image as being congruent with the values and traits represented by the brand and its users (Sirgy 1985).

In order to further validate the brand coolness construct and emphasize its powerful marketing implications, a predictive model of brand coolness consequences is proposed and tested. It is proposed that a brand's level of coolness will have a positive impact on brand affect, which in turn positively impacts brand trust, leading to higher brand loyalty. Moreover, brand loyalty then increases both the likelihood of positive word of mouth (WOM) and the consumer's willingness to pay a price premium (WTPP) for the brand. These two outcome variables are also directly and positively affected by brand affect.

In order to develop, test, and validate the construct, consumer technology products were chosen, based on their ubiquity and high rate of public consumption. Technology is also the consumption category most often associated with coolness and a main medium for self-expression (Kozinets 2008). Brand coolness was operationalized as the brand coolness index (BCI). A combination of several research approaches was used. Three pretests and two separate studies served to guide brand choice (Apple and Gateway for high and low cool brand respectively) and to refine and validate the BCI. A third study was then conducted ($n = 798$ consumer responses) to test the predictive validity of the BCI and the proposed model using structural equation modeling and a two-step calibration-validation approach (Anderson and Gerbing

1988). The results fully support the brand coolness construct as well as its strong positive effect on key marketing variables. BCI is confirmed along with its five components. The proposed model is also supported, and minor revisions to the model (the addition of a direct path between brand coolness and brand trust) result in excellent fit (CFI = .951, RMSEA = .046).

All in all, this research confirms the far reaching positive implications of having a cool brand for key outcome indicators such as brand affect, brand trust, brand loyalty, WTPP, and WOM. The uncovered rela-

tionship between brand coolness and trust is particularly relevant. While brand trust has been previously modeled as a function of long-term performance, our results seem to indicate that a cool image alone can elicit a feeling of brand trust. The findings also have very powerful managerial implications. The BCI can serve as a diagnostic instrument, not only to understand the strengths and weaknesses of one's brand relative to competing brands, but also to identify targeted marketing strategies that, if implemented correctly, could increase the brand's level of coolness and, subsequently, its success on the consumer market. References are available upon request.

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COMPARING AXIOLOGICAL AND PERSONALITY APPROACHES TO BRAND PROFILING: AN EXAMINATION OF MERCEDES (SWEDEN)

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SUMMARY

Evaluating a brand is a complex and multifaceted task and a plethora of available options have been developed in recent years. Marketing management research has suggested several essential conceptualizations of brands such as brand equity (Keller 1993), brand personality (Aaker 1997; Geuens, Weijters, and De Wulf 2009) and, more recently, brand experience (Brakus, Schmitt, and Zarantonello 2009). These conceptualizations have different foci on the brand. Whereas brand equity attempts to put a monetary value on the brand by differentiating it from competitors, brand personality aims to cover the personality traits that are perceived in the brand. Brand experience expands on the experiential outcome of using the brand in a sensory way.

This research applies a formal approach to value, derived from axiology (the science of value), which spans the entire range of human existence by combining emotional (E), practical (P) and logical (L) value dimensions. Hence, as a formal model it taps into all of the conceptual domains of the models mentioned above such as the affective, the cognitive and the behavioral. This is very different from common marketing conceptualizations of value. To our knowledge marketing has developed few comprehensive models of the value construct that can be applied to customer relationships and brands. Instead, models have been developed around customer-life-time value (CLV) (Venkatesan and Kumar 2004) as an economic measure of profitability from the perspective of the marketing manager. All in all, because of the scattered and non-conclusive pattern of consumer value research, no single conceptualization has therefore won universal acceptance (Sanchez-Fernandez, Iniesta-Bonillo, and Holbrook 2009).

This study reports on a new conceptualization of brand value. A new brand scale is developed based on axiological theory (Hartman 1967) and is applied to a real-life premium brand: Mercedes (Sweden). The data is analyzed using structural equation modeling via partial least squares. In addition to examining the reliability and validity of the scale, we compare the scale to that for brand personality (Aaker 1997).

This study involved the development of a new scale to measure brand value using the guidelines of Hartman

(1967, 1973) and Churchill (1979), and statistical comparisons with the brand personality scale of Aaker (1997). In all, there were four phases of data collection, as follows:

- I. *Initial Development of Scale Items.* In the first step, brand experts and students of brand advertising from two professional schools in Stockholm, Sweden were sampled. Some 25 respondents answered as to how they would express emotional (E), practical (P) and logical (L) elements of the Mercedes brand, both in terms of the properties (in the set of the intension) and the object or thing (extension) being evaluated.
- II. *Refinement of Scale Items.* From these lists the number of value terms for each axiological measure was reduced to fit a consumption context of owning a car. In this stage we compiled three items for each value combination (E-E, E-P, E-L, P-E, P-P, P-L, L-E, L-P and L-L). In the second survey the same respondents were asked to rate on a scale from 1 to 10 how “natural” each one of the 27 item expressions felt for them. Following this, the items with the highest median (or mean if similar) and lowest standard deviation from the set of three items of each value type were selected for inclusion in the final scale.
- III. *Testing the Final Scale.* The final instrument was tested in a third survey with real customers of a well-known premium brand – Mercedes. Each item was rated on a seven-point bipolar scale from “strongly agree” (7) to “strongly disagree” (1). We test the dimensionality of the scale using covariance structural equation modeling ($n = 643$). Overall, this confirms that a three-dimensional second-order axiological model is the best fit ($\chi^2 = 313.405$; $df = 24$; CFI = .942; NFI = .938; TLI = .913; RMR = .057).
- IV. *Comparison of the Axiological Scale to Aaker’s (1997) Measure of Brand Personality.* In the final phase we wished to compare the axiological scale developed in this study to the very well-known scale of Aaker (1997). This phase involved a follow-up survey of the Mercedes customers contacted in phase III with questions about brand personality (final matched sample, $n = 233$). Comparing the axiological scales using CFA and PLS provided some mixed results. Both had strong reliability and convergent, nomological and

discriminant validity. Whilst some aspects of the validity and reliability of the axiological scale appeared superior to that of brand personality for our assessment of Mercedes, and predictive validity of the single-item scale measures was stronger for the axiological scale ($R^2 = 0.610$ compared to $R^2 = 0.544$), brand personality performed better for prediction of the overall single-item measure, "The brand is my first choice" (axiological scale: $\beta = 0.143$; $t = 2.017$; $p = .022$; personality scale: $\beta = 0.603$; $t = 9.174$; $p < .001$). Consequently, the axiological scale had better prediction of its core construct – value – than the personality scale, which in turn, had better prediction for preference as a benchmark. What we deem is most important is however that the scale predict its core construct. In this sense the axiological scale was superior.

Formative PLS modeling was used to examine the profile of the Mercedes brand offered by the two scales. Thus, the new axiological scale appears to suggest a

complementary assessment of the brand and the evidence suggests that there is very strong emotional value and rational value imbued in the Mercedes brand. Some of these aspects confirm those from the personality scale, e.g., L-L measures the correctness of information about reliability, but at an axiological level the personality items are mixed-up within the scale. Although there are potentially many personality characteristics that could be perceived in the brand, only a small subset are apparent. This aspect is perhaps not surprising. However, the five personality items that are significant give a very limited view of the *type* of value seen in the brand. In this regard, the axiological model appears to give a much fuller and richer picture of the brand value of Mercedes than the brand personality model, tapping into all six of the value streams in the emotional (E) and logical (L) dimensions. This appears to suggest that there is a large portion of axiological value that is not captured by the personality model, partly because the model has not been designed to capture the entire range of the value realm in a structured way.

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CONCURRENT SOURCING STRATEGY OF FOREIGN FIRMS IN CHINA: INTEGRATING TRANSACTION COST ECONOMICS AND INSTITUTIONAL THEORY

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SUMMARY

Introduction

Plural governance (i.e., the simultaneous deployment of different governance forms) has been widely investigated in a variety of marketing contexts. Prior research has generated important insights of plural governance on firms' strategic choices. A plural governance can help firms choose suppliers (Cannon and Perreault 1999; Dyer, Cho, and Chu 1998), overcome problems of information asymmetry (Heide 2003), and formulate downstream strategy (Nelson 1970). However, as an integral component of firms' strategy in the global marketplace, concurrent sourcing – the simultaneous use of insourcing and outsourcing – as a type of plural governance has been largely under-researched. In particular, important questions pertaining to the different conditions that motivate firms to deploy plural governance through concurrent sourcing or individual governance in the form of insourcing or outsourcing remain unanswered.

In our study, we draw on transaction cost economics (TCE) and institutional theory to examine the drivers of firms' concurrent sourcing strategy. We examine two TCE factors (i.e., asset specificity and demand uncertainty) and the effects of institutional environment and firms' multi-market focus in predicting the possibility of a firm using concurrent sourcing for the same manufactured good.

Theory and Hypotheses

TCE has long been used to study the fundamental research question of how firms determine their boundaries. Based on ex ante and ex post costs of exchange, firms determine their boundaries by choosing which components in their products to make or buy (Coase 1937; Williamson 1975, 1985). The micro-analytical framework of TCE rests on two key dimensions of transactions: asset specificity and demand uncertainty (Rindfleisch and Heide 1997). We posit that under high levels of asset specificity, firms are more likely to choose concurrent sourcing instead of insourcing because the simultaneous use of the two mechanisms can exploit both the benefits of insourcing and outsourcing. Furthermore, when demand

uncertainty is high, with concurrent sourcing, firms can achieve full internal capacity, stable production, and efficient operation, and at the same time have the flexibility of pushing the fluctuations onto their suppliers.

Despite the increasing use of institutional theory as a quintessential theory in explaining organizational behavior, especially in emerging economics (Hoskisson et al. 2000; Wright et al. 2005), the impact of institutional environment on firms' sourcing strategies has yet to be captured. Scholars have long asserted that the institutional environment in emerging economies is immensely different from that in western countries; thus, an improved knowledge about the effect of institutions on strategic decisions is needed (Luo and Peng 1999; Peng 2003). Institutions create uncertainties for foreign firms, owing to the cultural and legal distance between home and host country institutions (Kostova 1999). Therefore, firms are motivated to concurrently source to fully utilize their suppliers' resources and to reduce the effect of uncertainties. Indeed, simultaneous insourcing and outsourcing can offset the disadvantages of a loss of control, leakage of proprietary information, and under-utilized specialized assets (Srinivasan 2006). Also, compared with firms operating in a single market, firms that pursue success in multiple markets are inevitably faced with greater uncertainty, and as a result, are more likely to adopt concurrent sourcing instead of exclusive insourcing or exclusive outsourcing. Therefore, we hypothesize that:

H₁: The higher the asset specificity, the more likely that firms will use concurrent sourcing than insourcing, and insourcing than outsourcing.

H₂: The higher the demand uncertainty, the more likely that firms will use concurrent sourcing than insourcing, and insourcing than outsourcing.

H₃: The higher the impact of the institutional environment, the more likely that firms will use concurrent sourcing than outsourcing or insourcing.

H₄: Firms with a multi-market focus are more likely to use concurrent sourcing than insourcing or outsourcing.

Methodology

We collected the data from non-Chinese foreign executives of foreign multinational firms from the U.S., Japan, and Europe that operated in China. The sample was selected from multiple directories. Two national market-research firms in Beijing were hired to collect the data. The final number of firms with usable questionnaires obtained during the data collection period was 230. The method of multinomial logit regressions was employed for this study.

Results and Discussion

From the empirical results, we found that foreign firms use concurrent sourcing at high levels of asset specificity and demand uncertainty. Moreover, the higher

the impact of the host country's institutional environment, the more likely that firms will use concurrent sourcing. Also, firms with a multi-market focus are more likely to use concurrent sourcing strategy.

In our study, we examine concurrent sourcing by investigating the driving factors that motivate firms to choose the simultaneous use of insourcing and outsourcing over each individual governance form. Therefore, this study untangles the important role of TCE in helping explain firms' sourcing strategy. Furthermore, our empirical evidence support the notion that institutional theory is complementary to TCE in explaining strategic choices, and it is critical to analyze the impact of institutional environment on sourcing decisions. References are available upon request.

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CURVILINEAR RELATIONSHIP BETWEEN CULTURAL DISTANCE AND EQUITY PARTICIPATION: AN EMPIRICAL ANALYSIS OF CROSS-BORDER ACQUISITIONS

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SUMMARY

This article focuses on the impact of national cultural distance on acquiring firms' entry mode choice – or, more specifically on their equity participation – in CBAs. In addition to the role of cultural distance on equity participation, we study the main effect of related acquisitions on equity participation and the interaction effect of related acquisitions on the relationship between cultural distance and equity participation. Resolving the ambiguous, inconsistent, and often inconclusive findings regarding the impact of cultural distance on the equity participation of firms is the primary aim and contribution of this article.

In this article, we focus on the impact of cultural distance on an important internationalization behavior of firms: the amount of control or equity position in which the firm should engage. Equity position has been used in previous studies as a proxy for entry mode choice (Tihanyi et al. 2005). The decision on the extent of equity participation is difficult given the high uncertainty and risk associated with CBAs. For example, there is high cost involved in screening and evaluating the target firms (especially given the little or asymmetric information for target firms in distant locations) and in overcoming differences in culture. Given this complexity, it is assumed that multinational firms likely avoid uncertainty by taking a smaller equity position in the target firm (Chari and Chang 2009; Chen and Hennart 2004).

In contrast, on the basis of an analysis of a worldwide sample of more than 100,000 CBAs during the 1978–2008 period, in this study we find that acquiring firms take a higher equity position or opt for a higher mode of control in firms that are located in countries that are either very low or very high in cultural distance from their home country; that is, the relationship between cultural distance and equity position is U shaped. In addition to the main effect of industry relatedness on equity participation, in

which we find that firms invest more equity in similar industries than in dissimilar industries, we also find that the industry relatedness of acquisitions positively moderates the relationship between cultural distance and equity position – that is, it shifts the U-shaped curve upward: acquiring firms take a higher equity stake for a given cultural distance if the acquisition is in a related industry. We offer extensive empirical validation to support our hypotheses. We use several methodological steps in our estimation to enhance the robustness and generalizability of our findings. First, we incorporate two variations of the dependent variable (equity participation) – one as a continuous variable and the other as a categorical variable, both of which give the same results. Second, we estimate our model using two variations of the cultural distance measure – one based on Hofstede's (1980) measures and the other based on the GLOBE measures (House, Hanges, Javidan, Dorfman, and Gupta 2004); both results are similar. Third, we incorporate a worldwide sample of more than 100,000 CBAs, incorporating a long period (from 1978 to 2008), a variety of industries, and several home countries and target countries. Thus, we employ one of the most comprehensive data sets in international business research involving cultural distance and market entry mode. Fourth, we ensured that the results are not an artifact of the time interval studied; controlling for year effect leads to similar results. Fifth, the results do not depend on the type of industry; we control for all SIC 4 industries, and the results remain the same. Finally, the results do not hinge on the type of acquiring country or the firm- and country-level characteristics; we control for all acquiring countries and several firm- and country-level variables in our analyses, and the results are consistent. Together, these facts suggest that the empirical findings of our study are robust and give a rigorous and managerially useful depiction of CBA behavior by firms, significantly extending our understanding of foreign market entry behavior of firms.

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THE IMPACT OF INTEGRATION AND RESPONSIVENESS ON MNC SUBSIDIARY'S MARKET ORIENTATION

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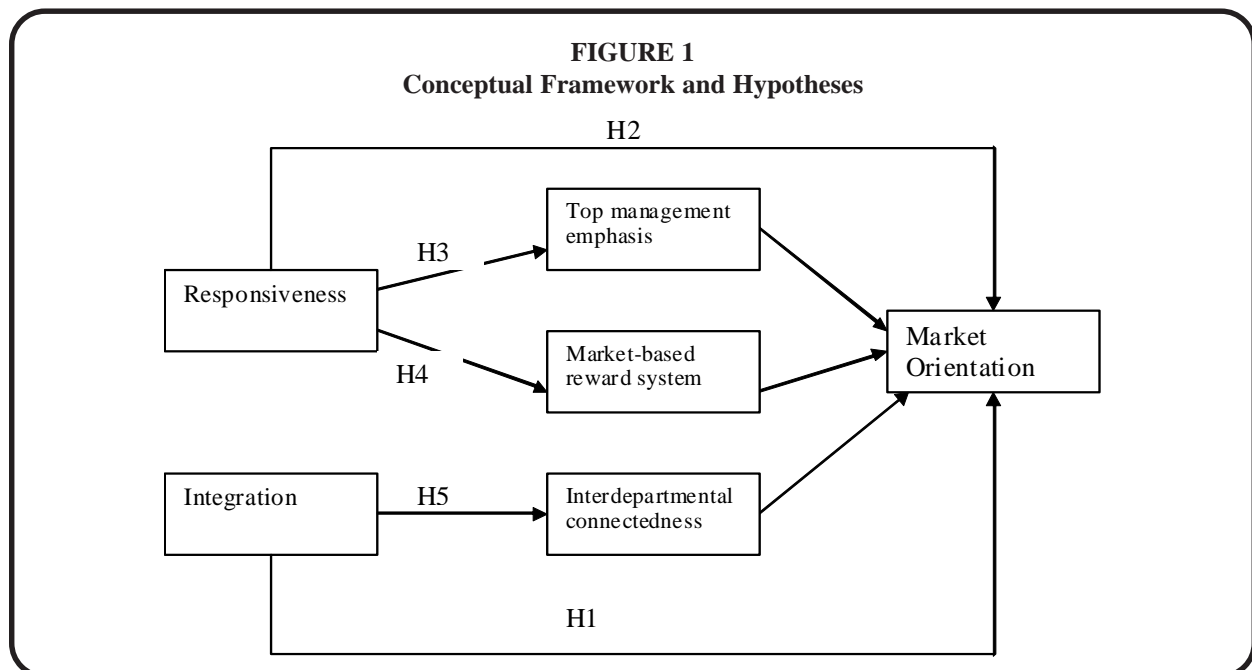
SUMMARY

A close examination of the literature reveals that studies on the antecedents of market orientation are rather limited and to our knowledge, virtually no research has examined the unique challenges of developing a market orientation in the context of MNC subsidiaries.

In this study we set out to explore the impact of integration and responsiveness on MNC subsidiary's development of market orientation. Based on international business as well as marketing theories, we developed a conceptual framework and five related hypotheses which link integration and responsiveness both directly and indirectly with market orientation.

We base our analysis on a data collected from a postal survey of 250 UK subsidiaries of MNCs with headquarters in Europe, USA, Japan and the rest of the world. The hypotheses were tested simultaneously by employing the structural equation modeling via LISREL. Overall the model achieved a very good fit. More specifically, the chi-square is 409 with 223 degrees of freedom, and the RMSEA-value is 0.06, and the NNFI and CFI values are 0.92 and 0.93 respectively, all above the 0.90 threshold suggested by Hair, Anderson, Tatham, and Black (1998). Overall, the model explains about 46 percent of the market orientation variance of subsidiaries in our sample.

We found evidence to suggest that integration and responsiveness have different impact on subsidiary's market orientation in that integration mainly impact on market orientation directly while the effects of local responsiveness, on the other hand are mainly indirect through first impacting on the top management emphasis and also on the use of market-based reward systems at subsidiaries. Accordingly, our study makes two important contributions to the literature. First, as being probably the first of its kind, the study enriches our understanding about the antecedents of market orientation by generating new insights into the unique challenges faced by MNC's subsidiaries in developing a market orientation. The second contribution of our study comes from the fact that instead of using the I-R framework to classify subsidiaries into different strategic groups and then examining the differences in market orientation of subsidiaries across the groups, we adopt a structural equation modeling approach and model the effects of integration and responsiveness on subsidiary's market orientation directly. By modeling integration and responsiveness' effects directly, our study contributes to subsidiary management literature by highlighting the significant impact integration and responsiveness could have on subsidiary strategy choices and providing a better understanding of how MNCs subsidiaries make organizational adaptations in response to external pressures.



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MARKETING, PRODUCTS, AND AGENTS: HOW DO CONTEMPORARY FIRMS ACHIEVE LEGITIMACY IN INTERNATIONAL MARKETS?

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SUMMARY

We explore how contemporary firms can *legitimize* themselves in foreign markets in the light of their limited assets and liability of foreignness. In addressing this question, this paper aims to make two main contributions. First, we investigate the role of specific organizational capabilities that promote the legitimacy of the contemporary firm in foreign markets. Specifically, we examine the relevance of marketing superiority, product superiority, and a construct that we term 'agent superiority' in the context of a sample of internationalizing contemporary U.S. firms. Second, in order to provide a more robust assessment of how contemporary firms establish their legitimacy abroad, we also investigate the moderating effect of particular strategic orientations. As such, we extend the literature by establishing the quest for legitimacy as a critical international goal in foreign markets, particularly among resource-constrained contemporary firms that, historically, participated little in international marketing.

In the past, international business has been dominated by large multinational enterprises (MNEs). However, recent trends have contributed to the emergence of a global business environment characterized by growing numbers of smaller yet very vigorous firms (McDougall and Oviatt 2000). In certain ways, these 'contemporary' firms do not fit the profile of traditional MNEs. While they hold particular international business capabilities (Knight and Kim 2009), contemporary firms possess far fewer assets, including financial and human resources that usually favor the internationalization of the MNE. As a result, contemporary firms have relatively scant resources with which to establish their legitimacy in international markets.

A prerequisite for the firm is to gain legitimacy for itself and its offerings in envisioned markets (Baum and Oliver 1992; Zimmerman and Zeitz 2002). This is likely to be especially true in foreign markets, where the firm entering from abroad is likely to be considered legitimate when it is perceived as an appropriate party for socio-economic interaction, including interactions that involve sales and marketing. Failure to gain sufficient legitimacy will substantially hinder market acceptance, which has been described amply as a precondition for success in marketing (e.g., Rao, Chandy, and Prabhu 2008).

Legitimacy might be viewed as a type of organizational resource, on a par with technology, financial capital and customer goodwill (Zimmerman and Zeitz 2002). In international markets, it can be viewed as a crucial means for overcoming the firm's liability of newness and foreignness. Legitimacy has also been seen necessary for attracting other resources such as managers and venture funding (Zimmerman and Zeitz 2002) as well as a source of power in (emerging) relationships (French and Raven 1958). As such, legitimacy is also prerequisite to the creation and organization of vertical and horizontal marketing relationships.

Despite its asset poverty and apart from external resources that may assist a firm in enhancing its legitimacy (e.g., alliances with other firms: see Rao et al. 2008) the contemporary firm has a number of organizational capabilities that it may deploy in gaining initial legitimacy. The resource-based view seeks to explain differential firm performance as a function of firm resources, including all assets, capabilities, knowledge, and so forth (Barney 1991; Eisenhardt and Martin 2000; Teece, Pisano, and Shuen 1997). Capabilities are enduring sources of competitive advantage that involve idiosyncratic routines that firms use to deploy and combine firm assets (e.g., Bingham and Eisenhardt 2008). Such routines are based on social interactions that coordinate and communicate tacit and explicit knowledge to perform key organizational processes (Nonaka 1994) and meet performance objectives. Particular, rare and rather immobile capabilities confer competitive advantages by enabling firm to produce valued-added offerings, efficiently and/or effectively, for given markets (Barney 1991, Bingham and Eisenhardt 2008).

After interviewing managers at contemporary firms and conducting an extensive review of extant literature, we conclude the achieving marketing superiority, product superiority, and agent superiority are among the most important ways in which contemporary firms promote their legitimacy abroad. Superiority in these domains builds on particular specific organizational capabilities. In turn, legitimacy enhances performance in local markets. In this paper, we defined international performance as the extent to which the firm achieves its financial and other goals.

Marketing superiority in a foreign market refers to the local relevance of a set of organizational capabilities that emphasize the marketing functions – product development, promotion, pricing, distribution, etc. – which direct the flow of the firm’s offerings to potential buyers in local markets. Many contemporary firms are characterized by superior marketing-based capabilities (e.g., Knight and Cavusgil 2004). Especially entrepreneurial firms often manifest marketing superiority in unknown markets, order to launch new offerings in these markets (Hills, Hultman, and Miles 2008).

Product superiority refers to the relevance of a firm’s capabilities in developing and launching products that create value and satisfy customer needs. A product can be superior as a function of its advanced technology, excellent quality, or unique characteristics. Product superiority has been linked to improved performance in international markets (Szymanski, Bharadwaj, and Varadarajan 1993). While buyers tend to prefer superior products, the effect of developing and offering superior products on company performance can be equivocal (e.g., Calantone and Knight 2000). If the firm incurs added costs in the process of achieving product superiority and are unable to pass them along to buyers in the form of higher prices, then profit margins can shrink. However, developing and offering superiority products tends to reduce rework and service costs, enhance the firm’s reputation, and can, over time, generate substantial revenues by attracting buyers who appreciate quality and reliability (Szymanski, Bharadwaj, and Varadarajan 1993).

Given their smaller size and limited assets, contemporary firms tend to expand internationally via exporting. Exporting implies that such firms usually leverage the resources of independent intermediaries or agents. Scholars have highlighted the critical role of foreign agents (e.g., Peng and York 2001; Sousa and Bradley 2009). The global competitiveness of the contemporary firm is often directly tied to the capabilities and success of the foreign agent. The international environment entails unique challenges, uncertainty, and risk, much of which can be overcome by leveraging the localized knowledge and skills of foreign agents (Freeman, Edwards, and Schroder, 2006). Findings shed light on the roles of marketing superiority, product superiority and agent superiority for enabling the firm to create legitimacy as new entrants in foreign markets. We assessed the constructs and relationships in a base model of legitimacy-creating processes and in a multi-group context to examine the effects of the firm’s use of differentiating strategies on these processes, and some notable effects are seen. In light of the results, we argue that the foundation of foreign market legitimacy builds on three related pillars: superiority in marketing, products and agents. Especially striking is the predominant role of the local agent as crucial ambassador as well as strategic leverage of the contemporary firm’s marketing and product superiority in the local market. Indeed, the better the capabilities of the contemporary firm, the better the agent and, as a consequence, the more chances of becoming legitimized and prospering survive in a new foreign market. References are available upon request.

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LEAVING THE TIER: ASYMMETRIC PRICING PATTERNS IN ONLINE HIGH TECH SHOPS

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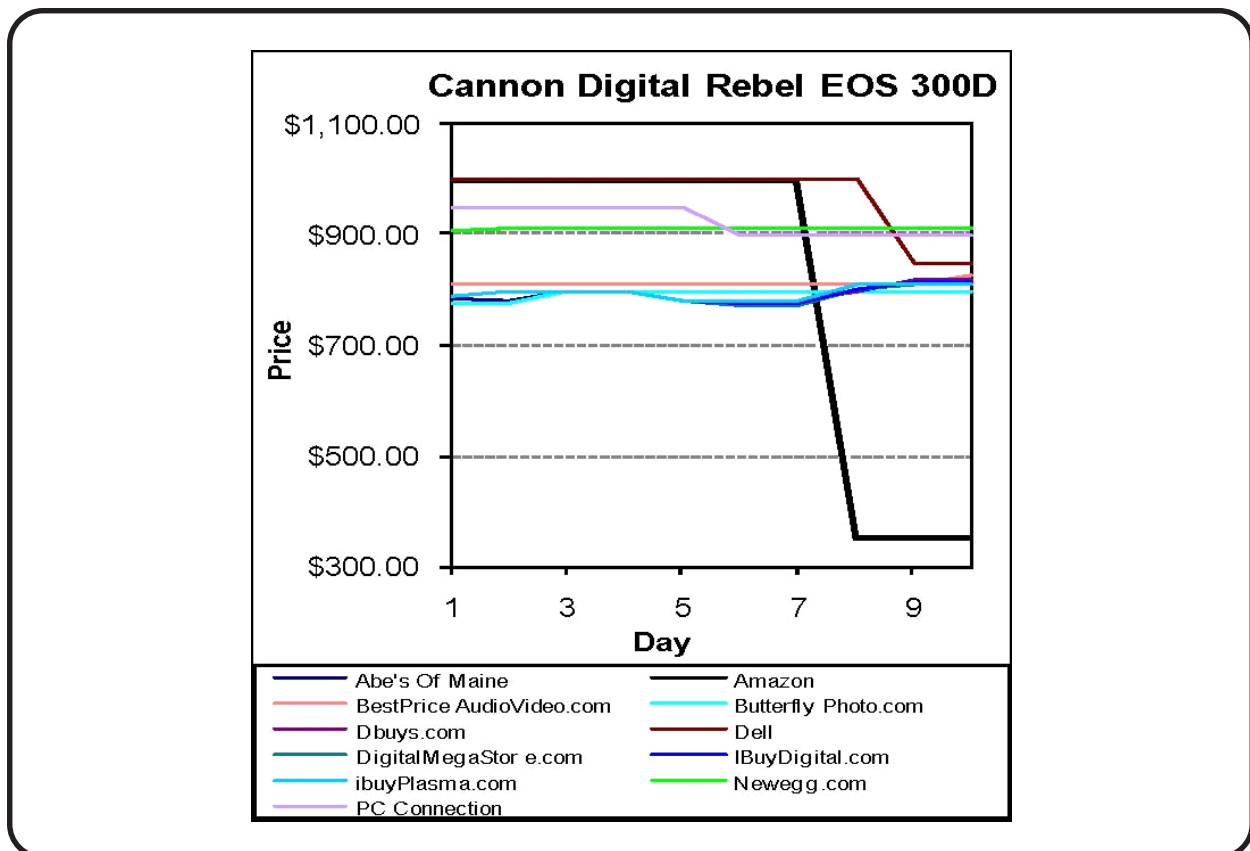
SUMMARY

In practice and in research, the ability for a market leading firm to charge a price premium for their product is often taken for granted. Indeed, many researchers discuss the existence of price tiers where competitors of similar market level compete. Presumably, the market mechanisms that sustain the existence of such tiers and premiums are also key drivers of the firms' profitability. As such, pricing practices by market leaders that seem to sacrifice such premiums may seem odd. In this paper we seek to provide a counterpoint to this by arguing that in high tech markets under certain circumstances, large price premiums and market power can actually motivate a market leader to abandon their high price premium tier and price at a much lower level. We then seek evidence of such behavior by exploring unique dataset.

The phenomenon we seek to explore is captured in the Figure below that examines the prices charged for a popular Canon camera by select competitors in the market

over a two-week period in January of 2005. Of particular interest is the prices charged by Amazon. Amazon, a market leader, is initially charging an extremely high price for this Canon digital camera when we first started collecting data. This is consistent with most literature on market leadership, where Amazon is considered to be a well-known and trusted online vendor, and is taking advantage of their reputation and name recognition to charge a price premium. However by day eight, Amazon drops its prices by almost \$700 (from around \$1000 to approximately \$300). The lowest price charged by any other competitor is in the \$700–\$800 range.

This is an example of an asymmetric price pattern, where the market leader, Amazon, charges at the highest level for a product but then initiates a price reduction to price far below any competitor. This prompts several questions: (a) why would Amazon abandon its price premium? (b) why does Amazon price so incredibly low, when they could have the lowest price for several hundred



dollars more? There could be several answers to this, including using this camera as a loss leader in order to sell other products, or possibly a hyper-competitive move that attempts to erect barriers to entry and continued existence in the market. However, these explanations are not compelling.

First, if Amazon is acting competitively or using the camera as a loss leader, why not price closer to the rest of the market in these situations? As a market leader, Amazon would still profit from a \$700 price and still be the low price leader, and its low price would still attract those who wish to pay the least for this camera. Instead, Amazon charges several hundred dollars less, apparently forgoing a large profit. What market factors would cause a market leader to abandon its price premium and charge an extremely low price in an electronic market? Second, the lack of competitor response is a puzzle. Here, we have a market leader making a very competitive move on a popular product, and no other firm in our observation responds with any type of similar low price. What market factors would cause market followers to avoid responding to such a competitive move?

We anchor our explanations on the unique circumstances posed in technology intensive markets. Specifi-

cally we investigate how decaying demand frames the choices faced by market leading firms in their quest to maintain such leadership. To the best of our knowledge this is the first paper in this domain.

We examine a unique primary dataset collected electronically from a popular shop 'bot to investigate the empirical implications. The data comprises of 475,866 prices and 51,260 price changes for 810 high-tech products from 26 vendors over 283 days. We show that the asymmetric price pattern described earlier is quite common, and the combination of decaying demand and market power can lead to a situation where a market leader "leaves the tier" to compete at a price below the rest of the market in order to maximize profit. seek to contribute to the interface of marketing, economics and information systems (IS) pricing literatures in several ways. First, we hope this research adds to the discussion of market friction and tiers by demonstrating that, in high-tech industries, drastic price cuts from market leaders that go beyond barriers to entry and loss leading can be profit maximizing. Second, we hope to start a discussion on decaying demand and its impact on pricing decisions faced by managers in such markets.

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PRICING STRATEGY: DISCLOSURE OF FACTORS DRIVING THE CHOICE OF PRICING STRATEGY FOR NEW PRODUCTS OR SERVICES

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SUMMARY

Introduction and Purpose of Study

Some researchers state that all marketing management and accordingly much innovation management focuses on pricing decisions (Lynn 1967). This statement is comprehensible bearing in mind that pricing is a key success driver for every technology-based enterprise due to its direct impact on profitability (e.g., Gruber 2004; Kim, Natter, and Spann 2009). Considering the increasingly shorter life cycles, especially pricing of new products and services has become ever more important (Henard and Szymanski 2001; Litan and Song 2008). Nevertheless, many managers undervalue the great importance of this topic (Schindehutte and Morris 2001). This situation applies even more so to entrepreneurs who often focus on the products and services themselves due to the scarcity of financial and personnel resources (Carayannopoulos 2009; Hills, Hultman, and Miles 2008). Nevertheless, a promising shift in managerial practice can be witnessed. Managers have started to use pricing as a strategic weapon in combination with the other elements of marketing and innovation strategy (Leenders and Wierenga 2002). However, many marketing activities for new products and services of innovative small and medium-sized enterprises (SMEs) can still be characterized as mostly informal, following a short-term orientation, and lacking strategic content (Hills, Hultman, and Miles 2008).

Academic research in the field of marketing and innovation management has often neglected pricing theory and practice, particularly in the field of new ventures (Hauser, Tellis, and Griffin 2006). Scholars have investigated mostly large industrial firms. Even though exhibiting a different pricing behavior (Hills, Hultman, and Miles 2008), there are only a few studies focusing on small and medium-sized enterprises (SMEs), but without a focus on new ventures.

Our contribution to current research is twofold. First and foremost, we address the need of more empirical research into the impact of different determinants on pricing strategy (Noble and Gruca 1999). We identify the major characteristics of ventures, offers, customers, and competition that influence the pricing strategy (called for

in, e.g., Hauser, Tellis, and Griffin 2006), being a core activity in entrepreneurial pricing (Ingenbleek, Debruyne, Frambach, and Verhallen 2003). Our analysis includes nine major antecedents rather than the substantially lower number of antecedents studied by prior researchers in other contexts. This allows a comparison between the effect sizes of different determinants being not possible in earlier examinations. Therewith, we also contribute to the ongoing discussions on the most common pricing strategies (e.g., Avlonitis and Indounas 2004). Our second contribution is the transfer of up-to-date research design and methods to the field of managerial pricing decisions of innovative new SMEs (called for in Ingenbleek 2002; Liang 2008).

Methodology

We drew on established measures. Additionally, we conducted expert interviews with managers of new ventures, SMEs, and entrepreneurship scholars to validate our measures, predominantly from a big-business origin. We sent out questionnaires to 3,378 technology-based companies randomly drawn from the German Chamber for Industry and Commerce. We asked the management to refer their answers to a new product or service that plays a central role for the company. Four hundred twenty responses were gathered yielding a response rate of 12 percent which is typical for pricing surveys. Two hundred twenty of the responses stem from new ventures. To evaluate the determinants of pricing strategy, we chose structural equation modeling and, specifically, partial least squares (PLS). We employ the Resource Dependence Theory (RDT) for derivation of hypotheses. RDT suggests an active management of necessary resources, which is influenced by all four groups of pricing strategy antecedents.

Results and Discussion

In all, 10 of the 24 hypotheses were significantly supported by the sample. We advance the literature by identifying the major characteristics of ventures, offers, customers, and competition that influence technology-based new ventures' pricing strategy for their new products and services. The exceptionally broad analysis of nine antecedents for pricing strategy helps to focus further

research on the most important determinants. The study enriches the very small body of empirical research on entrepreneurial pricing that uses cutting-edge methodologies with regard to theoretical foundation, measurement, and analysis.

Our study creates greater transparency about how technology-based new ventures select their pricing strategy in practice. Thereby, it allows the individual entrepre-

neur to predict what pricing strategy their competitors most probably choose based on characteristics regarding their venture, their offer, their customers, and the competitive environment. If applied, this knowledge enables the entrepreneur to arrange with the competitive situation or to actively steer the competitive development. For practitioners, this insight reveals a direct opportunity to increase business performance.

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PRODUCT RECALLS AND MARKET SHARE: A LONGITUDINAL ANALYSIS

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SUMMARY

Despite continuous improvements in product quality, the number of product recalls is increasing. In the United States alone, recalls because of safety concerns rose from 221 in 1988 and 367 in 1993 to 467 in 2009 (Smith, Thomas, and Quelch 1996; U.S. Consumer Product Safety Commission 2009). The latest and largest product recall in the history of the manufacturer was recently announced by Toyota, known as quality leader of the industry, which recalled 1.8 million cars in Europe and 7.65 million cars in the U.S. This recall is discussed to affect Toyota market performance negatively for the next years.

Various factors such as increasing complexity of products, more severe surveillance by manufacturers and official commissions, higher visibility in media, and higher demands by consumers are said to contribute to the continuous increase in product recalls (Dawar and Pillutla 2000; Van Heerde, Helsen, and Dekimpe 2007). Such product-harm crises can be defined as discrete, well-publicized occurrences wherein products are found to be defective or dangerous (Siomkos and Kurzbard 1994). The assessment of consequences resulting from product-harm crises and the management of product-harm crises have received considerable attention in the academic literature (e.g., Biyalogorsky, Boudling, and Staelin 2006; Chen, Ganesan, and Liu 2009; Chao, Iravani, and Savaskan 2009; Dawar and Pillutla 2000; Haunschild and Rhee 2004; Rhee and Haunschild 2006; Van Heerde, Helsen, and Dekimpe 2007). Regarding potential consequences of product-recalls, studies in economics have found negative effects of severe product recalls on demand (e.g., Crafton, Hoffer, and Reilly 1981; Marsh, Schroeder, and Mintert 2004), market share (Rhee and Haunschild 2006), mixed results concerning effects on firm value (Chen, Ganesan, and Liu 2009; Hoffer, Pruitt, and Reilly 1988), negative effects on sales and marketing effectiveness (Van Heerde, Helsen, and Dekimpe 2007), negative effects on brand equity when prior consumer expectations are negative (Dawar and Pillutla 2000), and positive cross-effects on competing brands (Van Heerde, Helsen, and Dekimpe 2007).

The present paper contributes to the literature in at least three ways. First, it replicates the effect of product recalls on market share of the affected brand. Second,

effects of product-recalls on the market shares of competing brands are assessed. Third, we analyze the reciprocity of these effects while considering the presence of time-lags in the relationships between the observed variables. To gain a deeper understanding of these effects is crucial for manufacturers, since it helps them to realize whether they lose customers to competitors due to recalls and, equally important, whether they gain customers due to competitors' failures. Furthermore, we improve the understanding of the role of prior sales and product recalls, which may show the relevance of product recall for different brands.

Our analysis is based on monthly market shares of three major automobile brands that operate in the same customer segment (i.e., Audi, BMW, Mercedes) provided by the German Department of Motor Vehicles and all product recalls of these brands since from October 2003 until December 2009, equaling a total observation period of 75 months. During this study period, 63 product recalls of the three car brands were registered (ASP 2010). Only those recalls that affected more than 10,000 cars (22 recalls) were considered in our analysis.

We use a vector autoregression (VAR) model to investigate the interrelationships of product recalls and market shares of the three respective brands. The assessment of direct effects of product recalls on market share of the same brand shows mixed findings. While market share of Mercedes is significantly negatively influenced by product recalls with time lags of six and nine months, no significant direct relationship between product recalls and change in market share can be observed for BMW. For Audi, an initial negative effect can be observed with a delay of two months, and a positive effect is found with a lag of seven months. Strong feedback effects of market share on product recalls (same brand) can be observed for BMW with a lag of three months, and for Mercedes with a lag of nine months. For Audi, no feedback effect could be observed. Findings regarding cross-effects between product recalls and market share of other brands are again inconsistent. While product recalls of BMW are shown to influence Audi's market share positively with a delay of four months, no significant cross-effects can be observed for Audi recalls. On the contrary, recalls of Mercedes are found to affect the market share of BMW negatively after two months.

Overall, the results of the empirical study reveal that the observed effects are highly brand specific in terms of effect size, directionality, and lag-length. Findings suggest that effects of product recalls on market share are sporadic. Potentially, moderators such as failure severity, presence in the media, the accumulated number of prior failures, and stability attributions which we did not control in this research might reveal, why the observed effects

differ for each brand. Regarding the effect of the market share on product recalls, this research suggests that strong variations in market share negatively affect quality and recalls are more likely. Hence, one can conclude that some firms better deal with varying levels of demand and capacity management than others. References are available upon request.

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AN EVENT HISTORY ANALYSIS OF PRODUCT MODIFICATIONS IN THE U.S. AUTOMOTIVE INDUSTRY

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SUMMARY

This study explores the factors which influence the decision to modify a product using a longitudinal approach in the context of the U.S. automotive industry. The study derives on the co-evolutionary theory and the organizational learning theory to identify the external and internal drivers of product change. A special emphasis is given to the factors that motivate and provide opportunity for change and the organizational capabilities required for a product modification. This paper employs co-evolutionary theory and organizational learning theory to explore the following research questions: What are the external and internal drivers of product change? Under which conditions is the product expected to be modified?

The factors that influence decision making for strategic moves in the product space are explored using a co-evolutionary framework and principles derived from the organizational learning literature. This framework incorporates multivariate analysis of firm-level behavior and environmental selection within a competitive marketplace. Deliberate actions based on accumulated experience allow managers to develop anticipatory models and systems of control in order to act in advance of blind environmental selection. Managed selection drivers produce complex micro-evolutionary processes, as indicated by adaptations that reflect critical time and resource constraints on variations. In order for co-evolution to occur, firms must operate in a heterogeneous industry where there is interaction and influence among competitors. Considering that product modifications alter the landscape of the product space potentially engendering competitive reactions, and that the resource and capability endowments with respect to product development are heterogeneous, the co-evolutionary framework can be employed to develop the research hypotheses.

Organizational capabilities are also an integral consideration of the co-evolutionary framework. To adapt to changing environmental conditions, firms must have a learning capability. Organizational learning can be defined as the development of insights, knowledge, and associations based on past actions, the effectiveness of those actions, and their connection with future actions. From this perspective, experience is a pattern of recognition, a repetition of activity undertaken previously, and future actions become a function of the accumulated

memory of the firm. Organizational memory refers to the collective beliefs, behavioral routines, or physical artifacts that vary in their content, level, dispersion, and accessibility. Organizational routines, procedures, and structures are vital components for controlling the behavior of the organization and are accumulated over time, establishing conditions for subsequent firm actions and activities. Consequently, organizational learning is a function of age and experience. How a firm applies the acquired experiential knowledge to its activities is a major source of capability. Hence, firms have to adapt their products to environmental conditions such as market dynamism, increased levels of competition resulting in failing products, decreasing market share and profit loss.

As such, the product space constitutes a platform in which firms compete for position, adapting to changing situations and constantly triggering competitive reactions. Hence, the co-evolutionary tenets and the organizational learning principles can provide insights into the factors affecting strategic moves in the product space. Based on these perspectives, and drawing from the extant literature, we offer a set of research hypotheses.

The research hypotheses are tested in the context of the U.S. automotive market for the years 1980 to 2002. Product specifications and sales have been recorded for all products of the major brands sold in U.S. during this period. A continuous time event history analysis with time varying covariates is employed to estimate the effects of the independent variables on the probability of a product exhibiting a move in the product space.

Overall, there is support for the co-evolutionary framework indicating that, while navigating on the product space, organizations adapt to environmental conditions within the constraints of their internal resources and capabilities. A significant interaction exists among the competitors of an industry with respect to the product modifications decisions. Further, the adaptation of product characteristics in response to environmental conditions based on the outcomes of previous actions can be regarded as a manifestation of organizational learning.

The proposed model and the empirical analysis help managers better understand and predict the expected competitor moves in the product space. Within the context of the automotive industry, there is strong evidence that

product modification decisions are undertaken by taking into consideration the outcomes of past actions and environmental conditions. Changing product characteristics in the automotive industry is a slow process, particularly

if the product offering is rich in alternatives. As such, the results reveal that organizations change the product lineup gradually, yet within a limited time span.

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CONSUMER KNOWLEDGE AND EXTERNAL PRE-PURCHASE INFORMATION SEARCH: A META-ANALYSIS OF THE EVIDENCE

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SUMMARY

Empirical studies testing the relationship between consumer knowledge and external pre-purchase information search have produced results that vary considerably in terms of statistical significance, direction, and magnitude. To date, studies have found the two constructs to be related in the following ways: a positive relationship (e.g., Thorelli 1971; Sujan 1985; Brucks 1985; Feick and Price 1987; Chaudhuri 1997), a negative relationship (e.g., Anderson et al. 1979; Kaas et al. 1982; Beatty and Smith 1987; Srinivasan and Ratchford 1991), an inverted U shape relationship (Johnson and Russo 1984; Moorthy et al. 1997; Rao and Sieben 1992), and no relationship (Bettman and Park 1980; Kiel et al. 1981; Biehal 1983; Dickson and Sawyer 1990).

Relatively little is known about how the relationship between knowledge and information search varies across different types of products in simple or complex decision-making contexts. This study employing a meta-analysis begins to fill that gap by providing insight into the relative importance of objective knowledge, subjective knowledge, and direct experience in influencing consumer information search activities for search, experience, and credence products in simple or complex decision-making contexts. To perform the meta-analysis, empirical research results were located through primary and secondary channels, as well as through computer searches. First, we conducted a manual search of leading journals in which articles addressing consumer knowledge and external information search are most likely to be found (e.g., *Journal of the Academy of Marketing Science*, *Journal of Marketing*, *Journal of Marketing Research*, *Journal of Retailing*, *International Journal of Research in Marketing*, *Journal of Consumer Research*, and *Marketing Science*). We then studied the reference sections of those identified studies in search of additional studies and unpublished studies. A computer-based search in electronic databases Proquest, Proquest Digital Dissertations, FirstSearch, Central Search, EBSCO, and JSTOR, was also conducted using the key words such as "information search and consumer knowledge." From this process, we retained a total of 229 data points from 48 research papers for inclusion in the meta-analysis sample. To determine the main effects of all the proposed moderating variables

and to investigate any interactions, Univariate ANOVAs were used to test the hypotheses. The correlation coefficients between knowledge and information search were included as the dependent variable and all the proposed theoretical and methodological moderating variables as independent variables.

Our results indicate that objective and subjective knowledge tend to increase search, while direct experience reduces search. Further, higher objective knowledge is associated with higher likelihood of searching for information in purchasing a credence product, and higher subjective knowledge is associated with higher likelihood of information search in purchasing experience products. In addition, objective knowledge has little effect on search for experience products, and subjective knowledge has no significant effect on seeking information for search products. Lastly, objective knowledge facilitates more information search in a complex decision-making context, while higher subjective knowledge means more external search in a simple decision-making context.

While objective knowledge leads to a higher ability to process information and subjective knowledge leads to more self-confidence in decision making, direct experience has an offsetting direct effect on evoked set size and the perceived benefits of search. These findings are consistent with the view that more knowledgeable (objective and subjective knowledge) consumers structure the purchase problem in richer and more complex ways and, hence, see the need for more search (Srinivasan and Ratchford 1991). When consumers know the product through direct experience, they have clear decision criteria and search less because there is no benefit in searching more. Furthermore, the results from this study suggest that the relative effects of the three types of knowledge on pre-purchase information search depend on the type of product investigated.

Consumers with higher objective knowledge search more when facing credence products; however, they search relatively less when facing search products. Products/services high in credence qualities tend to be associated with heightened levels of perceived risk, a characteristic that promotes pre-purchase information search (Murray 1991). High objective knowledge allows consumers to

encode information about new alternatives more efficiently and hence facilitate the learning process (Chase and Simon 1973; Egan and Schwartz 1979; Jeffries et al. 1981; Voss et al. 1980). Prior studies indicate that high objective knowledge is associated with the use of attribute statements, while low objective knowledge tends to be related to the utilization of benefit statements (e.g., Conover 1982; Johnson and Sathi 1984; Maheswaran and Sternthal 1990; Walker et al. 1987). However, credence products or services, like management consulting and medical care, are difficult to evaluate even after purchase and consumption. Whereas consumers high in objective knowledge may depend on the deliberation and use of newly acquired information facilitated by their knowledge (e.g., Rudell 1979), consumers low in objective knowledge must rely on the information of benefits. While such information is not obtainable in credence products, they tend to seek information to a lesser degree than consumers high in

objective knowledge, who are better able to encode and integrate product/service attribute information.

Conversely, when it comes to searching for information about experience products, consumers' subjective knowledge is found to be more influential, but like objective knowledge having little effect on search for experience products, subjective knowledge has no significant effect on information seeking for search products. With high subjective knowledge, consumers are more confident about acquiring additional information for quality judgments, such as other's recommendations for experience products (Nelson 1970, 1981). Confidence plays a very strong role in motivating information search because confident consumers believe they can learn about product performance and benefits through consumption and verify whatever information is obtained prior to use or consumption. References are available upon request.

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DO OSCAR AWARD AND NOMINATION SIGNAL MOVIE SUCCESS? AN EMPIRICAL EXAMINATION

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SUMMARY

Marketers routinely seek and take strategic advantage of publicly proclaimed product quality awards across many industries. Normative advice regarding the strategic use of these awards is limited because research on public acclamation provides few conclusive results (Gemser, Leenders, and Wijnberg 2008). Awards of excellence apply to both tangible (e.g., cars, televisions, and appliances) and intangible (e.g., movies, music, wine and books) products. The role of awards seems particularly important for intangible products, where consumers find it difficult to determine a choice's actual quality and consumers cannot rely on search properties alone to judge quality (e.g., Holbrook and Hirschman 1982). The authors develop and empirically test a research framework showing how different quality signals and key control variables come together to affect consumer evaluations of movies as well as actual box office sales.

Movie awards usually fall into major and minor categories. A movie winning an award in a major category enjoys disproportionately more additional box office receipts compared to a movie winning an award in a minor category. Among 24 categories of Oscar awards, the Best Picture award represents the single overall recognition of motion picture excellence (De Silva 1998). The Best Picture award signifies high quality to consumers and generates expectations of a better entertainment experience. Thus, we propose the following: H_{1a} : There is a positive relationship between a signal of overall movie quality (Best Picture) and movie box office sales. H_{1b} : There is a positive relationship between an award as a signal of overall movie quality (Best Picture) and a moviegoer's evaluation of a movie.

A movie's star power also signifies quality. Hollywood pursues stars (e.g., award-winning actors, actresses, and directors) with the assumption that consumers are more likely to buy tickets for movies starring highly recognized screen actors (Basuroy et al. 2003). Litman and Kohl (1989) and Sochay (1994) suggest that a star's presence in a movie's cast positively impacts a movie's sales. Similarly, Wallace, Seigerman, and Holbrook (1993, p.23) suggest that "certain movie stars do make demonstrable difference to the market success of the films in

which they appear." The present study treats Oscar awards for stars as one signal of movie quality. In addition, the present study examines the effect of aggregate star performance on movie performance. Since prior studies do not suggest constant findings about the relationship between star power and movie performance, we tentatively propose that movie star performance positively influences movie sales and moviegoers' evaluations respectively. Specifically, the second hypothesis posits: H_{2a} : There is a positive relationship between movie star performance (Best Director; Best Actor/Actress; Best Supporting Actor/Actress) and movie box office sales. H_{2a} : There is a positive relationship between movie star performance (Best Director; Best Actor/Actress; Best Supporting Actor/Actress) and moviegoers' evaluations of a movie.

Compared to tangible goods consumption, hedonic consumption such as movies, sporting events, and novels, highlights consumers' multisensory images, fantasies and emotional arousal (Hirschman and Holbrook 1982a). Movies' visual imagery and sound stimuli, along with a compelling plot, can bring different emotions to moviegoers such as joy, fear, jealousy, angry, and delight. Thus, the other tangible movie attributes such as sound editing, makeup, film editing, and visual effects can evoke complex fantasies and fulfill audiences' deep-seated emotional needs. These aspects pertain to phenomena that we tentatively refer to as "peripheral quality." Peripheral quality designates those aspects of movie quality that relate to visual, sound, and emotive elements experienced by a movie patron. In many situations, the so called peripheral quality of a movie may be a stronger predictor of patronage because consumers' purchase behaviors are based primarily on the symbolic elements of the product rather than their tangible features (Hirschman and Holbrook 1982a). Based on the discussion, the third hypothesis is as follows: H_{3a} : There is a positive relationship between a signal of a movie's peripheral quality (e.g., Best Costume Design, Best Sound Editing, etc.) and movie box office sales. H_{3b} : There is a positive relationship between a signal of a movie's peripheral quality (e.g., Best Costume Design, Best Sound Editing, etc.) and moviegoers' evaluations of a movie.

The data includes a sample of 334 movies released between 2000 and 2008; every movie received at least one

nomination or won an award across different categories of Oscar or Golden Globe Awards. Regression analysis examines the proposed relationships. Overall, the results suggest that the three groups of signals exhibit mixed main effects on movie ticket sales and consumers evaluations. Of the three cues, peripheral signal shows the strongest influence on movie success. This study strongly suggests that the peripheral signals of experience products like movies accounts for the greatest proportion of variance in consumer related dependent variables. In

addition, the results suggest budget, in release days, and MPAA ratings help generating more revenues. These findings offer managerial implications for practitioners.

The results highlight that the hedonic elements of experience products account for consumer purchase decisions and shopping evaluations. This study contributes to signal theory and the experience goods literature by categorizing different Academy Awards into three groups of quality signals and empirically testing the hypotheses.

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EVALUATING RATIO DATA AND THE ROLE OF CONSUMER PROCESSING MODE: CAN ANALYTICAL PROCESSING BIAS JUDGMENTS?

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SUMMARY

Consumers often encounter information presented in the form of ratios (Silverblatt 2009) and they are sometimes required to compute the averages of multiple pieces of data in ratio formats. Commonly encountered ratios in daily activities include laundry detergent information given as loads per container (LPC), fitness equipment information regarding calories burned per minute (CPM) of exercise, and vehicle speed information in miles per hour (MPH). In this research, we examine how computing averages for multiple pieces of data in such ratio formats might bias consumer judgments. Equally importantly, we also examine how processing mode and cognitive capacity might moderate the effects of ratio formats on consumer averaging judgments.

There has been limited research on how consumers process ratio information (with Denes-Raj and Epstein 1994; Hsee et al. 2003; Larrick and Soll 2008; Raghuram and Greenleaf 2006, being notable exceptions), and no study has examined how consumer judgments might be biased when they are computing averages of multiple pieces of data in different ratio formats. Further, no study has examined the moderating effects of consumer processing modes or cognitive capacity in this context. Thus, the present research examines the potential for bias when computing averages, and examines the moderating effects of consumer processing mode (Studies 1 and 3) and cognitive capacity (Study 2). We find an interesting paradoxical result – analytical (vs. heuristic) processing accentuates the bias when processing certain ratio data, and likewise higher cognitive capacity reduces the judgment accuracy for certain ratio data. Finally, we identify alternative data formats that can potentially reduce consumer judgment biases.

People tend to process numerical information in a linear fashion (Brousseau et al. 2002). Such linear arithmetic processing is likely to lead to erroneous judgments when evaluating inverse ratio data (i.e., where the focal variable is in the denominator).

Study 1 examined how consumers compute the average rate of calories burned across multiple exercise routines (or fitness machines) with information given in a

commonly used format of calories burned per minute, or CPM (see Zeni, Hoffman, and Clifford 1996), versus an alternative format of minutes taken per calorie (MPC). Study 1 also examined the moderating effects of consumer processing mode (analytical versus heuristic) (e.g., Alter et al. 2007). Under analytical processing, a consumer is more likely to rely on mathematical calculations, and therefore more likely to compute the linear arithmetic mean across the multiple pieces of ratio data. In contrast, under heuristic processing, an equivalent of a random choice between the options would be more likely. Hence, analytical (versus heuristic) processing of the data would magnify the proportion of erroneous judgments. Therefore, we propose that when consumers are computing averages across multiple pieces of data in CPM format, analytical (vs. heuristic) processing will paradoxically increase judgment inaccuracy. However, when consumers are computing averages across multiple pieces of data in MPC format, analytical (vs. heuristic) processing will increase judgment accuracy.

The results of study 1 supported our hypothesis that when computing averages across multiple pieces of data in inverse ratio formats (such as CPM), consumers are prone to make erroneous judgments. Study 1 also showed that such erroneous judgments for ratio data are likely to get enhanced when consumers make judgments under analytical (than heuristic) processing mode.

Study 2 extended the findings of study 1 by examining a different context using the scenario of a decision-maker choosing between two route options with speed data in miles per hour (MPH), and the moderating effects of cognitive capacity. Study 2 showed that different levels of cognitive capacity lead to a similar pattern of results as processing mode. That is, paradoxically, when consumers exert greater effort in analyzing the given options and employ mathematical computations to a greater extent under high (vs. low) cognitive capacity, their judgments become more inaccurate/biased.

Study 3 had three objectives. First, it replicated the potential bias in computing of averages of ratios in the context of laundry detergent usage. Second, it examined how presenting ratio information through a medium (e.g., Hsee et al. 2003) such as price per load might reduce

consumer judgment bias. Third, while in Study 1 processing mode was manipulated, Study 3 measured processing mode as an inherent personality trait (Pacini and Epstein 1999). The results of Study 3 again highlighted how an inverse ratio format like LPC, which is commonly used, can bias consumer judgments when computing averages of multiple pieces of data; the judgment bias can be reduced by presenting the data with the help of a medium, such as price per load. Study 3 also demonstrated that analytical (vs. heuristic) processing tendency increases consumer judgment biases with the LPC format, but lead to more accurate judgments with DPL format.

In sum, the results of three experiments highlight how some commonly used ratio formats might bias consumer judgments when they are computing averages. Equally interestingly, analytical processing or higher cognitive capacity can reduce judgment accuracy when consumers attempt to compute the mean of multiple data pieces in certain ratio formats such as CPM, MPH, or LPC. The bias can be corrected if the data are presented in alternative formats of MPC or DPL, which are conducive to linear mathematical processing. References are available upon request.

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STABILIZING CUSTOMER PREFERENCES FOR REALLY NEW PRODUCTS THROUGH INTERNAL AND EXTERNAL LEARNING: THE ROLE OF DIFFERENT INFORMATION COMBINATIONS

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SUMMARY

For companies the development as well as the introduction of innovations is a challenging process. This is especially true for Really New Products (RNP). RNPs create entirely new product categories or revolutionize existing ones (Gregan-Paxton/Roedder John 1997; Gregan-Paxton et al. 2002; Aggarwal et al. 1998). As technological groundbreaking departures from traditional categories (Zhao, Hoeffler, and Dahl 2009), most RNPs offer new technologies to customers (Aggarwal et al. 1998). However, highly innovative products, such as RNP, fail at a very high rate at the market (Hoeffler 2002; Gourville 2006; Cierpicki, Wright, and Sharp 2000). One major barrier to the adoption of RNPs is that customers are not able to understand and assess their benefits and risks. Hence, ways of making customers understand RNPs is a key challenge for marketers (Feiereisen et al. 2008; Gregan-Paxton et al. 2002).

There are two key stages of the RNP diffusion process, during which customer understanding of RNPs is crucial for their success. Foremost is the stage of RNP development, when RNP design features are being determined. At this stage reliable customer feedback needs to be obtained. However, the uncertainty for RNPs leads to instability in customers' revealed priorities among design features when market research is used to evaluate RNPs, which is a significant barrier to RNP success (Hoeffler 2003). Second, during the marketing phase, customers need to be able to reliably assess the risks and quality of RNP and form an attitude toward RNPs. If customers do not understand RNPs when deciding to acquire such an innovation, this might result in changes, e.g., in quality perception and attitude after buying and using the RNP. As companies need to maximize the long-term satisfaction of their customers (Zhao, Hoeffler, and Zauberman 2007), this is another serious threat to the long term success of RNPs. Hence the question arises how to inform the customer in a way that those problems can be avoided. When a company conveys information about a RNP, it faces the task of not simply presenting customers with every piece of information available but with information that is appropriate for their specific needs (Ariely 2000). When conveying information it is first of all important what kind of information is used. In our study we distinguish between information about how a

RNP is used (how-to-information) or why it works (principles-information), following Rogers (2003). Secondly, previous studies showed that learning strategies can improve preference stability whereof the most prominent learning strategies are mental simulations and analogies (Feiereisen et al. 2008; Hoeffler 2003). The aims of this study are, therefore, to determine which learning strategy (analogies vs. mental simulations) combined with which kind of information (benefit information vs. technological information and how-to vs. principles-information respectively) is most effective to generate reliable customer feedback and stability of perceived risks, quality and attitude toward the RNP.

Study

The RNP in our study is the mavus®-system of the German company Heitec, a device to enable the remote service of machines in B2B markets. The mavus®-system is a vest containing a technical complex head-mounted display and -camera system. With the mavus®-system, maintenance and service processes can be conducted by service technicians with a lower degree of expertise, as they are being guided and instructed by experts in the service headquarters. Participants of this experiment were 143 practitioners which were recruited at various colleges for service technicians. Before the experiment the participants were divided into six experimental groups, resulting in a 2 (principals knowledge vs. how-to knowledge) x 3 (no internal learning vs. mental simulation vs. analogy) mixed design. Our experiment had three stages. In stage one participants were presented with information about the mavus®-system. They then had to fill out a questionnaire and do a full-profile conjoint ranking of twelve product profiles consisting of four dimensions with three levels each (camera quality, display quality, weight, usability). In stage two the participants did a workshop where they actually had to work with the mavus®-system and solve specific problems which simulated real maintenance tasks. In stage three participants again had to fill out a questionnaire and repeat the conjoint ranking task.

Results

Our results show, that in the relatively early phase of RNP development, where primarily the design characteristics which customers prefer are of importance, an infor-

mation strategy consisting of how-to-knowledge and mental simulations appears to be appropriate. This may be due to the fact that how-to-knowledge, which contains only a comparatively low degree of technical information, is easier to process for customers than principles-knowledge. Including mental simulations might enhance customers' ability to identify their individual benefits derived from certain RNP design features.

During the marketing phase a different information strategy should be applied to enable customers to reliably assess the risks and the quality of the RNP and build a

stable attitude toward it. At this phase of innovation diffusion, there is only one information strategy capable of stabilizing all the outcome constructs focused on at a highly significant level. Hence, customers should be explained why the RNP is able to perform as it does, using mental simulations as an explanatory aid. The reason for this may lie in the fact that providing principles information prevents customers from misusing the RNP (Rogers 2003). Mental simulations in combination with principles knowledge might enable customers to anticipate risks of misusing a RNP, therefore further stabilizing the constructs focused upon. References are available upon request.

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ELICITING CREATIVITY: THE INTERACTIVE NATURE OF EXTERNAL PRIMES, COGNITIVE LOAD AND PERFORMANCE FEEDBACK

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SUMMARY

Prior research in management, psychology and sociology has established that creativity is impacted by contextual factors such as goals and deadlines. However, research concerning whether external primes represent a contextual factor that enhances or inhibits creativity has not been fully explored. Early research conducted by Dahl and Moreau (2002) found creativity is inhibited by external primes, as the primes motivate concentration on a particular approach and force individuals to do away with creative facilities. Brown and Bhadury (2006) revealed creativity can result from primes, but the salience of primes (near or far) determines if creativity is enhanced or inhibited. Far primes promoted creativity. An unaddressed question is: are there boundary conditions for the effectiveness of these far primes on creative problem solving?

The purpose of this research is to investigate additional contextual factors that might moderate the impact of the salience of primes on both the quantity and quality of creative problem solving. Two experiments are reported. In the first experiment, we examine the interaction between salience of primes and cognitive load, expecting creativity is inhibited for those exposed to far primes when they are in a higher rather than lower cognitive load condition. In the second experiment, we consider a second contextual factor of performance feedback, predicting feedback will enhance creativity for those in the far prime conditions.

Study 1: Method and Results

A 2 (salience of primes: near vs. far) \times 2 (cognitive load: low vs. high) between subjects experiment was used, and 131 subjects completed the study. Subjects were told they would be completing two tasks – a word search puzzle and a consumption exercise. Prior to completing these tasks and following accepted procedures to manipulate cognitive load (Mann 2000; Shiv and Huber 2000), they were asked to rehearse a number (high load/two digits; low load/two digits) that they would be required to correctly report at the end of the study. For the first task, the subjects were shown a word search puzzle which contained the priming manipulation (Bargh et al. 2001). The puzzle was a 10 x 10 matrix of squares with a list of five words; two priming words (based on pretests) and

three filler words. The second task asked subjects to list solutions to a consumption problem (Burroughs and Mick 2004). Both the quantity (total number of solutions and total number of creative solutions) (Gasper 2004) and quality (novelty and appropriateness) (Dahl and Moreau 2002) of the solutions were measured.

For quantity, the multivariate results indicate there was a significant main effect of salience of primes ($p < .01$), a marginally significant main effect of cognitive load ($p < .10$), and a marginally significant interaction between salience of primes and cognitive load ($p < .10$). For salience of primes, far primes resulted in a greater total number of solutions and number of creative solutions. Lower cognitive load produced a greater number of total solutions, but not a greater number of creative ones. The interaction results revealed that far primes generated significantly greater number of creative solutions than near primes in the low load condition (but no differences in terms of total number of solutions). However, the far primes in the high load condition did not generate as many creative solutions as those in the low load condition, showing cognitive load inhibits the influence of far primes on the quantity of creativity.

For quality, there was a significant multivariate main effect of salience of primes ($p < .01$), a significant main effect of cognitive load ($p < .01$), and a significant interaction ($p < .05$). For salience of primes, far primes produced more novel and appropriate solutions. Those in the low cognitive load condition generated more novel solutions, but there were no differences between those in this condition and the high load condition in terms of appropriate solutions. The interaction results revealed the multivariate effect was attributed to only the novel dependent measure. Far primes generated more novel solutions than near primes in the low cognitive load condition. However, the novelty of solutions generated by near and far primes in the high cognitive condition did not differ. There were no differences for the appropriateness of solutions.

Study 2: Method and Results

A 2 (salience of primes: near vs. far) \times 2 (performance feedback: provided vs. not provided) between subjects experiment was used. Ninety-six subjects from a north-

eastern university participate in this study. As in Study 1, subjects were told they would be completing two tasks – a word search puzzle and a consumption exercise. Prior to completing these tasks and consistent with prior research (Stone 1971), those in the feedback condition were told they would be provided with evaluation scores after the completion of each task. No feedback instructions were provided to those in the no-performance feedback condition. Subjects then completed the word search puzzle containing the priming manipulation and then the consumption exercise. Again, the dependent measures of quantity and quality of solutions were gathered.

For quantity, the multivariate results indicate there was a significant main effect of salience of primes ($p < .01$), a significant main effect of performance feedback ($p < .10$), and a nonsignificant interaction between salience of primes and performance feedback ($p < .10$). For salience of primes, far primes generated a greater total number of creative solutions but not total number of solutions. Those in the performance feedback condition outperformed the no feedback condition for both quantity measures. While the multivariate results indicated a nonsignificant interaction, the univariate results revealed a significant interaction for total number of creative solutions ($p < .05$). Feedback enhanced the effectiveness of far primes.

For quality, there was a significant multivariate main effect of salience of primes ($p < .01$), a significant main effect of performance feedback ($p < .01$), and a nonsignificant interaction ($p > .10$). Far primes produced more novel solutions, but there was no difference between far and near primes in terms of appropriate solutions. Performance feedback resulted in both more novel and appropriate solutions. Although the multivariate interaction was nonsignificant, univariate results indicate a marginally significant interaction for the novel dependent measure ($p < .10$).

Discussion

These two studies extend current knowledge concerning how creative sessions can be more productive – both in terms of quantity *and* quality of potential solutions. Our work demonstrates the boundary conditions for far external primes. These primes can produce a greater creativity. However, high levels of cognitive load can inhibit and performance feedback can enhance the effectiveness of those primes, further supporting the importance of considering contextual cues and their interactive effects on creativity (Powell 2008). Full references are available upon request.

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PREMIUMS AND OPPORTUNISM IN PAY-WHAT-YOU-WANT PRICING

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SUMMARY

Vendors who offer pay-what-you-want (PWYW) pricing formats hope that consumers pay reasonably. We find that premiums and opportunism in PWYW are predicted by trait Machiavellianism. We also find that premiums are driven by enhanced perceived quality. Finally, premiums disappear with increasing incentive to shortchange the seller.

Pay-what-you-want (PWYW) pricing can be found in various categories, such as CDs, restaurant meals, and admission fees at museums. Unlike standard pricing, PWYW allows consumers to participate in pricing. As well, PWYW goes beyond “name-your-own-price” auctions (e.g., Priceline), in which consumers’ offers are either accepted or rejected. In PWYW settings consumers know that whatever they pay, including “pay-nothing,” will be accepted by vendors. Across three field studies, Kim, Natter, and Spann (2009) established how PWYW differs from other pricing formats, and studied the conditions in which PWYW is effective. They found that consumers generally offer reasonable prices, and in at least one instance average prices in PWYW were higher than the norm. These intriguing outcomes motivate the present investigation, focusing on the processes underlying consumers’ reactions to PWYW formats.

Our work draws on past research on relationship norms. Consumers’ relationships with vendors can be described as either arising from an economic exchange relationship or other social exchange relationships (Aggarwal 2004; Aggarwal and Law 2005; Aggarwal and Zhang 2006; Clark and Mills 1993). The latter consists of various forms of social exchange, such as communal sharing, authority ranking, and equality matching (Fiske 1992; Heyman and Ariely 2004). Economic exchange relationship norms include both parties trading benefits equally (i.e., tit-for-tat) and re-payments occurring promptly. Social exchange relationships feature other norms, such as altruism, paternalism, or equality.

In examining how social relationship norms affect transactions, both psychologists and economists have found that consumers are motivated by fairness and altruism. Rabin’s (1993) concept of fairness equilibrium and Carrell and Dittrich’s (1978) equity theory suggest that individuals value fairness in exchanges. In the “ultimatum game,” experimental economists have demonstrated that

people reject unfair offers, even at their own expense (Bolton 1991). Further, when individuals have full authority over how to split a sum of money, as in the “dictator game,” they tend to offer non-zero sums to their exchange partners, consistent with an altruism motive (Bolton, Katak, and Zwick 1998). These results conflict with basic principles of Micro-Economics, which portrays economic agents to be self-interested utility maximizers.

In this research, we focus on both PWYW settings and standard price settings in which buyers interact with a seller. Kim et al. (2009) posited that standard pricing settings clearly invoke economic exchange relationship norms due to the existence of an obvious price metric. In contrast, consumers in PWYW situations may be more concerned about social relationship norms. Interestingly however, Kim et al. (2009) found that individual differences in altruism characteristics did not impact PWYW prices in majority of their field-based studies. We argue that PWYW prices are less impacted by consumers’ inherent levels of altruism, and more affected by the extent to which they are capable of deviating from social norms in an exchange. Hence in our research, we focus on consumers’ levels of Machiavellianism (Mach). High-Machs feel more capable of engaging in behavior inconsistent with social norms, especially in situations that have “latitude for improvisation” (Hunt and Chonko 1984). Thus, while less altruistic people may wish to pay less in PWYW contexts, they are in a dilemma as they must also grapple with the negative affect related to their shortchanging the vendor. However, High-Machs are able to overcome this dilemma. We posit that, in PWYW settings, where it is possible to shortchange the vendor, trait Machiavellianism should have an important role in determining prices. In contrast, in a standard price setting, there is less possibility of shortchanging the vendor, and trait Machiavellianism should not impact behavior. We also expect that most consumers will shortchange the seller given enough economic incentive in PWYW pricing. Finally, we expect that PWYW pricing will only result in premiums when the pricing format signals higher quality. We test these predictions in three lab-based studies (past work on PWYW has typically focused on field studies). In one study, participants were presented with a cookie scenario. While PWYW participants’ prices were not significantly different than standard buyers’ prices, this was qualified by a pricing condition X trait Machiavellian score interaction ($p < .01$). When stating fair prices,

standard buyers provided similar prices regardless of their trait Machiavellianism. In contrast, High-Mach PWYW buyers paid less than Low-Mach PWYW buyers. In a music concert study, we find that consumers increasingly shortchange the seller with a higher reference price, suggesting that given enough economic incentive trait Machiavellianism will figure less in prices and short-changing will be the prevalent response. We also preview

conditions in which we observe premiums from PWYW pricing. In another study involving paying for taxi service, we found that PWYW consumers paid more than standard buyers only in ambiguous quality conditions, where PWYW pricing contributed to perception of higher. In closing, we discuss the importance of studying PWYW pricing for enhancing our understanding of pricing and the role of social norms in consumer behavior.

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THE MEDIATING ROLE OF CHOICE PROCESSING STRATEGY IN THE MODERATING EFFECT OF SELF-REGULATION ON THE PHENOMENON OF ATTRACTION EFFECT

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SUMMARY

An attraction effect is observed when consumers indifferent between two brands disproportionately choose one alternative (target) over the other (competitor) when a decoy brand—uniformly inferior to the target, but not the competitor—is introduced into the choice set (Huber et al. 1982). However, the cognitive process by which this asymmetric dominance is judged is the matter of some debate (e.g., Pan and Lehmann 1993; Ariely and Wallsten 1995; Dhar and Glazer 1996). Wedell and Pettibone (1996) have enumerated two possible cognitive processes by which subjects process brand information when confronted with an asymmetrically dominant choice option (e.g., target). One process is labeled “overall attractiveness” and this process is typically activated when people are cognitively involved and assign subjective values to attributes of an alternative to find the most attractive option and maximize the accuracy of their decisions (Bhargava et al. 2000; Tetlock 1992). This strategy is extensive, systematic, alternative-based, non-selective, and requires computational capabilities (Bettman et al. 1998; Tversky and Simonson 1993). The second process is labeled “justification.” In this process, subjects rely on heuristic cues to simplify their task or increase the speed of information processing. In this type of mental process, people initially identify the most important attribute and then select an alternative with the best value on that attribute since it provides sufficient justification for choosing it (Malavia and Sivakumar 2002; Shafir et al. 1993). While there is consensus that individuals employ one of two distinctive strategies for choice information processing in that one is spontaneous, shallow, effortless, fast, and holistic, and another is deliberate, elaborative, analytic, effortful, and slow (Kahneman and Frederick 2002; Wang and Lee 2006), researchers in the field of attraction effect have argued for the dominance of one process over the other (e.g., Shafir, Simonson, and Tversky 1993; Bhargava et al. 2000). Others have argued that each of the processes occur independently of each other (e.g., Park and Kim 2005; Malavia and Sivakumar 2002), whereas some have argued for their simultaneity (e.g., Wedell and Pettibone 2000; Pettibone and Wedell 1996).

In this paper, we assert that the type of cognitive processing varies by the goal orientation (self regulatory focus) of the individual. The paper uses a 2 (promotion-

focused vs. prevention-focused) x 3 (no-decoy, standard decoy, and inferior decoy) x 3 (printer, stock fund, beer) mixed design. Promotion and prevention foci are manipulated using the approach of Mourali et al. (2007). The no-decoy condition is the base condition with just target and competitor. In the standard decoy condition, a decoy asymmetrically inferior to the target, but not the competitor is introduced into the choice. In the inferior-decoy condition, an option objectively inferior to both the target and the competitor is introduced into the choice set such that the inferior decoy is most inferior to the target, but this difference can be determined only upon a close examination of the attribute values. A standard decoy offers a compelling justification heuristic for selecting a target over a competitor since the inferior decoy does not readily suggest whether target or competitor is most superior to the decoy. By contrast, the inferior decoy condition offers a compelling overall attractiveness heuristic since close examination of the values is needed to arrive at the overall attractive choice.

Right after completing the choice tasks, respondents are asked how justifiable and attractive their final choices are. Further, individuals are asked to write down their strategies (recall task) and to identify the type of processing strategies among a list of possible information processing methods (recognition task) that led to the choice decision. The mediation tests (Muller et al. 2005) are carried out using a nested logit model such that the dependent variable in each instance is the log-odds of choosing the target over the competitor. The independent factors are goal orientation and decoy condition and their interaction.

Our results show that promotion-focus individuals are motivated to choose the target in an asymmetrically dominant choice set because they are motivated by the simple need to justify their choice (justification). In doing so, they tend to adopt an attribute by attribute processing style which is suited to their motivation. By contrast, prevention-focused individuals are predominantly motivated to choose the target because of the overall attractiveness of the option and they employ an alternative by alternative mode of processing.

Several managerial implications flow from the finding that mode of processing is a correlate of self regulatory

focus when it comes to evaluating target information in the presence of a decoy. For example, a claim on a product package that primes promotion-focused goals (e.g., “feel young and sexy with our high-content antioxidant drink”) could invoke the justification heuristic in the presence of an adjacent decoy brand. Also, given that promotion-focused individuals favor hedonic products and prevention-focused individuals prefer utilitarian alternatives (Chitturi 2007), and that people tend to maintain a regulatory fit

between their processing strategies and their goal orientation (Pham and Higgins 2004; Wan et al. 2009), one may argue that hedonic (utilitarian) choices may evoke an attribute-by-attribute (an alternative-by-alternative) comparisons. If this is the case, then online retailers may choose to present the information about their hedonic and utilitarian products to customers differently depending upon the nature of the product advertised. References are available upon request.

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USE OF THE AFFECT HEURISTIC IN EVALUATIONS OF PRODUCT INNOVATIONS

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SUMMARY

Mainstream theories regarding innovation adoption decisions remain grounded in assumptions of rationality and have largely ignored the role of affect. This view stands in apparent contrast to a large body of literature which has accumulated in both the psychology and consumer behavior literatures suggesting that emotion plays an important role in many consumer decisions (Kardes et al. 2004; Wood and Moreau 2006). Some researchers have gone so far as to propose that all cognitive appraisals are laced with emotion, but that the converse is not true, experienced emotions do not necessarily elicit cognitive processing (Zajonc 1980). Building upon this idea, the current research forwards a model in which affect is considered a critical component to the appraisal of product innovations.

Slovic et al. (2007) has suggested that individuals apply an "affect heuristic" when making judgments. Through a series of studies, they provided evidence that both the perceived benefit and the perceived risk toward a target are negatively related and can be explained in particular contexts as the result of a subject's more general affect toward the target. That is, affect is experienced prior to judgments of risk and benefit and has a direct influence on subsequent cognitive appraisals (Slovic et al. 2007; Zajonc 1980). The study summarized below provides evidence consumer evaluations of product innovations follow a similar pattern and considers the following hypotheses:

- H1: Respondents will judge the risks and benefits of an innovation to be inversely related.
- H2: A judgment of the difference between perceived risks and benefits of a product innovation is moderated by the degree of affective response toward the product, such that the strength of the inverse relationship between perceived risks and benefits will be greater with increases in the absolute magnitude (both positive and negative) of the affective response.

H3: Evaluations of hedonic product innovations will be more influenced by affective responses than will utilitarian product innovations.

Method

Participants were presented with six, randomly selected products drawn from a later pool of 16 innovations. After viewing each product, participants were asked to evaluate the product on a variety of dimensions including risk, benefit, affective evaluation, and certainty. Next, participants completed scales designed to measure four different product concepts (1) product radicalness, (2) hedonic dimensions, (3) utilitarian dimensions, (4) aesthetic appeal.

Results

Correlations between risk and benefit across participants for each innovation were also found to be negative in all but two of the 16 innovations (87%). Of these, 9 (64%) had negative correlations which were significant at the $= .05$ level, providing support for hypothesis 1. None, of the innovations with positive risk and benefit correlations across participants were found to be significant at this level.

The strength of the affective response toward each product was found to be a significant predictor of the absolute difference between risk and benefit for each innovation ($b = 0.914$, $SE = 0.062$, $p < 0.001$; see table 2), providing support for hypothesis 2. This result indicates that for every standard deviation increase in affective extremity, the absolute difference score (negative relationship between risk and benefit) increased 0.484 standard deviations across all products. The semi partial correlation coefficient revealed that 21.4% of the variation in the absolute difference score was uniquely accounted for by the absolute rating of the product.

Finally, Hypothesis 3 suggested that evaluations of hedonic product innovations might be more influenced by affective response than utilitarian product innovations.

Overall, the results did not lend support to Hypothesis 3 and suggest that the relationship between affective extremity and absolute risk/benefit difference is not moderated by the hedonic or utilitarian nature of the innovation, at least not for the innovations included in this study.

Discussion

The results of this study clearly demonstrate that the inverse relationship found between judgments of risk and benefit by Finucane et al. 2000 generalized to innova-

tions. Further, the regression analysis demonstrated a consistent relationship between the extremity of an affective response and the difference between risk and benefit. The results indicated that increasingly extreme affective responses (i.e., strong liking/disliking vs. neutral evaluation) corresponded with larger differences between risk and benefit. The results challenge traditional models of innovation adoption decisions and suggest that consumer evaluations of new products are not fully rational. References are available upon request.

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PROJECTIVE CUSTOMER COMPETENCE: UNDERSTANDING DIFFICULT-TO-ARTICULATE CUSTOMER NEEDS THAT DRIVE INNOVATION AND FINANCIAL PERFORMANCE

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SUMMARY

Projective customer competence is the ability of a product development organization to both understand as well as shape the future needs of customers. While customer interaction processes and relational characteristics have shown promise in explaining innovation performance, there is a gap in researchers' understanding of how this occurs. Prior researchers have argued that these processes and relationships lead to a more long term, intuitive or projective understanding of future customer needs. However, this competency key to innovation has not been conceptually isolated and explored as a mediator in the process. Existing related constructs in the literature such as customer knowledge process, customer competence, and customer knowledge development have focused on the process of acquiring current customer information, and not on an organization's competency in projecting future needs of customers. This projective customer competency may explain how these customer interactivity processes and close customer relationships lead to sustained performance over time. Briefly, the goals of this study are to (1) to conceptually define projective customer competence and show its measurement properties, and (2) empirically test the mediating influence of projective customer competence in the relationship between relational characteristics (customer interactivity, relational embeddedness and knowledge redundancy) and both innovative and financial performance.

In brief, we hypothesize that projective customer competence will be fostered by customer relationships which have a high degree of relational embeddedness and knowledge redundancy as well as being highly interactive. Stronger relationships make customers more likely to disclose their sensitive and potentially proprietary information about future requirements to suppliers. Shared knowledge between customers and suppliers facilitates ease of communication and fosters the development of new customer knowledge and the ability of a supplier to shape customer needs. In terms of performance, we hypothesize that projective customer competence will be posi-

tively related to both innovative and financial performance. By better understanding and shaping customer needs, innovating firms should be able to speed new products to market ahead of competitors.

Survey data from 128 marketing managers in innovating firms is used to test the hypotheses put forward here. Further, 14 in depth interviews are conducted in order to gain additional qualitative understanding. Prior to testing the hypotheses empirically, the measurement properties of all constructs are tested via confirmatory factor analysis (CFA). Here, the CFA indicates strong convergent as well as discriminant validity. Also, support is shown for our second order factor conceptualization of projective customer competence (consisting of knowledge competence and customer influence). All items load significantly on their respective constructs, with fit statistics showing good fit to the data. The strong fit statistics and item loadings suggest adequate convergent validity, while comparison of AVE to shared variance indicates discriminant validity.

Testing the hypotheses using structural equation modeling reveals overall support for our arguments. As hypothesized, both relational embeddedness ($p < .01$) and knowledge redundancy ($p < .01$) have positive, highly significant effects on customer interactivity. Relational embeddedness ($p < .01$), knowledge redundancy ($p < .05$) and customer interactivity ($p < .05$) significantly impact projective customer competence ($p < .01$). Finally, both financial performance ($p < .01$) and innovativeness ($p < .01$) are positively impacted by projective customer competence. In short, the data shows strong support for the set of hypotheses put forward. Our interviews also support the roles that relational embeddedness, customer interactivity and knowledge redundancy play in building the ability to understand and shape the needs of customers. This study has established projective customer competence, both in terms of its measurement properties as well as its substantial role as a determinant of innovative performance.

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APPLES AND APPLES OR APPLES AND ORANGES? A COMPARATIVE ANALYSIS OF SUCCESS DRIVERS IN NEW PRODUCT AND NEW SERVICE DEVELOPMENT

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SUMMARY

New products are vital for companies' survival and prosperity as they constitute key contributors to both long-term firm sales and financial performance. Hence, it does not surprise that a large body of research in innovation management investigated the effect of success drivers. However, despite this research wisdom, failure rates of new products and new services still remain high – partially due to major obstacles in the development process. As such, further research is required in at least two respects.

First, in contrast to the obvious benefits that most success drivers usually provide for innovations, some scholars also take up opposing positions and place emphasis on their negative side effects. In our study, we simultaneously account for benefits and the often neglected costs associated with a success driver since both may influence the extent to which an antecedent affects innovation success. As such, we examine the possibility that the relationship between success drivers and innovation success may be curvilinear. Second, scholars raised the question whether success drivers of new products have the same impact on new service success as on new product success. Yet, empirical research that delivers satisfying answers to the above raised questions is limited. The results of the few existing studies indicate that most success drivers apply for both settings but differ in their effect sizes. Based on these findings, the key unanswered research issue deals with the question where this difference in effect sizes derives from.

Against this background, we aim to contribute to this important research field by suggesting that the answer

could lie in differences in the nature of the relationship – linear versus nonlinear – between the success factors of interest and innovation performance in a service versus in a goods context. The existence of nonlinear relationships originating from peculiarities in NPD and/or NSD could provide a strong explanation for the previously found differences in degree. Further, by conducting a comparative study we advance the debate whether success drivers of product innovations also apply for service innovations. Finally, by examining success drivers of new service performance our findings also advance research on service innovations.

In order to test our framework, we conducted a large-scale empirical investigation resulting in a dataset comprising answers for both service innovations and product innovations. Our results provide evidence that the examined antecedents of NPD and NSD have similar effects on innovation success but differ in their nature of relationship with this dependent variable. In detail, the support of the linear and positive effect of innovativeness on new product success contrasts with our finding of an inverted U-shaped relationship between innovativeness and new service success. Referring to the impact of cross-functional integration, we found that the relationship between cross-functional integration and innovation success is a necessary precondition for the smooth functioning of new service delivery. Adversely, there is a curvilinear relationship in the shape of an inverted U between cross-functional integration in NPD and new product success. With respect to customer integration, results display nonlinear effects for both NPD and NSD. Finally, we conclude that management commitment is an important contributor to both new service and new product success pursuing a similar mechanism in both settings.

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MAPPING CONFIGURAL THINKING RELATING TO NEW PRODUCT DEVELOPMENT

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SUMMARY

Data analyses in studies on key success factors (KSFs) for successful product development indicate that no one factor correlates perfectly ($r = 1.00$) or even higher (e.g., $r > .50$) with success (e.g., Cooper and Kleinschmidt 2007; Di Benedetto 1999). Also, some KSFs relate positively to other KSFs; a few major groups of KSFs represent some amount of independence in influencing success versus failure. But attempting to separate-out the independent influences of KSFs on success/failure is an unrealistic objective – and an objective less insightful in comparison to alternative research approaches.

Both successful and unsuccessful product development projects for high fashion products and services represent creating and implementing recipes or paths of KSFs. While implementing any one KSF is not sufficient for success, creating and taking certain paths that include partially-independent KSFs is sufficient for success; other paths lead to failure; some paths are never taken because they are never thought of or designers consider them to be totally unrealistic options. Consequently, new product marketing strategists need to look beyond research attempting to learn the net effects of independent influences of KSFs. Configurations (i.e., recipes) representing alternative combinations of design+marketing dimensions are indicators of sufficiency for success versus failure for fashion marketing projects. The study of alternative decision configurations is particularly useful for fashion marketing strategists and researchers.

This study describes keys success/failure path (KSFP) theory and illustrates configural thinking processes for a design+marketing firm that focuses on fashion household accessories. Following the introduction, section two presents core tenants of KSFP theory. Section three presents results from case study research that illustrates an ethnographic decision tree model (Gladwin 1989) of KSFPs. Section four proposes configural comparative analysis (CCA, also known as qualitative comparative analysis, QCA) as a particularly useful approach for the study of KSFP. Section five summarizes the discussion and includes limitations and suggestions for future research.

Key Success/Failure Path Theory in Fashion Marketing

The representation of “design+marketing” is useful for indicating the criticality of the mutual dependency of design and marketing in fashion marketing. A relevant

tenant to KSFP theory is the belief that brilliant design alone is insufficient for success in fashion marketing. Brilliant marketing alone is insufficient for success in fashion marketing. Success follows specific configurations of dimensions dynamically cross back-and-forth in planning and implementing design and marketing decisions.

Consider the findings of Cooper and Kleinschmidt (2007) – one of the most highly cited studies on the effects of KSFs and profitability (numbers in parentheses are correlations of the KSFs with profitability). The study uses 1–5 point Likert scales to measure each item. The correlations below from this study of 161 firms engaging in new product development indicate that the presence versus absence of a factor is not sufficient for high profitability:

- A high-quality new product process (.416).
- A defined new product strategy for the business unit (.228).
- Adequate resources – people and money—for new products (.244).
- R&D spending on new products (as % of the business’s sales) (ns = not significant).
- High-quality new product development teams (.196).
- Senior management commitment to new products (.268).
- An innovative climate and culture in the business unit (.243).
- The use of cross-functional teams for product development (.230).
- Senior management accountability for new product results (.228).

If these nine dimensions represent somewhat unique KSFs, what combinations of high versus low values among the nine KSFs lead to high profitability? Any one firm among firms with a highly profitability new product is unlikely to achieve level five (highest) evaluations for all nine dimensions. Using a property space approach (Lazersfeld 1937), considering three levels for each dimension – low, moderate, high – a total of 19,683 combinations are possible (3^9). A few of these paths are

likely to result in highly profitable new product outcomes – possibly 10 percent of the paths or about 200 paths. About 30 percent of the paths are likely to result in substantial losses – about 600 paths. The remaining paths are likely to be untried and most may represent unimplementable decision recipes. The relevant literature includes examples of success in marketing of a new product-service that includes the absence of one or more KSFs (Author 1996). Each KSF independently is not necessary for success; success is possible with the absence of any one KSF. For fashion marketing, research identifying 5, 7, 9, or more dimensions as KSFs is unlikely to represent sufficient insight for planning effective design+marketing strategies.

Taking one dimension to illustrate this point, what is the nitty-gritty specific resulting in a 1 versus 5 point score for “an innovative climate and culture in the business unit?” Responses to 1–5 Likert scale items in mail surveys are insufficient for describing and understanding what really happens in design+marketing of fashion products-services that result in high versus mediocre performance or substantial losses.

Thus, core tenants of KSFP theory that is applicable for fashion marketing strategies include the following points:

- No one KSF is sufficient nor likely necessary for success.
- No one KSF is necessary for success.
- Decision paths occur in executing fashion marketing strategies.
- Some of these decision paths are sufficient, but not necessary, for success.
- Some of these paths result in failure for new products or services.
- Mail surveys using 5 or 7 point Likert scales are insufficient for explicating the nitty-gritty specifics of dimensions and configurations occurring in KSFPs.

Case Study Research in Ethnographic Decision Tree Modeling of Fashion Marketing Strategies

This section offers a case study example of creating an ethnographic decision tree model (EDTM, see Gladwin 1989) in an attempt to describe and understand KSFPs. EDTM includes the use of long interviews (McCracken 1988) in field settings with strategist who plan and implement strategies to create and validate decision tree diagrams. These diagrams represent alternative paths leading to favorable versus unfavorable (accept/reject) decisions.

1. The case study takes the perspective that the design+marketing strategists having completed more

than one hundred (or 200 to 500) new fashion marketing projects have developed mental models representing successful and unsuccessful combinations (paths) of decisions that occur within these projects. The case study is developed here from a series of interviews with a chief executive officer (CEO) and leading designing for a well-known fashion marketing firm for household accessories, Alberto Alessi (McKinsey Quarterly 2009).

2. Alessi describes his “mathematical model” for his decision process in assessing a design+marketing project. Note that his model is actually programmable as an EDTM rather than as a statistical tool. Alessi’s answers follow the questions from the McKinsey Quarterly interviewer. Alessi’s explanation includes four dimensions and that Alessi, the company, is willing to, or expects to, work in two to three specific levels within each dimension. He points out in additional comments in the interview that he uses the formula to be more risky – not just to attempt to create low risk design+marketing projects.

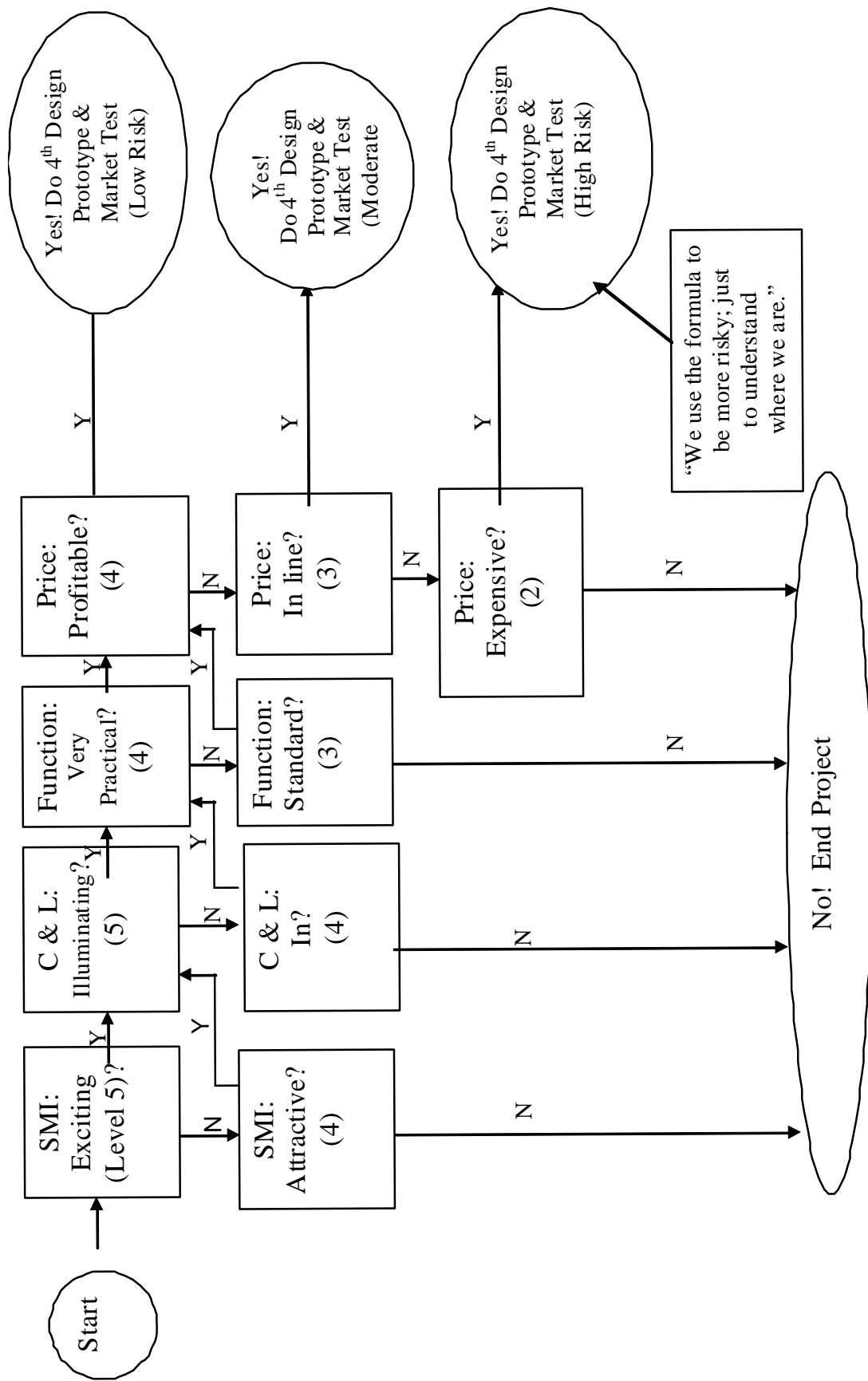
The present study includes the creation of the contingency model appearing in Figure 1. This contingency model depicts the relevant paths for low, medium, and high risk fashion marketing projects that appear to be acceptable for Alessi. The level of risk resulting from a design+marketing project depends on the configuration of levels across the four dimensions. Note that a substantial reduction in the size of an available market may relate to a project requiring an expensive price but this level of the price dimension does not necessarily rule-out further design and production of the product. If the levels of the other dimensions are determined to be highly favorable, the project may still proceed even if the market includes a small segment of customers.

The level of any one dimension in this EDTM is not sufficient or necessary to cause rejection or acceptance of a specific design+marketing project. A few configurations result in acceptance of projects while most of the possible configurations result in rejection of projects. A total of 625 (i.e., 5⁴) paths are possible. Most likely, only a few (less than 20%) of these paths ever receive consideration by the strategists. The model emphasizes the point that Alessi does **not** consider a high value in a core dimension (e.g., aesthetics) or any other dimension compensating for a low value in another dimension (e.g., communication and language). Alessi places a restriction on the range of values for each dimension that is acceptable for continuing the decision process.

Configural Comparative Analysis (CCA)

CCA includes applying Boolean algebra rather than matrix algebra to test combinations within antecedent

FIGURE 1
 Explication of Alessi's EDTM for, "Should We Take Design Beyond the Third Prototype?"



conditions (e.g., recipes that include a specific level of each of the four dimensions in the Alessi model). Both crisp set (binary levels) and fuzzy set (0.00 to 1.00) values are sometimes used in CCA modeling. Two particularly useful operations in set theory include the computing the value for combinations of two or singular antecedent conditions. The lowest value among the two or more dimensions is the amount the two dimensions share in common. Consider the combination of the following four singular antecedent conditions into one complex antecedent condition expressed as $Q \bullet S \bullet R \bullet D = .20$. The mid-level dot (\bullet) signifies the operation, “and”; the value of .20 represents this complex antecedent condition because .20 is the lowest fuzzy set values among the following four dimensions (the numbers in the parentheses represent fuzzy set scores with 0.00 indicate nonmembership and 1.00 full membership in the dimension):

- Q = A high-quality new product process (.90).
- S = A defined new product strategy for the business unit (.85).
- R = Adequate resources – people and money – for new products (.50).
- D = R&D spending on new products (as % of the business’s sales) (.20).

Crisp or fuzzy set scoring also applies for the outcome condition (e.g., accepting further design+marketing development of the new fashion product-service, or low to high profitability). A complex antecedent condition is

found to be highly consistent in its relationship with an outcome condition across a number of new design+marketing case studies when the sum is totaled by taking the lowest value for each antecedent–outcome pair and divided by the sum of all antecedent values across all the case studies. For example, assume five cases are being evaluated for their sufficiency in predicting high profitability by a firm. The values for each of the singular antecedent conditions, one complex antecedent condition, and the outcome condition for high profitability appear in Table 1. The analysis in Table 1 indicates a high consistency index for $Q \bullet S \bullet R \bullet D$ in predicting high profitability.

The \sim symbol indicates negation. A negation is equal to $(1 - \text{the antecedent value})$. If crisp set scores are used (0.1) than $\sim R = 1.00$ when $R = 1.00$ and the absence of $R = 0.00$. Thus, $\sim R = 1.00$ and $R = 0.000$ both indicate inadequate resources in the development process of a specific design+marketing project. Using a crisp set analysis (binary no/yes conditions), a total of 16 paths are possible in this analysis of 5 cases (2^4) to represent all the possible combinations of the four singular antecedent conditions. Such an analysis helps to uncover whether or not success (e.g., high profitability) occurs when one or more singular dimensions are absent (or low in value using fuzzy set scores). Using fuzzy set analysis, a range (0.00 to 1.00) of values replaces binary values with 0.00 indicating full non-membership in the antecedent condition (singular or complex) and 1.00 indicating full membership in the same antecedent condition (see Ragin 2008 for further details).

TABLE 1
Configural Comparative Analysis for a Complex Antecedent Condition Using Fuzzy Set Values for Each Antecedent Condition and the Outcome Condition

<u>Dimension</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Q = A high-quality new product process	.90	.50	.30	.20	1.00
S = A defined new product strategy for the business unit	.85	.60	.90	.20	.60
R = Adequate resources—people and money	.50	.75	.90	.10	.80
D = R&D spending on new products	.20	.65	1.00	.90	.75
$Q \bullet S \bullet R \bullet D =$.20	.50	.30	.10	.60
H = High Profitability (outcome condition)	.10	.75	.30	.40	.80

Consistency index for $Q \bullet S \bullet R \bullet D = (.10 + .50 + .30 + .10 + .6) / (.20 + .50 + .30 + .60) = 1.6/1.9 = 0.842$
 Note. Consistency values are analogous to correlation values. For a simple or complex antecedent condition to be sufficient in predicting high outcome values, a consistency value should be greater than .70.

The plot (see Figure 2) of the five hypothetical case study is suggestive that when $Q \cdot S \cdot R \cdot D = 0.50$ $H > 0.60$. The plot indicates that case 1 has a particularly low outcome condition that might require adding a new singular (negative) relevant antecedent condition to the complex antecedent statement to clarify (i.e., lower the antecedent value) to reflect this somewhat surprising association with a very low outcome value.

Conclusions and New Product Development Implications

KSFP theory is very relevant for understanding and describing alternative design+marketing in fashion mar-

keting. Learning about KSFs in creating new fashion product-services is insufficient for understanding, describing, and predicting the multiple decision paths leading to successes and failures. Fashion designers think in recipes of dimensions and not only in single dimensions in configuring new products and services. A few complex configurations of antecedent conditions work well in being sufficient for predicting high scores for a given outcome condition. Uncovering the nitty-gritty details of such complexity goes well beyond net effects analysis via correlation methods. Coupling EDTM and CCA methods is very useful for gaining insights supporting the KSDP theory as well as for predicting highly successful outcome conditions.

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THE INNOVATION RADAR: AN INNOVATION TYPOLOGY¹

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ABSTRACT

We broaden the concept of business innovation by defining it as the *creation of substantial new value for customers and the firm by creatively changing one or more dimensions of the business system*. We identify twelve dimensions of the business system within a holistic framework called the *Innovation Radar*. We operationalize it by creating a measure for each dimension of innovation and empirically test the construct validity using data from 765 managers from 52 business units of large U.S. corporations. Empirical results support the hypothesized multi-dimensional conceptualization of innovation and suggest a causal relationship between innovation and business performance. Key Words: Innovation, Innovation typology, Innovation measurement, Validation.

INTRODUCTION

Innovation is the engine of growth and wealth creation. A report by the U.S. Department of Commerce (DOC 2008) underscored its importance, stating that “the U.S. today is more than 75 percent wealthier than 30 years ago, which is largely attributable to productivity gains driven, in large part, by innovation.” Despite the importance of innovation for economic growth, however, practitioners still lack a good understanding of how to innovate. For example, the Advisory Committee to DOC on Innovation noted in its report – “However, until now, few steps have been in place to allow US to measure and understand innovation” (DOC 2008). A similar concern was voiced in a national innovation survey by the Boston Consulting Group (BCG 2006), which concluded that “Although companies certainly realize the importance of [innovation] measurement, few companies, in practice, rigorously track their innovation efforts.”

The academic literature on innovation similarly lacks a consensus on how to define, measure, and implement innovation. Some scholars argue that the definition and measurement of innovation is narrow, fragmented, and partial (Howells and Tether 2007; Van de Ven 1986). Since most innovation researchers focus on technological advances driven by invention and R&D, embodied in product and process innovation, they have given minimal attention to innovation beyond technology development (Howells and Tether 2007). While the existing literature on innovation provides useful insights into specific aspects of innovation, Van de Ven (1986) concludes that the encompassing problems confronting general managers in

managing innovation are largely overlooked. Without a holistic view of innovation and a demonstrated link between innovation and business performance, companies may miss innovation opportunities and find themselves vulnerable to competitors with broader perspectives.

Innovation can mean much more than technology innovation or R&D. In fact, some innovative firms are not considered leaders in product development or R&D, but they innovate on other dimensions of their business. For example, Dell Inc. has become one of the world’s largest personal computer manufacturers, not through R&D investments but by bringing products to market more quickly and innovating on processes like direct selling and build-to-order manufacturing. Starbucks is regarded as an innovative company, not because of better-tasting coffee but because the company was able to create a unique customer experience referred to as “the third place” – a communal meeting place between home and work. Enterprise Rent-a-Car has become the leading car-rental company in the United States by focusing on an innovative customer need as well as an innovative point of presence. Enterprise focuses exclusively on providing replacement cars to people whose cars are being repaired or have been stolen. And it locates its branches in the neighborhoods where people live and work, rather than at airports. These examples suggest that innovation comes in many forms, some of which may have little to do with technology or R&D.

Firms can innovate on a number of dimensions. As Drucker (1977, p. 57) observed, non-technological innovation “is at least as important as technological innovation.” For instance, they can create innovative customer solutions, customer experiences, organizational forms, and operating processes (DOC 2008; Moore 2004; Sawhney et al. 2006). Particularly as markets mature and technological differentiation is harder to sustain, the emphasis on innovation activities shifts away from technology to these other dimensions (Djellal and Gallouj 2001; Moore 2004). Hence, it is necessary to systematically examine all the activities a firm performs and how it can innovate them in order to search for competitive advantages.

In this research, we draw upon Schumpeter’s view (1934) to define business innovation as the *creation of substantial new value for customers and the firm by creatively changing one or more dimensions of the business system*. Based on this broader view of innovation, we

build a typology of innovation including 12 dimensions of innovation within a holistic framework called the *Innovation Radar*. Each of these dimensions (product, platform, solution, customer need, customer experience, brand, process, value capture, organization, ecosystem, channel, and supply chain) represents a vector along which firms can focus their innovation strategy. We collected data from 765 respondents at 52 business units to verify the construct validity and nomological validity of 12 dimensions of innovation. The purpose of this study is to broaden the understanding of innovation, to build an innovation typology to emphasize an integrated and holistic view of innovative activities, to develop and validate the measurement of the innovation framework, and test its impact on organizational performance.

THEORETICAL FRAMEWORK

Definitions of Innovation

Innovation has been conceptualized in many ways from several perspectives. However, most of the research on innovation takes a narrow view and tends to be technology oriented: mainly focusing on R&D, new product development, or product/process dichotomy. One group of scholars views innovation as the adoption and implementation of a new technology, mostly driven by R&D or invention. For example, Garcia and Calantone's (2002) define innovation as an iterative process to explore the market potential of a technology-based invention. Similarly, McDermott and O'Conner (2002) define innovation as "A new technology or combination of technologies that offer worthwhile benefits." A second group of scholars regards innovation as synonymous with new product development. For example, a recent comprehensive literature review defines innovation as "the process of bringing new products and services to market" (Hauser et al. 2006, p. 687). More specifically, Han, Kim, and Srivastava (1998, p. 32) directly state that "[i]n marketing, the conventional meaning of the term innovation largely refers to new product-related breakthroughs." A third group of scholars bring processes into the scope of innovation and view innovation as a product/process dichotomy. For example, Tushman and Nadler (1986, p. 75) define innovation as "the creation of any product, service, and process which is new to a business unit." In this stream, process innovation involves creating new ways to develop new products and improving process efficiency. This dichotomy is still technology oriented. In summary, based on the functional viewpoints of the existing literature, most research on innovation takes a narrow technology-oriented or product oriented view of innovation.

In contrast, a broader view of innovation has already attracted some scholastic attention. Recognizing the limitations of the narrow view, these scholars view innovation

as the adoption and implication of any new idea relative to the organization. For example, Van de Ven (1986, p. 590) defines innovation as "the development and implementation of new ideas by people who over time engage in transactions with others within an institutional order." Similarly, Damanpour (1991) takes a broad view of innovation to include different types of innovation pertaining to all parts of organizations and all aspects of their operation. This broader view has become more compelling in recent years for two reasons. First, since the services sector has outpaced the manufacturing sector in the past decade, some scholars argue that non-technology innovations such as expertise-field innovation, external relationship innovation, and ad-hoc innovation are becoming increasingly important (Drejer 2004; Gallouj and Weinstein 1997). Second, the world is becoming more connected with the advances of IT and the ubiquity of the Internet. Relationships with partners have become an important source of competitive advantage (Dyer and Singh 1998). Moreover, some scholars argue the innovation paradigm is changing from the closed innovation model to an open innovation model (Chesbrough 2003). Following this trend, OECD (2005) has broadened the innovation concept to encompass not only product and process innovation, but also marketing, internal organizational and external relationship innovation. Although there are different views and perspectives of innovation, one common element is a *new idea that is put into practice to create utility*.

Therefore, we define business innovation as "*the creation of substantial new value for customers and the firm by creatively changing one or more dimensions (aspects) of the business system*" (2006, p. 76). This innovation definition emphasizes three points: *originality* (an initiative to create new value), *holistic* (an initiative in any dimension(s) of the business system), and *utility* (the value generated by the initiative for customers and the firm). These points are emphasized by the Advisory Committee to DOC (2008, p. i), which defined innovation as "The design, invention, development, and/or implementation of new or altered products, services, processes, systems, organizational structures, or business models for the purpose of creating new value for customers and financial returns for the firm." The essence of our definition is consistent with Schumpeter's original insight (1934) on innovation as new combinations of the existing factors that are more economically viable than the old way of doing things, leading to entrepreneurial profits.

Innovation Typology

Numerous innovation typologies researchers suggested are mainly defined by two ways: in terms of their outcome or effect or in terms of their initial focus (Zaltman et al. 1973). Most of them fall in the first stream, such as incremental vs. radical innovation defined by the degree of new knowledge (Dewar and Dutton 1986),

continuous vs. discontinuous innovation in terms of its degree of price-performance improvements over existing technologies (Tushman and Anderson 1986), sustaining vs. disruptive innovation relative to the performance of the existing products (Christensen 1997), and exploitative vs. evolutionary innovation in terms of pursuing new knowledge and developing new products and services for emerging customers or markets (Jansen et al. 2006). In general, these typologies are simplified into dichotomous classifications with regard to technology or product (Garcia and Calantone 2002; Gatignon et al. 2002).

Only a few innovation classification schemes are defined by their initial focus. By nature, most of these typologies take a broad view of innovation. For example, Schumpeter (1934) suggests five forms of innovation: product, process, customer, input, and organization innovation; Knight (1967, p. 482) proposes four dimensions – product or service, process, organizational structure, and people innovations; Moore's (2005) taxonomy includes 12 types of innovation along with three value disciplines of product leadership, customer intimacy, and operation excellence; OECD (2005)'s typology includes product, process, marketing, and organization innovation; Sawhney et al. (2006, p. 77) suggest a taxonomy of 12 dimensions of innovation organized into four key dimensions that serve as business anchors: the offerings a company creates, the customers it serves, the processes it employs, and the points of presence it uses to take its offering to market. While both ways of innovation classification significantly advance our understanding of innovation, we prefer to define innovation by their initial focus because we contend that innovation is multi-faceted and goes beyond technology.

How should we develop a comprehensive innovation typology? In recognizing the importance of non-technological innovation, Drucker (1977, p. 57) argues, "The best way to organize for systematic, purposeful innovation is as a business activity rather than as functional work. Every managerial unit of a business unit should have responsibility for innovation and define innovation goals." Following this thinking, we believe that it is important to relate the typology of innovation to business activities because, by definition, innovation is an initiative in one or more dimensions of the business system.

Although the broad view of innovation originates from Schumpeter, the typology that reflects this view is not well-documented. To gain further insights into the relevant innovation activities in practice that influence competitive advantages, we conducted in-depth field interviews with managers responsible for innovation-related activities at several large companies across a range of industries. Participants included managers from Boeing, Chamberlain Group, ConocoPhillips, DuPont, eBay, FedEx, Microsoft, Motorola, and Sony. We used open-

ended questions, asking these managers to identify and describe the innovation activities of their firms they believed contributed most of creating value for customer and for the firm. Over 30 phone and face-to-face interviews were conducted, each lasting for about an hour.

Synthesizing insights from our fieldwork with those in the literature, we identified 12 dimensions of innovation that are viewed as contributing to business performance. Table 1 shows the definition and the examples of each dimension of innovation. The terms to describe these dimensions of innovation may differ by disciplines, and the boundaries between these dimensions of innovation can be fuzzy. Nevertheless, we believe that these dimensions of innovation incorporate most variables that are currently viewed as dimensions of business innovation in a comprehensive and coherent way. In the discussion that follows, we describe the development of a scale to measure our innovation framework and test its validity and the impact on organizational performance.

RESEARCH METHOD

Sample and Data Collection

In order to capture the broad view of innovation as a new way to create value, we need to collect data by managers from multiple functional perspectives. As this is very difficult to collect multiple functional responses from a same business unit using randomly sampling, we collected data using a web-based questionnaire from respondents (middle managers and above) who were reached through personal contacts. In total, we collected 765 responses at 52 business units from 19 firms, including global corporations like Merck A.G., GE, IBM, Kraft, Merck, Sears, Siemens Tyco, and Verizon. On the average, each business unit had 15 respondents across multiple functional areas. Among the 765 respondents, there were 221 from strategy (28.9%), 117 from operations (15.3), 89 from marketing (11.6%), 124 from sales (16.2%), 116 from R&D (15.2%) and 98 from support (12.8%). Our sample contained 22.1% female respondents. The average age of the respondents was 43.9 years (STD 8.0) with average 4.04 years (STD 1.2) work experience within the company. The time required from of each respondent was about one hour.

Measurement

Following the well-accepted practices in metrics and questionnaire design (Churchill 1979), we created a set of multi-item measures to measure the dimensions of innovation based on the literature and insights from our fieldwork. We built two types of measures for each dimension – reflective measures to obtain an overall metric for the actual level of innovativeness at each dimension, and formative measures to gain insight into

TABLE 1
Definition and Examples of Different Types of Innovation

Innovation	Definition	Examples
Product	The market introduction of products and services with new or significantly improved features and performance (Li and Atuahe ne-Gima 2001; Schumpeter 1934)	<ul style="list-style-type: none"> • Sony's four generations and 150 variations of the Walk man • On-line banking services
Platform	The use of common bases such as modular components, common processes, and shared technologies to create a broad range of new products and services (Moore 2005; Sood and Tellis 2005)	<ul style="list-style-type: none"> • The Microsoft Windows platform • Toyota's automotive platform for family sedans
Solution	The introduction of a customized and/or integrated combination of products, services, and information to solve an end-to-end customer problem (Roegner 2001; Tuli et al. 2007)	<ul style="list-style-type: none"> • UPS Logistics Services that include warehousing, transportation, network management, and shipping • IBM's solutions that integrate its hardware, consulting, and financing services
Customer	The identification of unmet customer needs or under-served customer segments (Schumpeter 1934; Zhou et al. 2005)	<ul style="list-style-type: none"> • Enterprise Rent-a-Car focuses on the need for customers to find a replacement car
Experience	The redesign of the interactions that customers have with the firm in order to create customer loyalty based on positive emotional response (Moore 2005)	<ul style="list-style-type: none"> • Whole Foods serves the need for high-quality organic food products • Saturn's "no-haggle" car buying experience and Starbucks' innovations in the experience of buying and drinking coffee
Brand	The extension of the known quality perceptions and associations from an existing parent brand and transfer it to a new product category (Moore 2005; OECD 2005)	<ul style="list-style-type: none"> • Europe-based easyGroup has extended its "easy" brand to a dozen industries, such as easyJet, easyCar, easyInternetCafe, easyMoney, easyCinema, easyHotel, and easyWatch.
Process	The design and implementation of a new or significantly improved internal business process in any functional area (Sawhney et al. 2006)	<ul style="list-style-type: none"> • Toyota's Production System
Value Capture	The creation of new ways to get paid for products and services (Damanpour et al. 2009)	<ul style="list-style-type: none"> • GE's use of Lean Six Sigma • Salesforce.com's subscription pricing for software
Organization	The invention and implementation of a significant change in organizational structure or management methods (e.g. decision-making process, employee incentive, management practices) to further organizational goals (Birk inshaw et al. 2008; OECD 2005; Tether and Tajar 2008)	<ul style="list-style-type: none"> • Google's paid search advertising service • The transformation of IBM's organization into a customer-centered organization design • Kaplan's activity-based costing
Ecosystem	The creation of innovative partnerships and collaborative relationships with suppliers, partners, independent vendors, resellers, etc. to create a joint offering (Djellal and Gallouj 2001; Drejer 2004)	<ul style="list-style-type: none"> • Apple's iPhone Application Store featuring independent software vendors • Procter & Gamble's "Connect+ Develop" initiative to source innovations from external contributors.
Channel	The introduction of new routes to the marketplace or innovative points of presence for customers to find and buy products and services Roberts and Amit 2003; Tether and Tajar 2008)	<ul style="list-style-type: none"> • Bank of America's mini-branches placed inside grocery stores • Dell's direct sale channels.
Supply Chain	The introduction of new or significantly improved methods of sourcing inputs and delivering the offerings to the markets (Sawhney et al. 2006; Tether and Tajar 2008)	<ul style="list-style-type: none"> • Wal-Mart's Vendor-Managed Inventory program • Cisco's e-Hub that improves the coordination among suppliers, partners, and customers

activities or factors that contribute to the observed level of innovativeness (Jarvis et al. 2003).

Before we used the questionnaire to collect data, we went through several rounds of peer revision of it. We pre-tested the questionnaire with 16 managers of a business unit within a large conglomerate. We then revised and again pre-tested it with 54 managers at a large public company in the energy industry and a midsize private firm in the food industry. We estimated the measurement and structural models using partial least squares (PLS), a technique that accounts for measurement error and permits the modeling of different types of metrics created for each of the dimensions. The results from the second pretest helped confirm the validity of our framework (measurements are available from authors): The reflective measures exhibited high levels of internal consistency; the formative measures explained a large portion of the variance for the dimension they were associated with; and all coefficients in the nomological network had the expected signs.

We only included items gauging overall organizational performance in terms of profit margin, return on assets, market share increase, and revenue growth through respondents' subjective assessments of their performance with comparison to their major competitors. This business performance measurement is along the line of DeSarbo et al. (2005) (Cronbach's alpha = .84).

Measurement Model Validation

We used the following four approaches to test construct reliability and validity. First, we randomly divided the 765 responses into two sub-samples and then conducted exploratory factor analysis (EFA) on all items using the first half of the sample ($n = 371$). We used Promax rotation because we expected the 12 factors are inter-correlated. Twelve factors with eigenvalues greater than one were extracted and they matched the hypothesized 12 dimensions of innovation. Based on the results, we removed the 16 items which cross loading are higher than .30. The remaining 74 items loaded clearly onto one of the 12 factors as expected and explained 74.58 percent of the variance. Internal consistency reliabilities (Cronbach's alpha) ranged from 0.86 to 0.94 (Table 2), indicating acceptable levels of internal consistency (Nunnally 1978).

Second, we performed a confirmative factor analysis (CFA) on the second half of the sample to verify the factor structure revealed by the EFA (Joreskog and Kraft 1989). The fit statistics indicated that a 12-factor model fit the data reasonable well (X^2 ($df = 2211$) = 4812, RMSEA = .055, CFI=.91, SRMR=.052). Further, in an effort to produce a more parsimonious model, we reduced to the four items for each construct by deleting lower loading

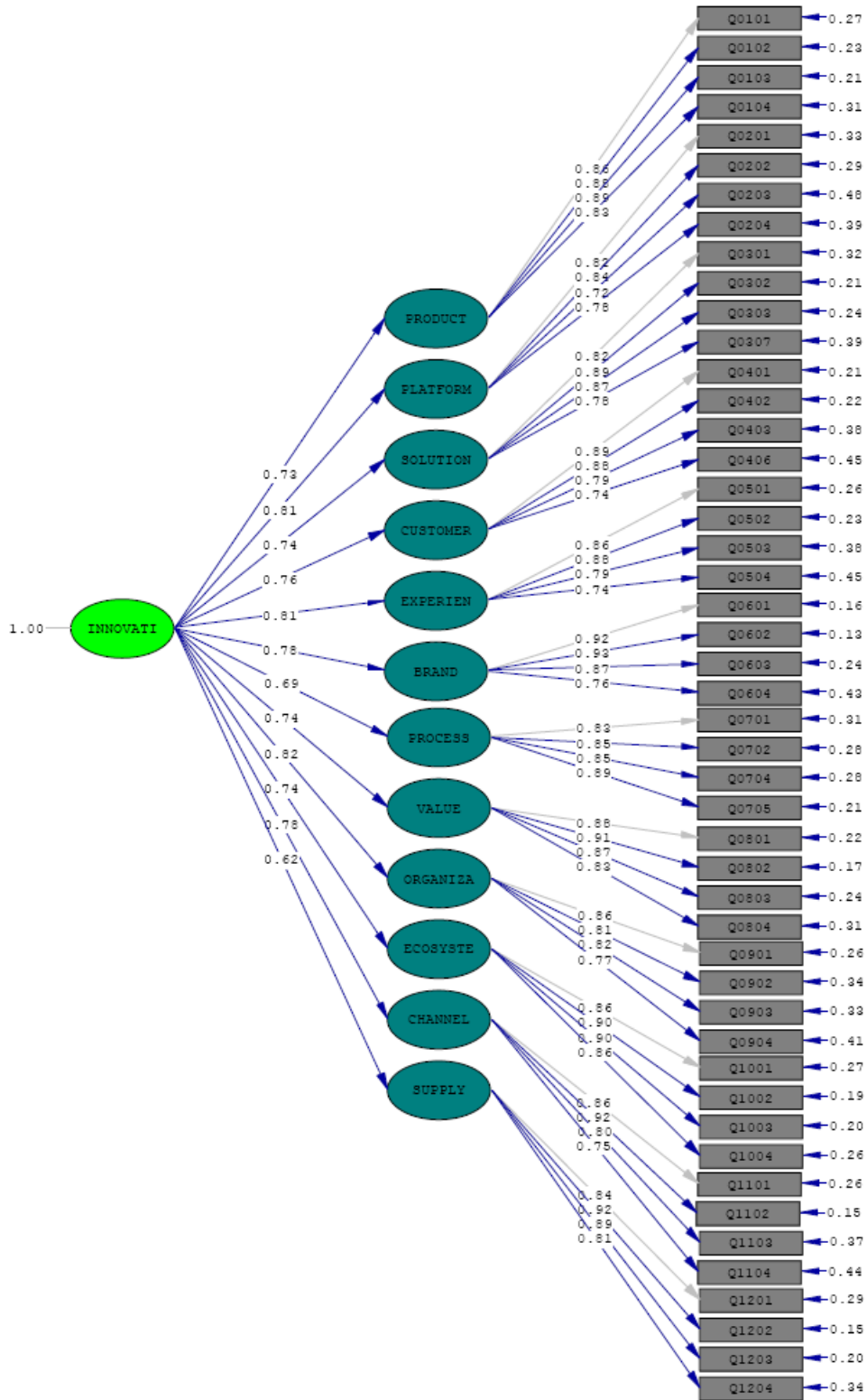
items, and we found the model fit was better (X^2 ($df = 1014$) = 2032.93, RMSEA = .051, CFI = .95, SRMR = .045). All item loadings were significant at $P < .001$, with t -values ranging from 16.62 to 24.17. Third, to assess discriminant validity among different dimensions of innovation, we compared the 12 factor model with the models of any combinations of 12 factors using two indices of discriminant validity: (1) the chi-square difference test and (2) the single-sample cross-validation index [ECVI] (Song and Montoya-Weiss 2001). The results indicated that the 12 factor model clearly outperformed other configurations in terms of discriminant validity. Fourth, following Hoegl and Gemuenden's (2001) procedures to address the possible dependencies of observations within one business unit, we regressed data within a business unit on every item and saved the standardized residuals for further analysis. We used the standardized residuals from the above ("purified" from group effect) as inputs for another factor analysis including all 765 responses. The results confirmed the 12-factor model. Taken together, these results support construct validity of our scale.

Due to the interrelated nature we expected a significant amount of correlation among the factors. Ranging from .34 ($P < .001$) to .71, the correlations coefficient indicate that the 12 factors had unique, non-redundant coverage, but also shared a significant degree of commonality. Based on our notion that the 12 dimensions of innovation together represent the totality of innovation, we investigated the variability of a second-order model. In this way, each factor is considered to reflect an underlying factor that explains common variance among them (Figure 1). The fit of this model is acceptable (X^2 ($df = 1068$) = 2418.21, RMSEA = .057, CFI = .93, SRMR = .062) and is comparable to those of the 12-factor model. The significant second-order factor coefficients ranging from .69 ($t = 11.79$, $P < .001$) to .82 ($t = 16.35$, $P < .001$) provide preliminary evidence for the variability of this approach ($P < .001$).

Analyses and Results

Normative benchmarking theory assumes that managers can not only isolate distinct innovation practices they believe to be valuable but also empirically link these innovation practices with superior business performance. In doing so, we took functional benchmarking approach to test the normological validity, in which individual innovation practices are assessed separately (e.g., Fawcett and Cooper 2001). To test the effects of innovation on organizational performance, we used Linear Mixed Models (LMM) (Bryk and Raudenbush 1992; Goldstein 1987) to account for the clustered nature of the data because responses from the same SBU are not independent to one another. We modeled the unobserved heterogeneity via both fixed and random effects. This enabled controlling

FIGURE 1
Second Order Factor Analysis



Chi-Square = 2418.22, df = 1068, P-value = 0.00, RMSEA = 0.057

TABLE 2
Descriptive Statistics and Correlation Analysis Results

	Min	Max	Mean	STD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
1. Product	1.00	7.00	3.64	1.26	(.94)																		
2. Platform	1.00	6.25	3.31	1.11	.58	(.94)																	
3. Solution	1.00	7.00	3.61	1.15	.54	.61	(.93)																
4. Customer	1.00	7.00	3.44	1.19	.53	.56	.56	(.94)															
5. Experience	1.00	6.80	3.53	1.20	.48	.56	.61	.66	(.92)														
6. Brand	1.00	7.00	3.53	1.38	.44	.47	.47	.61	.55	(.86)													
7. Process	1.00	7.00	3.36	1.25	.37	.59	.54	.47	.59	.43	(.90)												
8. Value capture	1.00	5.83	2.74	1.15	.49	.52	.55	.58	.60	.52	.55	(.92)											
9. Organization	1.00	6.83	3.23	1.28	.51	.56	.55	.60	.62	.54	.65	.57	(.91)										
10. Ecosystem	1.00	6.80	2.96	1.18	.43	.51	.51	.54	.59	.50	.63	.63	.68	(.92)									
11. Channel	1.00	6.86	2.95	1.26	.49	.52	.54	.64	.62	.67	.59	.67	.61	.65	(.92)								
12. Supply chain	1.00	6.14	3.14	1.11	.34	.43	.48	.42	.54	.50	.63	.57	.51	.64	.64	(.93)							
13. Innovation	1.00	7.00	3.52	1.01	.67	.77	.76	.79	.80	.78	.74	.80	.83	.78	.81	.67	-						
14. Performance	1.00	7.00	3.79	1.26	.46	.47	.47	.56	.50	.49	.43	.45	.49	.36	.50	.35	.49	(.84)					
15. Age	25	80	43.78	7.98	-.07	-.04	.01	-.07	-.06	-.10	-.01	-.01	-.06	-.02	-.03	-.10	-.08	-.07	-				
16. Gender	0	1	.80	.40	.04	.03	-.02	.01	-.02	-.03	.07	.04	.01	.03	.06	.11	-.00	.02	.23	-			
17. Industry tenure	1	5	4.46	.96	-.07	-.04	.03	-.03	-.02	.02	-.02	-.04	.01	-.01	.01	.00	-.04	.01	.47	.13	-		
18. Company tenure	1	5	4.05	1.21	.00	.01	-.01	-.01	.07	.09	.02	-.01	-.01	-.07	-.01	.02	-.02	.07	.30	.09	.49	-	
19. Functional area	1	7	3.39	2.14	-.07	-.06	-.12	-.09	-.10	-.02	-.08	-.06	-.13	-.04	-.04	-.06	.00	-.11	-.06	-.16	-.05	-.07	

P < .05 when r is larger than .11 (two tailed test)

P < .01 when r is large than .13

for SBU-specific idiosyncrasies that potentially could contaminate the testing of the effects of interests. In this case, the general mixed model has the following form:

$$y_{ij} = X_{ij}\beta + Z_i b_i + \varepsilon_{ij} \quad (1)$$

$$b_i \sim N_q(0, \Psi) \quad (2)$$

$$\varepsilon_{ij} \sim N_N(0, \sigma^2 \Lambda_{ij}) \quad (3)$$

where y_{ij} is the dependent variable with the observation of the i^{th} respondent for the j^{th} SBU. X_{ij} is the $N \times p$ model matrix corresponding to the fixed effects. β is the $p \times 1$ vector of fixed-effect coefficients. Z_i is the $N \times q$ model matrix for the random effects for observations in group i . b_i is the $q \times 1$ vector of random-effect coefficients for group i . ε_{ij} is the $N \times 1$ vector of errors for observations in group ij . Ψ is the $q \times q$ covariance matrix for the respondent random effects, and finally, $\sigma^2 \Lambda_{ij}$ is the $N \times N$ covariance matrix for the errors.

As a benchmark we ran a standard OLS regression to predict performance scores based on innovation effort level of the 12 dimensions and some controls. The controls represent whether the main activities of the unit are services (Service), experience (Industry Tenure and Company Tenure), and function perspectives in the business units using five dummy variables representing Strategy, Operation, Marketing, Sales, Support, and others.

$$y_{ij} = X_{ij}\beta + \varepsilon_{ij} \quad (4)$$

A simple way to account for the clustering nature of the data is to include fixed effects in the model to capture the unobserved heterogeneity that is likely present at the SBU level. Due to the linear nature of the model we estimated the random effect by adding a series of dummy variables. Each dummy takes the value of zero if the observation is nested under the corresponding SBU j and zero otherwise (in total 51 dummy variables).

Second, we tested the Random Effect models. We began by assessing the amount of clustering in the data through estimating a simplification of (1) (unconditional model) where only the intercept is in the model but it is allowed to vary across SBUs:

$$y_{ij} = \alpha_i + \varepsilon_{ij} \quad (5)$$

$$\alpha_i \sim N(\alpha, \Psi) \quad (6)$$

We then run a series of RE model given that both the intercept and all the betas of X_{ij} can be made random to vary across SBUs (conditional model).

In the random effect models, we found that the intercept only model is the most appropriate, which re-

sults are consistent with results of fixed model. In general, the OLS results are consistent with the above HMM analysis results with a stronger effect size. Table 3 shows the results of Random Effect model. Among the twelve predictors, product, platform, solution, customer need, experience, brand, and channel are significantly positively related to organizational performance ($P < .05$). However, value capture, process, organization, and supply chain innovation have insignificant positive influence on organizational performance. A potential reason of these insignificant relationships is that all 12 independent variables are correlated so that it is hard to differentiate the unique contribution of each of all dimensions of innovation in explaining organizational performance in a survey research. On the other hand, we computed the VIF of each variable that varied from 1.8–2.7, showing there is no evidence of the multicollinearity problem.

Ecosystem innovation has a negative relationship with organizational performance, which is surprising, given the importance of external relationships emphasized by the current literature. This result may be attributable to our sample, which disproportionately represented large companies. A possible explanation for this finding is that large companies have limited absorptive capacity, so too many cooperative ventures, alliances and other partnerships may be overwhelming. This finding may suggest that a company needs to more focus on building deeper relationships with a few companies instead of blindly pursuing broad external partnerships. Among the control variables, marketing informants significantly rate organizational performance higher than R&D informants do ($P < .05$), which make some sense because marketing informants are normally more familiar with overall performance than their R&D counterparts (Table 3). This finding suggests the importance of types of respondents in the design of survey research.

We further conducted some robust analyses to verify our results. As we have one or two informants at several business units, we conducted LMM analysis with at least two or three respondents from a single SBU. Accordingly, we have data 742 respondents from 39 business units and 722 respondents from 31 business units. The results are consistent, which show the good quality of the data (Table 3 Sample 2 and Sample 3).

DISCUSSION AND CONCLUSION

In this study, we defined innovation as the creation of substantial new value for customers and the firm by creatively changing one or more dimensions of the business system and we developed an innovation typology that includes 12 dimensions of innovation. This typology, called the Innovation Radar, is the first comprehensive measurement instrument for business innovation to our knowledge. Our empirical data confirm the validity of our

TABLE 3
Results of HLM Analysis with Overall Organizational Performance

	Sample 1			Sample 2			Sample 2		
	Estimate	SE	DF	Estimate	SE	DF	Estimate	SE	DF
Independent Variables									
Product	.116**	.037	690	.106**	.037	690	.109**	.037	682
Platform	.103**	.037	690	.116**	.037	690	.109**	.038	682
Solution	.075*	.038	690	.074*	.037	690	.073	.038	682
Customer	.079*	.038	690	.085*	.041	690	.101*	.041	682
Experience	.077*	.039	690	.088*	.040	690	.086*	.041	682
Brand	.081*	.038	690	.087*	.038	690	.09*	.039	682
Process	.031	.038	690	.018	.039	690	.020	.040	682
Value capture	.051	.040	690	.061†	.037	690	.069†	.038	682
Organization	.042	.040	690	.029	.040	690	.030	.041	682
Ecosystem	-.105**	.039	690	-.105**	.039	690	-.107*	.039	682
Channel	.083*	.041	690	.082*	.041	690	.073†	.041	682
Supply chain	.032	.034	690	.031	.034	690	.022	.035	682
Intercept	-.093	.207	51	-.156	.202	38	-.169	.212	30
Control Variables									
Industry	.246	.160	51	.312*	.160	38	.257	.169	30
Industry tenure	-.035	.032	690	-.027	.033	690	-.034	.038	682
Company tenure	.033	.024	690	.028	.024	690	.028	.062	682
Strategy	.118	.083	690	.011	.076	690	.107	.083	682
Operation	.026	.094	690	.018	.088	690	.020	.094	682
Marketing	.197*	.100	690	.144	.097	690	.140	.103	682
Sales	.068	.097	690	.056	.091	690	.065	.098	682
Support	-.091	.101	690	-.144	.103	690	-.108	.103	682

** P < .01, * P < .05, † P < .10

innovation measurement and in general support the relationships between most dimensions of innovation and organizational performance. The innovation scale can serve as a foundation for understanding the relationship between business innovation and performance. Innovation Radar not only provides a diagnostic tool that captures where an organization excels and where the organization lags in innovation across its business system, but

also creates a visually compelling profile to show the firm's current innovation strategy and to discover new opportunities to innovate in direction that they may not have fully considered. We hope that Innovation Radar provides a first step in understanding innovation as a new way to generate value and that it will inspire more researchers and practitioners to understand and pursue innovation from the general management perspective.

ENDNOTE

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IS COMMUNICATING CUSTOMER PRIORITIZATION A DOUBLE-EDGED SWORD? EXPLORING THE EFFECTS OF PRIORITIZATION BENEFITS ON CUSTOMER LOYALTY AND PROFITABILITY

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SUMMARY

Recent developments have brought a shift in the perspectives of customer relationship management. The old wisdom “Customer is king” has been replaced by the new paradigm “Customer is cash” (Johnson and Selnes 2005). Therefore, customer prioritization has been pinpointed as a crucial strategy for managing customer relationships (Homburg, Droll, and Totzek 2008). Customer prioritization reflects the idea that marketing efforts are specifically focused on important (i.e., high-tier) relationships in order to enhance relationship utility for high-tier customers (Zeithaml, Rust, and Lemon 2001). However, it is unclear which facets constitute this utility, how these facets (benefits) are interrelated and how these benefits are linked to relationship profitability.

We argue that there are three fundamental benefits for customers associated with prioritization. First, prioritized customers receive non-social utility which refers to an evaluation of relationship performance by the customer without consideration of social comparisons. Here, the common mantra is that pleasing high-tier customers by providing additional benefits like good payment conditions or fast delivery (performance benefit) leads to more satisfied and loyal high-tier customers and a higher average relationship profitability (Homburg, Droll, and Totzek 2008). Furthermore, we suggest that social utility arising from comparisons with other customers plays an important role. More specifically, providing additional social benefits like feeling specially treated compared to others (special treatment benefit) and perceiving a superior rank in the customer hierarchy (status benefit) is presumed to lead to positive outcomes for the company (Dreze and Nunes 2009; Lacey, Suh, and Morgan 2007).

Surprisingly, research on prioritization either neglects social utility (e.g., Homburg, Droll, and Totzek 2008), focuses on only one specific social benefit (e.g., Barone and Roy 2010) or commingles preferential treatment and status by considering an aggregated construct (e.g., Lacey, Suh, and Morgan 2007). While both types of social benefits can be intertwined, for many contexts this is not the case. For example, it has been shown that the length and frequency of sales person visits is strongly driven by sympathy with and emotional attachment to a

customer (Homburg and Jensen 2007). However, a “nice” customer advocated by sales reps is not necessarily most important from the firm’s point of view. Still, such a customer receives special treatment benefits without viewing himself as an important or high-status customer. Thus, both special treatment benefit and status benefit have to be conceptualized as individual constructs in order to fully understand the mechanisms through which prioritization programs affect the financial performance of high-tier relationships, i.e., to detect the sources of enhanced or reduced profitability.

With respect to the consequences of prioritization benefits, the introduction of prioritization programs resides with the assumption that triggering special treatment benefits and status benefits leads to favorable customer behavior toward the company in terms of higher loyalty and relatively stronger sales growth compared to cost enhancements. Consequently, in addition to enhancing performance benefits for high-tier customers making special treatment and enhanced status salient to high-tier customers through active communication has become an integral part of most prioritization initiatives like loyalty card programs. However, recent studies raise the question whether destructive side-effects occur through providing social utility (Barone and Roy 2010) and hence whether prioritization might even be harmful in terms of ultimate, financial outcomes. Thus, the intriguing question arises if a company that prioritizes its customers should or should not emphasize social utility such as special treatment benefit and status benefit by communication activities.

In summary, we contribute to a better understanding of the ramifications of prioritization programs by (1) disentangling prioritization benefits (performance benefit, special treatment benefit, and status benefit), (2) assessing the differential impact of these benefits on loyalty, sales and costs, and (3) examining the moderating role of communication for the link between prioritization benefits and loyalty, sales and costs.

We test our framework combining survey-based data and financial data (customer account data on sales and costs) for 481 interfirm exchanges. The results show that the performance benefit has a positive effect on loyalty

and that its influence on sales is stronger than the impact on costs. Furthermore, also special treatment benefit enhances loyalty while its effects on sales are stronger than on costs. At the same time, the special treatment benefit triggers the status benefit. Interestingly, our findings indicate that status benefit is associated with an increase of loyalty, sales and costs. However, here the boost in customer-specific marketing and sales costs outweighs the increase in sales and loyalty. Finally, the results

indicate that communicating a prioritization program to customers might undermine the financial performance of prioritized relationships as it disproportionately leverages the (unfavorable) impact of special treatment benefit and status benefit on costs while it attenuates the (favorable) impact on loyalty and sales. Hence, managers must be aware that explicitly communicating exclusive prioritization advantages and elevated status might backfire in terms of reduced profitability.

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SERVICE FAILURE AND CUSTOMER RECOVERY: DIFFERENCES BETWEEN B2B- AND B2C-INDUSTRIES

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SUMMARY

During the last decade, customer complaint management received increased attention in marketing research. Researchers examined the consequences of a negative incident on customer attitudes toward the provider and the associated behavioral outcomes (Maxham III 2001; Maxham III and Netemeyer 2002; McCollough et al. 2000; Smith and Bolton 2002; van Doorn and Verhoef 2008; Zeithaml et al. 1996). Furthermore, studies investigated organizational complaint handling procedures and the impact on customer satisfaction and loyalty evaluations (Blodgett et al. 1993; Blodgett, Hill, and Tax 1997; Davidow 2003; Homburg and Fürst 2005; Tax et al. 1998). Moreover, several empirical studies indicate that a successful and satisfying customer recovery process offered by the service provider may lead to higher levels of customer satisfaction and loyalty than before experiencing the critical incident (e.g., De Matos et al. 2007). Hence, by managing customer complaints professionally, providers can increase customer loyalty and decrease their switching probability.

Although numerous studies underline the relevance of complaint management in business-to-consumer markets (B2C), complaint management in business-to-business industries (B2B) has been largely neglected. Only a few studies examine the effects of negative incidents in B2B industries and how to handle customer recovery (e.g., Homburg and Fürst 2005; van Doorn and Verhoef 2008). This lack of research is surprising because a negative critical incident might have much more severe consequences in these industries, e.g., on financial performance of the provider. Compared to consumer markets, providers in B2B industries are faced with (1) a generally smaller customer basis, (2) with customers that display longer relationship durations, (3) and customers that have higher average purchase amounts per transaction (Webster 1978). Against this background, each customer contributes more strongly to financial performance of the provider than in the B2C context. Due to the potential relevance of complaint management in B2B industries and the lack of research on the differences of B2B compared to B2C markets, this study intends to address these issues. Hence, the first contribution is to replicate the complaint

handling model introduced by Homburg and Fürst (2005) using data from B2B and B2C markets. We refer to this conceptual model because it synthesizes prior research on complaint management. The second contribution of this research addresses the differences between B2B and B2C buying behavior to identify potential moderating effects (positive or negative) of the industry type. Due to the characteristics of B2B markets (e.g., fewer customers, longer business relationships, and higher value of transactions) we assume that the industry type represents an important moderator of the effects of perceived justices on satisfaction ratings as well as of customer satisfaction on loyalty ratings after the complaint.

Our object of analysis is the customer complaining to the provider due to a service failure. We assume that customer justice evaluations affect customer satisfaction evaluations and, ultimately, customer loyalty. The main effects of this research have been tested by Homburg and Fürst (2005), thus these hypotheses are replicative in nature. Nonetheless, our framework, which has been tested in consumer markets, captures these hypotheses and extends the main effects by including the moderating effects of the industry type (B2B versus B2C). We assume that the type of business affects the links between customer justice evaluations and complaint satisfaction as well as between the satisfaction and loyalty evaluations.

This study examines pooled data from two industries: B2B and B2C. The data from the B2B industry was collected between 2006 and 2007 in a retailing setting using customer surveys. We contacted 3,000 organizational buyers of a retailer selling to industrial clients exclusively. The survey was conducted by telephone interviews, which resulted in a satisfactory participation quote of 63.9 percent (1,917). The data from the B2C industry was collected in 2007. Customers from a fast-food service provider were interviewed as part of the company's regular customer survey. Telephone interviews were conducted with a total of 9,466 customers. We have chosen measures that were already tested empirically in B2B and B2C industries. The six main constructs of this research perceived justice (procedural, interactional, and distributive), complaint satisfaction, overall customer satisfaction after the complaint, and customer

loyalty after the complaint were measured by means of scales from Homburg and Fürst (2005). As the moderating variable we examine the industry type (B2B versus B2C).

We find that the conceptual framework of Homburg and Fürst (2005) holds across both industry types. Furthermore, we find that the type of industry moderates three of six links within this framework. More specifically, we find that (1) distributive justice is more important for complaint management of industrial customers, (2) complaint satisfaction has a stronger effect for industrial buyers, but (3) overall satisfaction after the complaint is less important in industrial markets. Summarizing these findings, the results indicate that complaint management is more critical for professional buyers and that the recovery practices should differentiate between recoveries of B2B- and B2C-customers. Since in B2B relationships last longer and display higher volumes of transaction, distributive justice is more important for achieving complaint satisfaction. The impact of complaint satisfaction on customer loyalty after the complaint is also stronger,

following that firms having inadequate complaint procedures are more likely to lose their B2B customers. Additionally, the weaker effect of overall satisfaction after the complaint on customer loyalty underlines the importance of complaint management compared to traditional antecedents of customer loyalty.

This study sheds new insight into complaint management and customer recovery in B2B industries. However, there are still some limitations and unanswered questions that offer avenues for further research. First, more specific research focusing on complaint management in b2b industries is needed. For example, further research should analyze B2B specific moderating effect such as transactional volume, purchase behavior, size of industrial customers, and relationship between the buyer and seller. Since even in B2B industries customers are not the same, this further research should not only identify additional differences between B2B and B2C customers but also identify differences between the B2B customers themselves. References are available upon request.

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WHAT BUYING COMPANIES EXPECT FROM SUPPLIERS IN THE CASE OF A COMPLAINT

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SUMMARY

After having experienced a product or service failure, the majority of dissatisfied customers decide not to complain (Voorhees, Brady, and Horowitz 2006). Companies, however, should encourage dissatisfied customers to complain so that they are able to solve the problem and retain the customer (Tronvoll 2007). Unfortunately, many companies still seem to handle complaints ineffectively (Homburg and Fürst 2007). It seems that the issue of how to handle complaints effectively is still not adequately addressed by businesses. This is especially true for aspects of complaint behavior and complaint management in business-to-business settings. But things occasionally go wrong, even in close and well-performing buyer-supplier relationships. Inter-organizational complaint resolution is an important aspect of ongoing business relationships. The managerial challenge in such cases is to understand how the companies involved, especially the suppliers, ought to behave to remedy such a situation by identifying the complaint management attributes which are desired by the complaining party. Of pivotal importance is to analyze why a certain complaint management attribute represents positive value to the customer (the complainant), and also how and why addressing a specific complaint provides the buying company with satisfaction, thereby contributing to continuing the business relationship (Homburg and Fürst 2005).

The Study

In light of the limited knowledge in the area of inter-organizational complaint resolution we wanted to investigate how suppliers should behave and which qualities they should possess and to understand the underlying benefits complainants look for. An exploratory qualitative research study was conducted using the hard laddering technique based on online-questionnaires. We developed a detailed laddering explanation that was extensively pre-tested, based on the suggested process outlined by Botschen and Hemetsberger (1998). To control for cultural differences with regard to expectations about complaint management (Ringberg, Odekerken-Schröder, and Christensen

2007), we used data from U.K. as well as German companies as these two countries differ with regard to the main cultural dimension of individualism-collectivism (the U.K. being more individualistic than Germany (Hofstede 1980)). Using a commercial list of the manufacturing industry in both countries, we randomly selected companies and called up managers with responsibility for supplier relationship management. We framed the questionnaire in such a way that the respondents were asked to consider particularly close business relationship with suppliers in which they had also experienced problems, and then to think about how they and their company would have liked this complaint to have been addressed. In particular, respondents were asked about how suppliers ought to handle their complaints and what kind of qualities or complaint management characteristics they would expect. Seventy-two questionnaires from the U.K. and seventy-four from Germany were used for the final analysis. We broke off further data collection at this point due to the fact that we had achieved theoretical saturation, in that no new or relevant data emerged, and all concept categories were well developed, with the linkages between categories well established (Strauss and Corbin 1998).

Results

The results show that buying companies relate issues of complaint resolution by their key suppliers to the context of the overall business network in which they are embedded. As such, the complaint management activities of supplying companies, which are a reaction to the disruption of close business relationships, provide the context of potentially impacting on other business relationships, even indirect ones involving down-stream customers. The importance of soft aspects of effective complaint management such as Empathy, Honesty and Openness to suggestions indicates that these concepts arguably cannot be part of a rules-based approach (Homburg and Fürst 2005). Thus, complaint handling is not only about remedying the situation (outcome) but includes the way in which it is done (process) as well. Another strong contribution of this paper is the finding that all the identified concepts must not be seen in strict isolation, as in

previous research, but have to be understood as a network of interrelated concepts: The attributes of suppliers have several important consequences for buyers (e.g., the prevention of future problems), which are then linked to buyers' values and basic motivations (e.g., to maintain the relationship with the supplier). The two value maps also revealed more similarities than differences between U.K. and German respondents and show that the majority of identified concepts are culturally stable. Our analysis especially reveals that complaining buying companies regard disruptions of their supplier relationships of importance not just because they endanger strategically important supplier relationships, but they can also cause a disruption of the wider business network within which

they are embedded. The laddering data show that buying companies relate issues of complaint resolution by their key suppliers to the context of the overall demand chain in which they are embedded (Jüttner, Christopher, and Baker 2007). Appropriate complaint management practices therefore do not just benefit a specific business relationship with the direct partner, but also with other network organizations. Companies, thus, have to address issues of effective complaint management not as isolated managerial activities with limited benefits for the parties involved, but these should be seen as being part of a wider set of strategic networking activities with impact on whole business systems (Ford et al. 2003). References are available upon request.

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TRUST IN INTERFIRM RELATIONSHIPS: EXPANDING INSIGHTS INTO RELATIONAL CAPABILITIES AND CUSTOMER PREFERENCES

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ABSTRACT

Suppliers need to improve their relational capabilities if they are to enhance customer trust. Debate about such capabilities is dominated by an interpersonal approach. This paper provides novel marketing options by expanding insights into alternative types of relational capabilities. Furthermore, the moderating role of customer preferences on the effectiveness of relational capabilities is evaluated.

INTRODUCTION

Trust research in marketing has experienced explosive growth over the past decade (Palmatier, Dant, Grewal, and Evans 2006). Traditionally, trust has been deemed an important resource for the performance of interfirm relationships (Crosby, Evans, and Cowles 1990; Palmatier, Dant, and Grewal 2007). Thus, suppliers need to improve their relational capabilities if they are to enhance customer trust.

Trust research has tabled valuable results to date. However, most existing studies solely stress the interpersonal sources of trust. In this research tack, trust chiefly emerges as a linear result of individual capabilities (e.g., expertise or communication skills) (DeWulf, Odekerken-Schröder, and Iacobucci 2001; Hibbard, Kumar, and Stern 2001). Though, multiple risks arise when customer trust rests solely on elements inextricably linked to individual members of the supplier organization (e.g., a specific salesperson) (Palmatier, Scheer, and Steenkamp 2007). American Express estimates that 30 percent of its customers would follow their trusted advisor to a new firm (Tax and Brown 1998). Relationship-enhancing strategies amplify this potential negative impact (Zeithaml and Bitner 2003). Moreover, an exclusively interpersonal foundation for trust neglects the organizational side of interfirm relationships. Customers can decide to trust the supplier organization, its representatives, or both (Doney and Cannon 1997). This leads to the proposition that firms need to develop alternative types of relational capabilities if they are to sustainably enhance customer trust (Capaldo 2007). Moreover, we know little about the moderating role of customer preferences in the trust creation process. Marketers' efforts may need to shift from significant testing to identifying which relational capabilities generate the highest returns on marketing investment and under what conditions (Palmatier, Dant, Grewal, and Evans 2006). Therefore, it is especially important to gain a

deepened understanding into how customer preferences impact on the effectiveness of alternative strategies.

Addressing these gaps in current trust research, this paper offers insight into the following four research questions: (1) how can customer trust be conceptualized on multiple levels?; (2) which types of capabilities are effective in enhancing customer trust on multiple levels?; (3) what outcomes are achieved by customer trust on each level?; and (4) which customer preferences moderate the effectiveness of relational capabilities?

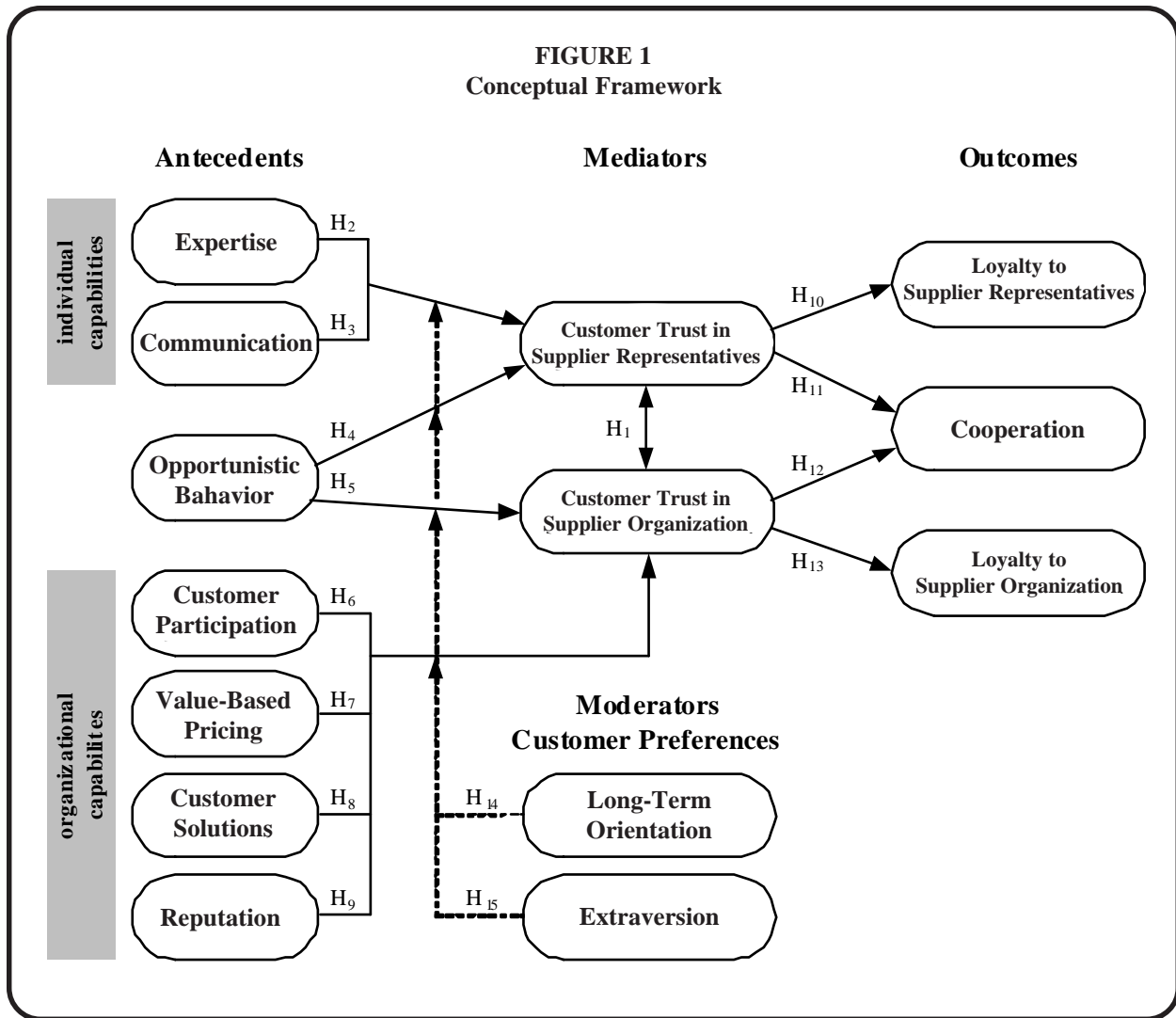
CONCEPTUAL FRAMEWORK

Trust has been conceptualized in many different ways (McEvily, Perrone, and Zaheer 2003). Despite this heterogeneity in theoretical orientations, many scholars agree that trust essentially is a willingness to be vulnerable based on positive expectations about another's intentions or behavior (Mayer, Davis, and Schoorman 1995; Rousseau, Sitkin, Burt, and Camerer 1998).

Trust is intrinsically complex and multifaceted and this complexity raises two questions: (1) which levels of trust are relevant? and (2) how do alternative levels of trust interact with each other (Fang, Palmatier, Scheer, and Li 2008)? Most scholars agree that customers can develop trust in organizations as well as in individuals (Currall and Inkpen 2002). Therefore, customers can trust the supplier organization, its representatives, or both (Doney and Cannon 1997). Research into trust-building processes points strongly to the conclusion that trust when present on a single level impacts positively on all other levels (McKnight, Cummings, and Chervany 1998). Thus, the conceptual framework in Figure 1 postulates a reciprocal and positive relationship between customer trust in the supplier organization and customer trust in supplier representatives (H1).

The distinction between trust in individuals and trust in organizations carries fertile implications for marketing research. Recent studies have explored the differential roles of individuals and organizations in the trust creation process (Currall and Inkpen 2002; Sydow 2006). Thus, it is viable to distinguish between alternative types of relational capabilities. This leads to the distinction between individual and organizational capabilities. Individual capabilities are bound to a specific supplier representative or a group of representatives, whereas organizational capa-

FIGURE 1
Conceptual Framework



bilities are based on collective characteristics of the supplier firm. Meta-analytic research shows that individual capabilities, e.g., expertise and communication skills, impact positively on customer trust in supplier representatives (Palmatier, Dant, Grewal, and Evans 2006).

Now expertise reflects the knowledge, experience, and overall competence of the supplier. When customers interact with a competent supplier, they receive increased value; their relationship becomes more important, and they invest more effort in strengthening and maintaining it (Crosby, Evans, and Cowles 1990). Therefore, suppliers with a high level of expertise are viewed as more trustworthy by the customer. Additionally, communication, i.e., the amount, frequency, and quality of information shared between customers and suppliers (Mohr, Fisher, and Nevin 1996), develops trust in relational exchanges by helping resolve disputes, identify needs, and align perceptions and expectations (Morgan and Hunt 1994). Therefore, we hypothesize that expertise and communication are positively related to customer trust in supplier

representatives, but do not directly affect trust in the supplier organization (H₂, H₃).

Furthermore, the outlined model incorporates opportunistic behavior as a negative antecedent at both the individual and the organizational level. The concept of opportunistic behavior is defined as self-interest by guileful means (Williamson 1975). As such, the essence of opportunistic behavior is deceitful violation of implicit or explicit promises relating to a supplier's proper or required role behavior (John 1984). Opportunism leads to conflicts and has a strongly negative impact on trust (Palmatier, Dant, Grewal, and Evans 2006). Findings of consumer research indicate that customers pay more attention to negatives than to positives. Thus, trust is hard to build but easy to destroy (Shiv, Edell, and Payne 1997). Taking a multi-level perspective, it is fruitful to distinguish between (1) opportunistic behavior engaged in by a single supplier representative and (2) opportunistic behavior by the whole supplier organization. Thus, we hypothesize that individual and systematic opportunistic behav-

ior has a negative effect on trust in supplier representatives and the supplier organization alike (H4, H5).

In contrast to individual capabilities and opportunistic behavior, research has furnished scant insight into which organizational capabilities enhance customer trust in the supplier organization. Accordingly, our research model explores four alternative pathways, namely (1) customer participation in new product development processes, (2) value-based pricing models, (3) customer solutions, and (4) reputation.

Customer participation. One recent change in business markets has been that customers are increasingly involved in suppliers' new product development processes (Fang 2008). Especially in B2B relationships, customers are fundamentally changing the dynamics of the marketplace. The market is becoming a forum in which customers play an active role (Prahalad and Ramaswamy 2000). Via customer participation, suppliers attempt to promote various objectives, e.g., enhance the innovativeness of a product or service (Bonner and Walker 2004), speed up the development process (Fang 2008), and increase customer satisfaction (Bendapudi and Leone 2003). Early integration of influential customers fosters trust in the supplier organization as a whole (Gulati 1995; Jaworski and Kohli 2006). In this perspective, customer participation in new product development processes signals an interest in hearing the customer's voice, reducing uncertainties, and enhancing the integration of lead customers in mutual activities. Therefore, we assume that viable integration of important customers into new product development processes impacts positively on customer trust in the supplier organization (H6).

Value-Based Pricing Models

Beyond improving participation processes, suppliers can attempt to create trust through their pricing strategies. Customer reactions to different pricing strategies may not be purely rational but driven rather by perceptions and preferences (Kim, Natter, and Spann 2009). Value-based pricing models integrate the customer advantage into the price mechanism and foster customer involvement in price fixing. On the customer side, this enhances avenues of oversight and control (Chandran and Morwitz 2005).

Furthermore, if prices are restricted to the creation of customer value, the pricing mechanism leads to cooperative models of opportunity- and risk-sharing. Thus, we hypothesize that value-based pricing strategies amplify customer trust in the supplier organization (H7).

Customer Solutions

Further, faced with intense competition, suppliers attempt to differentiate themselves by offering their prod-

ucts and services as solutions (Davies, Brady, and Hobday 2006). This requires a critical shift in supplier's product and service strategies (Srivastava, Shervani, and Fahey 1999) or else a shift away from predeveloped products and services to individual solutions. Tuli, Kohli, and Bharadwaj (2007) explored the idea that, when thinking about a solution provider, customers expect processes to take into account their requirements, first by customizing and integrating products and services, then by deploying and supporting these on an ongoing basis. Overall, customers know what their expectations are, and evaluate suppliers in terms of criteria reflecting these. So it is right to assume that customer solutions impact positively on the trust customers place in their supplier organization (H8).

Reputation

Finally, reputation has been proposed and tested as an organizational trust antecedent by several researchers (Doney and Cannon 1997; Tschannen-Moran and Hoy 2000; Anderson and Weitz 1989). Trust is granted on the basis of the supplier's past history in relationships with the customer or with other firms. Customers derive the trustworthiness of a supplier from direct and indirect past experiences. Therefore, improving the reputation of a supplier amplifies customer trust in the supplier organization (H9).

We also assume that trust on multiple levels impacts differentially on cooperation and loyalty. While cooperation is influenced by both concepts (H11, H12), these two trust constructs impact differentially on customer loyalty. Trust in supplier representatives solely fosters individual loyalty (H10), whereas organizational trust impacts favorably on loyalty to the supplier organization (H13) (Palmatier, Scheer, and Steenkamp 2007).

Finally, for a single customer the trust-creating process depends on specific customer preferences. Ganesan (1994) suggests that suppliers need to evaluate the time orientation of a customer in order to select and use viable marketing strategies. Insufficient understanding of a customer's time orientation can give rise to problems, such as implementing relational strategies when transaction marketing would be more suitable. The research in this paper assumes that customers as organizations do not change their basic strategy regarding supplier relationships rapidly. Therefore, a customer's time orientation and/or elements of a customer's relationship strategy constantly moderates the effectiveness of relational capabilities on trust decisions. As a result, a distinct long-term orientation on the customer's part amplifies the positive effect of relational strategies on trust at multiple levels (H14).

Additionally, customer trust decisions are moderated by personal aspects, especially relational preferences.

Therefore, suppliers should consider the personal traits and idiosyncrasies of their customers (Wheeler, Petty, and Bizer 2005). Research into personality structures has consistently indicated that the extroversion-introversion dimension is a central component of personality differences across individuals. Extroverts enjoy social interaction more than introverts because they have higher activation thresholds and so find social interactions less arousing (McCrae and Costa 1987). Since relational strategies require a certain amount of social interaction, establishing relational bonds (e.g., trust) is easier with extroverts. Adopting this perspective, this research assumes that relational capabilities impact more strongly on the trust decisions of extroverts (H15).

STUDY 1: CUSTOMER PERSPECTIVE

Method

Our first study tested the formulated hypotheses using cross-industry data collected from customers of IT services. The unit of interest was the customer's IT department. Therefore, we addressed the top management of these units or alternatively the Chief Information Officers (CIOs). In the latter case, CIOs were identified from mailing lists procured from a commercial list broker. We filtered firms using regional (Austria, Germany, Switzerland) and organizational (firms with more than 1,000 employees) criteria. All incomplete addresses were removed to yield an initial cross-industry sample of 3,226 firms. These firms received a letter of solicitation that included a brief description of the project and its purpose. With a response rate of 10.42 percent, 336 CIOs agreed to participate. We directed the CIOs to randomly select three to five suppliers they have worked with on an IT project during the last three years, subject only to the proviso that the suppliers selected had to represent a range of sizes, sales, and relationship durations. Finally, we conducted a random sample (1 out of 5) to identify the 336 focal customer-supplier relationships. All CIO interviews were conducted by phone and recorded digitally in order to ensure that the questionnaire was properly administered. The questionnaire was based on the same procedures that Churchill (1979) and Gerbing and Anderson (1988) recommend. Initially, six interviews with CIOs were conducted. These explorative interviews, lasting approximately ten hours, helped to develop relevant measurement scales. Based on these interviews and an extensive review of extant research papers, preliminary versions of the questionnaire were developed. Whenever possible, existing scale items were adapted to the context. Multi-item, seven-point, Likert-type scale items were used to measure the constructs in the proposed model. We were able to use existing scales, with the exception of value-based price models, customer solutions, and the two focal trust constructs. Subsequently, the questionnaire was mailed to a sample of ten additional CIOs to verify the

appropriateness of the terminology used and the clarity of the instructions provided. After suitably improving the questionnaire, a pretest involving 100 CIOs was conducted. After eliminating items with low loadings or high cross loadings, the measures for each construct showed evidence of validity and reliability. Finally, we integrated 220 CIOs into the main customer sample. The final items per construct are displayed in the appendix.

Main Effects

The unidimensionality and convergent validity of the constructs were examined by confirmatory factor analysis (CFA) using LISREL. After the measurement models were deemed acceptable, we estimated a structural path model to test the hypotheses depicted in Figure 1. The fit indexes ($\chi^2_{(551)} = 905.27$, CFI = .979; NFI = .958; NNFI = .976; RMSEA = .054) suggest that the model acceptably fits the data (Byrne 1998). Table 1 summarizes the results. All 13 main effects were supported.

Moderation Effects

Additionally, we used an established multi-group method for analyzing moderator effects in structural models (Ping 1995; Stone and Hollenbeck 1989). For each moderator, a median split divided the sample into two subgroups – one high and one low on the moderating variable. In each multi-group analysis, we used a chi-square difference test to compare a model where all hypothesized paths were constrained to be equal across both groups with an unconstrained model where we allowed the path, hypothesized as being moderated, to vary freely across high and low groups. If the unconstrained model has a significantly lower chi-square than the constrained model and if the effect is in the hypothesized direction, the moderating hypothesis is supported. Table 1 summarizes the results. Accordingly, 13 out of 16 moderation hypotheses were supported.

STUDY 2: SUPPLIER PERSPECTIVE

Method

Our second study tested the conceptualized framework using data collected from the randomly selected supplier of each CIO. This methodological approach allows the formulated hypotheses to be tested in dyadic relationships. The unit of interest in the supplier organization was represented by the responsible Key Account Manager of each interviewed CIO. Therefore, we send a letter of solicitation to the 336 eligible supplier representatives. With a response rate of 100 percent, all 336 supplier representatives agreed to participate. The questionnaire for the suppliers was developed using the same procedures as used for the customers. Wherever possible, we tried to use identical or similar items in the customer

TABLE 1
Study 1 (Customer Sample), Main Effects, Moderation Effects

Hyp.	Main Effects	Hyp.	Moderation Effects: Extraversion		Hyp.	Moderation Effects: Long-Term Orientation	
			Low Group	High Group		Low Group	High Group
H1	$r = .39$						
H2	$\beta = .37$	H14A	$\beta = .32$	$\beta = .39$	H15A	$\beta = .30$	$\beta = .40$
H3	$\beta = .23$	H14B	$\beta = .16$	$\beta = .32$	H15B	$\beta = .15$	$\beta = .32$
H4	$\beta = -.21$	H14C	$\beta = -.15$	$\beta = -.30$	H15C	$\beta = -.25$	$\beta = -.26$
H5	$\beta = -.27$	H14D	$\beta = -.23$	$\beta = -.30$	H15D	$\beta = -.22$	$\beta = -.29$
H6	$\beta = .21$	H14E	$\beta = .16$	$\beta = .35$	H15E	$\beta = .24$	$\beta = .39$
H7	$\beta = .22$	H14F	$\beta = .30$	$\beta = .15$	H15F	$\beta = .27$	$\beta = .18$
H8	$\beta = .29$	H14G	$\beta = .20$	$\beta = .36$	H15G	$\beta = .19$	$\beta = .30$
H9	$\beta = .23$	H14H	$\beta = .22$	$\beta = .20$	H15H	$\beta = .16$	$\beta = .22$
H10	$\beta = .93$						
H11	$\beta = .31$						
H12	$\beta = .67$						
H13	$\beta = .47$						

and supplier questionnaire. The final items per construct are also displayed in the appendix.

Main Effects

According to the customer study, the unidimensionality and convergent validity of the constructs were examined by confirmatory factor analysis (CFA) using LISREL. After the measurement models were deemed acceptable, we estimated a structural path model to test the hypotheses depicted in Figure 1. The fit indexes ($\chi^2_{(551)} = 920.64$, CFI = .971; NFI = .946; NNFI = .967; RMSEA = .055) suggest that the model acceptably fits the data (Byrne 1998). Table 2 summarizes the results. All 13 main effects were supported.

Multi-Sample Analysis

Additionally, the presented research design enables comparative analysis between the supplier and customer

data. The results of the tested path models in each sample indicate a general acceptance of the conceptual framework (Figure 1) in both groups (customers and suppliers). In order to increase the validity and reliability of our comparative analysis we integrated both samples in a simultaneous model estimation and ran a multi-sample analysis using LISREL (Jöreskog/Sörbom 2001). The fit indexes ($\chi^2_{(1126)} = 1833.04$, CFI = .976; NFI = .952; NNFI = .973; RMSEA = .054) suggest that the multi-sample model acceptably fits the data. Table 2 summarizes the results.

DISCUSSION

Similarities Between the Customer and the Supplier Perspective

The outlined model carries several implications for the effectiveness of relational marketing strategies. Firstly, customer trust can be resolved into (1) trust in supplier

representatives and (2) trust in the supplier firm, assuming that both levels interact with each other (Carral and Inkpen 2006). Such a distinction is valid from a customer and a supplier perspective ($r = .39$ vs. $r = .38$). Moreover, individual capabilities remain an important source of trust, premium cooperation, and competitive advantage, whereas expertise (customer $\beta = .47$ vs. supplier $\beta = .32$) impacts more strongly on trust than does communication (customer $\beta = .25$ vs. supplier $\beta = .26$). Additionally, suppliers need to develop organizational capabilities to win customers and provide the foundation for development of organizational trust resources. The results of this research show customer participation (customer $\beta = .21$ vs. supplier $\beta = .16$), value-based price systems (customer $\beta = .21$), customer solutions (customer $\beta = .22$ vs. supplier $\beta = .33$), and reputation (customer $\beta = .23$ vs. supplier $\beta = .52$) to be effective pathways for enhancing customer trust in the supplier organization. Accordingly, our findings are at odds with extant research, which somewhat casually recommends concentrating on interpersonal trust resources (Palmatier, Dant, Grewal, and Evans 2006). Nevertheless, investments in relational capabilities may be wasted if suppliers (whether individuals or an organization)

engage in opportunistic behavior. This fits with previous results of trust research indicating that trust is difficult to establish but easy to destroy (Shiv, Edell, and Payne 1997). Finally, our findings indicate that customer preferences impact on the effectiveness of individual and organizational RM strategies. With the exception of value-based price systems, the impact of all conceptualized antecedents is influenced either by long-term orientation, by extraversion, or by both. Therefore, an additional boon from this research may lie in the highly concrete insights it offers into the moderating effects customer preferences have on the way relational capabilities impact.

Differences Between the Customer and the Supplier Perspective

Despite the large number of similarities between customers and suppliers, this research also affords insight into some important differences. Firstly, suppliers underestimate the negative impact of opportunistic behavior, whether as part of individual (customer $\beta = -.23$ vs. supplier $\beta = -.12$) or organizational (customer $\beta = -.24$ vs. supplier $\beta = -.18$) behavior. Suppliers also tend to neglect

TABLE 2
Study 2 (Supplier Sample), Main Effects, Multi-Sample Analysis

Hyp.	Main Effects	Hyp.	Multi-Sample Analysis	
			Customer Sample	Supplier Sample
H1	$r = .38$	H1	$r = .39$	$r = .38$
H2	$\beta = .41$	H2	$\beta = .47$	$\beta = .32$
H3	$\beta = .29$	H3	$\beta = .25$	$\beta = .26$
H4	$\beta = -.13$	H4	$\beta = -.23$	$\beta = -.12$
H5	$\beta = -.16$	H5	$\beta = -.24$	$\beta = -.18$
H6	$\beta = .16$	H6	$\beta = .21$	$\beta = .16$
H7	$\beta = .07$	H7	$\beta = .21$	$\beta = .07$
H8	$\beta = .22$	H8	$\beta = .22$	$\beta = .33$
H9	$\beta = .53$	H9	$\beta = .23$	$\beta = .52$
H10	$\beta = .68$	H10	$\beta = .82$	$\beta = .79$
H11	$\beta = .71$	H11	$\beta = .32$	$\beta = .68$
H12	$\beta = .46$	H12	$\beta = .83$	$\beta = .36$
H13	$\beta = .84$	H13	$\beta = .52$	$\beta = .77$

the positive effect of value-based pricing models (customer $\beta = .21$ vs. supplier $\beta = .07$) and to overestimate the effect of reputation (customer $\beta = .23$ vs. supplier $\beta = .52$). Thus, such differences may lead to a dysfunctional concentration on reputation-enhancing strategies, while the positive effects of intelligent pricing models remain unemployed. Moreover, suppliers and customers think differently about the trust antecedents of cooperation. Suppliers overestimate interpersonal relationships (customer $\beta = .32$ vs. supplier $\beta = .68$), whereas customers focus strongly on organizational trust resources (customer $\beta = .83$ vs. supplier $\beta = .36$). This represents a critical misfit between the relational preferences of the two cooperating parties and/or novel chances for differentiation through compelling organizational capabilities.

Managerial Implications

Perhaps most promising for managers is the differentiation between individual and organizational capabilities. Business executives should continue to focus on the training of supplier representatives, since expertise and communication play an important role in the development of interpersonal trust resources. On the other hand, concentrating single mindedly on interpersonal strategies may entail multiple risks. Therefore, it is also important to extend organizational capabilities by taking steps to improve processes, offerings, price models, and reputation. A combination of individual and organizational strategies promises to impact most strongly of all on customer trust, sustainable loyalty, and the quality of cooperation. Furthermore, managers do well to pay attention to the personal and organizational characteristics of a customer. Relational strategies are more appropriate for customers with elements of long-term orientation in their organizational culture. Thus, suppliers might consider using this criterion in their customer segmentation processes or when defining value propositions. Finally, for business executives and sales representatives, it pays to observe a specific customer's personal characteristics in order to develop viable strategies for interaction (e.g., during account planning sessions). For instance, extroversion in a customer is easy to observe. Thus, it is possible to implement specific relational strategies depending on the level of extroversion/introversion in a single customer.

Limitations

For all the theoretical and managerial implications of this research, some important limitations do exist. Firstly, this thesis explores trust within the context of relation-

ships between suppliers and customers for IT-services. Thus, results might well be different for alternative industries or services. Another limitation lies in the deployed sample size of 220 dyadic relationships. Defining the optimal sample size has been a recent research problem in structural equation models. Some scholars define the optimal sample size N in relation to the total number of parameters to estimate q (Bentler and Chou 1987; Marsh, Balla, and McDonald 1988). Thus, a $N:q$ relation of 2:1 – or better 5:1 – is recommended to define the optimal sample size (Jackson 2003). The research model set out in Figure 1 has some 115 parameters to be estimated. Therefore, a sample size of 220 cases must be deemed slightly too small for the model to be estimated. A third limitation can be found in the method applied to analyze moderator effects. The median splitting and multi-group analysis is, after all, a weak method to use for estimating non-linear structural equation models. Thus, the results need to be interpreted carefully and/or validated by further studies.

Further Research Directions

The results of this thesis might be enlarged and validated by means of further studies in different industries. Moreover, some methodological advances might be implemented in further research projects. Overall, research into relational capabilities needs to be continued in future (Capaldo 2007). The quality of cooperation between different organizations will attract increasing attention over the next decade. Therefore, organizations need to develop distinctive capabilities in order to create and maintain competitive advantages. This thesis has taken only the first steps toward defining such capabilities on the level of the organization. Thus a lot of open research questions remain open, especially the implementation of value-based pricing models, customer solutions, and viable models for customer participation. Apart from this, additional sources of trust might be found in other aspects of the supplier organization. Additionally, further research projects are needed to hone the insights already gleaned into the impact of trust on interfirm relationships. For instance, the effect of trusted relationships on the level of innovation is still an underresearched area (Palmatier 2008). This is also true of research into the potential dark sides of trust. Persuasive conceptual research by Gargiulo and Ertug (2006) posits that there is no linear relationship between trust and performance. Thus, if trust between partners outstrips an optimal level multiple risks arise (e.g., relational inertia, cognitive lock-in, dysfunctional commitments). Adopting this perspective, trust researchers might concentrate on defining pathways for identifying and maintaining an optimal level of trust over the long

TABLE 3
Constructs and Items

Construct	Items Study 1 (Customer Sample)	Items Study 2 (Supplier Sample)
Expertise (Doney and Cannon 1997)	<ul style="list-style-type: none"> - The representatives of this supplier are very knowledgeable. - The representatives of this supplier possess a high level of IT expertise. - The representatives of this supplier understand my industry. 	<ul style="list-style-type: none"> - Our representatives are very knowledgeable. - Our representatives possess a high level of IT expertise. - Our representatives understand the industry of this customer.
Communication (Anderson and Weitz 1992)	<ul style="list-style-type: none"> - This supplier keeps us well informed about what's going on in the marketplace. - We and our supplier keep each other well informed about current developments. - The communication between us and this supplier is valuable for both parties. 	<ul style="list-style-type: none"> - We keep this customer well informed about what's going on in the marketplace. - We and our customer keep each other well informed about current developments. - The communication between us and this customer is valuable for both parties.
Opportunistic Behavior (Morgan and Hunt 1994)	<ul style="list-style-type: none"> - This supplier is not willing to share all available information with us. - This supplier promises something without actually doing it later - To accomplish own objectives, sometimes this supplier alters information slightly 	<ul style="list-style-type: none"> - We are not willing to share all available information with this customer. - We promise something to this customer without actually doing it later. - We sometimes alter information slightly, in order to accomplish our own objectives.
Customer Participation (Fang 2008)	<ul style="list-style-type: none"> - This supplier integrates us during the development of new products and services. - We impact significantly on new products and services of this supplier during the development process. - Completion of the development of new supplier products and services requires both, our supplier and us to consult each other frequently. 	<ul style="list-style-type: none"> - We integrate this customer during the development of new products and services. - This customer impacts significantly on new products and services during the development process. - Completion of the development of new supplier products and services requires both, our customer and us to consult each other frequently.
Value-Based Pricing	<ul style="list-style-type: none"> - The pricing for the products and services of this supplier are constrained to customer value measures. - This supplier guarantees the profitability of our projects. - Our ROI calculation impacts the prices of this supplier. 	<ul style="list-style-type: none"> - Our pricing for the products and services for this customer are constrained to customer value measures. - We guarantee the profitability of customer projects. - The ROI calculation of the customer impacts on our prices.

TABLE 3 (CONTINUED)
Constructs and Items

Construct	Items Study 1 (Customer Sample)	Items Study 2 (Supplier Sample)
Customer Solutions	<ul style="list-style-type: none"> - This supplier has established processes to understand our requirements. - This supplier delivers customized solutions. - The products and services of this supplier are integrated and linked to our business needs. 	<ul style="list-style-type: none"> - We established processes to understand the requirements of this customer. - We deliver customized solutions to this customer. - Our products and services are integrated and linked to the business needs of this customer.
Reputation (Doney and Cannon 1997)	<ul style="list-style-type: none"> - This supplier has a reputation for being honest. - This supplier is known to be concerned about customers. - This supplier has a positive reputation in the market. 	<ul style="list-style-type: none"> - We have a reputation for being honest. - We are known to be concerned about customers. - We have a positive reputation in the market.
Customer Trust in Supplier Representatives	<ul style="list-style-type: none"> - I would trust the key representatives of this supplier, even if they moved to a new firm. - I believe the key representatives of this supplier to be trustworthy. - I trust the individual performance of the key representatives of this supplier 	<ul style="list-style-type: none"> - This customer would trust our key representatives, even if they moved to a new firm. - This customer believes our key representatives to be trustworthy. - This customer trusts the individual performances of our key representatives.
Customer Trust in the Supplier Organization	<ul style="list-style-type: none"> - I would trust this supplier, even if the key representatives moved to a new firm. - I believe the organization of this supplier to be trustworthy. - I trust the collective performance of this supplier as a company. 	<ul style="list-style-type: none"> - This customer would trust our company, even if the key representatives moved to a new firm. - This customer believes our organization to be trustworthy. - This customer trusts our collective performance as a company.
Loyalty to Supplier Representatives (Palmatier, Scheer, and Steenkamp 2007)	<ul style="list-style-type: none"> - If the key representatives of this supplier move to a new firm with similar offerings, I would likely shift some of my purchases to this new firm. - I would do less business with this supplier in the next few years, if their key representatives leave the company. - I would be less loyal to this supplier, if the key representatives of the company move to a new firm. 	<ul style="list-style-type: none"> - If the key representatives of us move to a new firm with similar offerings, this customer would likely shift some of his purchases to this new firm. - This customer would do less business with us in the next few years, if our key representatives leave the company. - This customer would be less loyal to us, if the key representatives of our company move to a new firm.

TABLE 3 (CONTINUED)
Constructs and Items

Construct	Items Study 1 (Customer Sample)	Items Study 2 (Supplier Sample)
Cooperation (Anderson and Narus 1990)	<ul style="list-style-type: none"> - This supplier helps our firm in whatever way we ask. - We support this supplier in the achievement of mutual goals. - The cooperation between this supplier and us is favorably. 	<ul style="list-style-type: none"> - We help this customer in whatever way he asks. - We support this customer in the achievement of mutual goals. - The cooperation between this customer and us is favorably.
Loyalty to the Supplier Organization (Palmatier, Scheer, and Steenkamp 2007)	<ul style="list-style-type: none"> - For my next purchase, I will consider this supplier as my first choice. - I plan to buy from this supplier in the future. - I would recommend this supplier to someone seeking my advice. 	<ul style="list-style-type: none"> - This customer will consider us for his next purchase as his first choice. - This customer plans to buy from us in the future. - This customer would recommend us to someone seeking his advice.
Long-Term Orientation	Items extracted from Ganesan (1994)	
Extraversion	Items extracted from Costa and McCrea (1992)	

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CONSUMER VALUE OF PRODUCT DESIGN AND ITS MEASURE

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ABSTRACT

This article shows that product design can create four types of broad-based values for the consumer: (1) Social (2) Altruistic (3) Functional and (4) Emotional. Further it proposes and attempts to validate a hierarchical third order structure to the design-based value and advances our knowledge of the key role played by design and designer in creating value for the consumer.

INTRODUCTION

In recent years product design (PD) and its effects on consumers have become significant areas of interest for both academics and practitioners in marketing (e.g., Bloch 1995; Brown 2008; Orth and Malkewitz 2008). This interest is not surprising given the fact that design is often the first point of contact between the consumer and the firm. It is clear that in the modern marketplace PD has a pervasive effect on the desirability of a product, views of the parent brand, and the satisfaction consumers derive from its use (Noble and Kumar 2008).

Much of the existing work in marketing and innovation have focused on the use of design in differentiating products (e.g., Desai, Kekre, Radhakrishnan, and Srinivasan 2001), creating consumer preference for the product (e.g., Orth and Malkewitz 2008) and creating favorable aesthetic responses (e.g., Veryzer and Hutchinson 1998). Although, these are clearly important areas of study, an understanding of why consumers value design is clearly lacking (Boztepe 2007). Further, the nature and types of values, their interrelationships and how designers and new product development managers create these values is unclear and not well understood (Cruesen and Schoormans 2005). Moreover, values and benefits are among the main reasons why consumers choose to buy or not buy a product (Holbrook 1999; Zeithaml 1988). It is important to note here that we adopt Holbrook's (1999) definition of value as an *interactive relativistic preference experience* rather than a set of enduring beliefs.

The research questions that this article asks are; what is the value of design to the consumer? Are there different types of values that design can create for the consumer? How do designers create these values? If there are different types of values, how are they related to one another? By using *grounded theory building methodology* through

three qualitative studies, we show that design can create a complex array of values for the consumer that can be broadly classified into four types; social, altruistic, functional and emotional (henceforth abbreviated as SAFE values). The work disentangles and elucidates the various design elements and the mechanisms through which they can create value for the consumer. Further, it develops a measure for consumer value of design and assesses its psychometric properties. It then proposes and validates a multidimensional hierarchical structure model representing the values.

GROUNDING THEORY DEVELOPMENT

Given the lack of substantial theory, we found grounded theory development to be a good methodological fit with our objectives (Strauss and Corbin 1990). This method uses a broad search for literature-based insights with new perspectives generated from qualitative research. As a first step, a wide range of journals from marketing, consumer behavior, design, and related fields were systematically scanned over at least a ten-year horizon for the dimensions of the values created by PD. We also studied several topical books on the subject and gained valuable insights on the topic.

Qualitative Research Elements

In the second step, several different qualitative phases were adopted to generate further insights into the key values of PD. Several award-winning designs {e.g., "Industrial Design Excellence Awards (IDSA)"} were studied along with the commentaries on the products from books (e.g., IDSA 2001; Meyerson 2001) and business magazines (e.g., Businessweek's annual issue on design) to create broad concepts of design-based value by occasional relabeling, and some hierarchical arrangement of design features and benefits. The next phase of research involved 25 in-depth interviews with leading product designers in several different industries (automobiles, medical devices, consumer durables, design service firms) in the United States and The Netherlands were conducted.¹ These interviews were recorded and transcribed. As a third and final qualitative phase for this project, we sought input from 82 consumers. Undergraduate students in a marketing class from a public university in the San Francisco bay area were given the task of sketching the product that they thought was best designed and answer questions.²

We collected a large pool of data from the three qualitative studies. During this process, we employed constant comparison between the evolving theory and the data (Isabella 1990). As recommended by Strauss and Corbin (1990) the designer transcripts and consumer observation/interviews were first analyzed using three forms of coding (*open*, *axial*, and *selective*). A core group of four values emerged from the data from the coding. Further analysis of data did not provide any more broad dimensions of design-based value.

Literature-Based Perspective³

The study of value is called axiology ($\alpha\xi\iota\alpha$, value, worth). After a comprehensive and historical study of axiology and the various approaches to study it, Holbrook (1999) created a typology of value that is inclusive of the different and sometimes divergent perspectives. Holbrook classified consumer value along three continuous dimensions (1) intrinsic-extrinsic, (2) self oriented-other oriented, and (3) active-reactive. These dimensions lead into eight different types of values: efficiency, excellence, play, aesthetics, status, esteem, ethics and spirituality. It is important to note that here that Holbrook's view of value is not based solely on an economic input-output notion. Value is considered as an *interactive relativistic preference experience* rather than a set of enduring beliefs (Holbrook 1999). We adopt this view of value for its holistic and relativistic nature. Embracing this relativistic perspective is particularly important because interpretations of design and its value can vary from one individual to another. After all, it is a commonly held belief that beauty lies in the eyes of the beholder.

RESULTS OF THE GROUNDED THEORY ANALYSIS

From analysis of these qualitative data and literature reviews, four themes of design-based values emerged; social, altruistic, functional, and emotional (SAFE). This is consistent with some of the findings in the industrial design literature. In the PD context, Boztepe (2007) collapsed the active-reactive dimension of the Holbrook typology into one dimension and reduced the value typology into a similar typology.

The collapse of this dimension into one reactive dimension was done to reflect the low to minimal physical activity involved in the assessment of design stimulus by the consumer and due to the fact that the task of visual assessment of a design is primarily reactive. This low level of physical activity and effort was also evidenced in the consumer interviews providing convergence on the opinion that the active-reactive dimension of Holbrook's (1999) typology could be collapsed into one.⁴ In our qualitative studies we also found respondents referring to

some of the values and benefits as *rational* and some others as *based on emotional considerations*. Based on the linkages among these comments and the values these were connected to, we created a third order model for design-based value (see Figure 1). The SAFE value dimensions can result in two broad second order dimensions of value that has been explored before: rational and affective dimensions of value (e.g., Humphreys and Williams 1996). As shown in the figure, these second order factors converge onto the overall gestalt impression of design-based value. In the empirical portion of this manuscript we test the validity of this hierarchical model.

Social Value

Social Value is defined as the product's ability to achieve the status and esteem-based objectives of the consumer (Holbrook 1999). For example, in his description of the 2002 Jaguar XJ the director of design for Jaguar describes how the elements of the car design can signal status:

"The XJ is a luxury car with a true sense of gravitas. The proportions, stance and obvious dynamic quality display that all-important Jaguar DNA and give it real presence on the road."

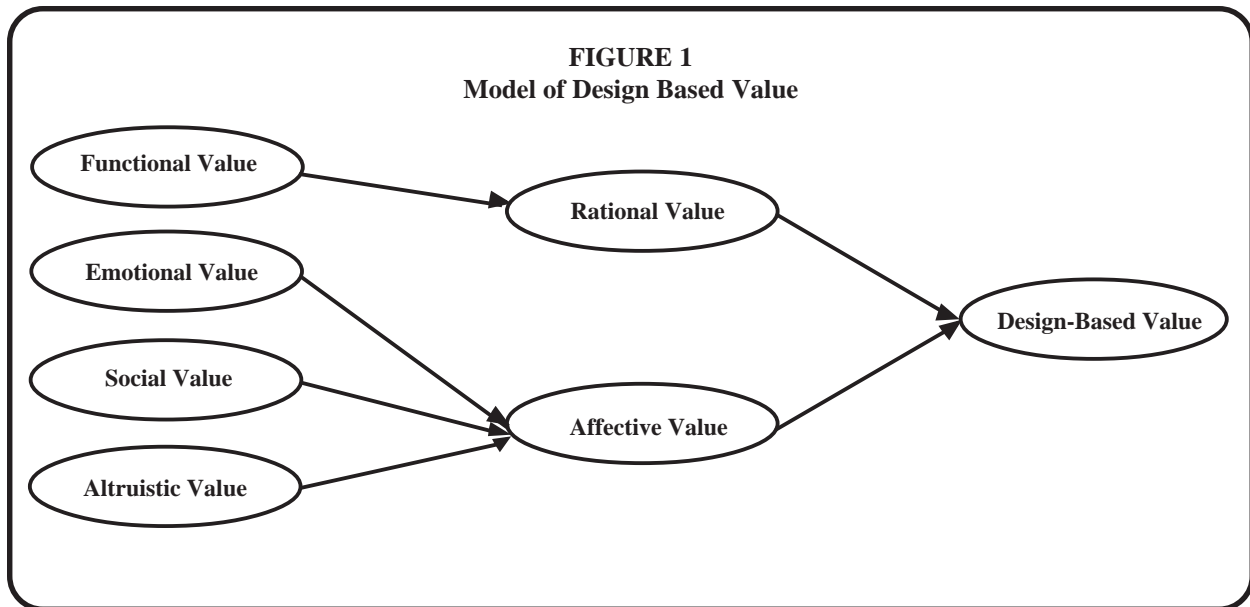
While it is difficult to point to one element of PD that would universally convey high status and esteem, it has been observed that the gestalt impression certain design features or combination of features can be connotative of "high design." Materials used to make the product also affect the consumers' perception of social value. For example, all leather interior of a car is perceived to be an indication of the status of the owner. These products, when used, increase the social honor of consumers in the community and can have powerful impact on their self-esteem (Holbrook 1999). The following comment by one of the participants in the consumer study exemplified how consumers see social value in a product's design:

"I bought my first Juicy Couture hand bag yesterday! It has an upscale and sophisticated design at an affordable price. I think my friends are going to be impressed with the bag."

Altruistic Value

Altruistic Value is defined as the value the product provides in being right or the sense of being right or good (Boztepe, 2007). The two underlying dimensions that drive this type of value are ethics and spirituality (Holbrook 1999). The active, intrinsic and altruistic pursuit of ethics involves doing something for the sake of others. Such actions give consumers a sense of being right. Consumers may value and buy biodegradable products to feel that

FIGURE 1
Model of Design Based Value



they are doing good for others and the society in general. Also consumers may choose products that can save energy or fuel. In talking about the Toyota Prius one of the consumers said:

“I drive a Nissan Altima now. But my next car is a Toyota Prius. The Prius has a distinctive design that conveys that it is an energy efficient car. A lot of the materials that it is made of are biodegradable or recyclable. If I have to believe what I hear and see, these should be important considerations while buying a product. Sustainability is an important issue for me.”

Many product designers also feel a social responsibility to the society they live in and see themselves as the people who are responsible for the surroundings most people live. For example the designers of the OXO peeler, designed the product with the ageing section of the population in mind. The santoprene rubber used in the grip is soft, easy to grip and have ergonomic features that fit the average older consumer.

Functional Value

Functional Value is defined as the way a product helps achieving practical ends (Holbrook 1999). A consumer may value a hammer, purely, for its utility in making a hole on the wall to hang a family picture. Functional value is primarily composed of two elements efficiency and excellence (Boztepe, 2007). Efficiency involves extrinsic value that results from the active use of a product or consumption experience as a means to achieve some self-oriented purpose. This may refer to the functionality of the product and the extrinsic value it creates for the consumer.

The shape and the materials with which the product is made can affect perceptions of effectiveness reliability, durability safety, maintenance, multi-functionality, and functional compatibility as the main elements of design that are seen as important for consumer preference (Noble and Kumar 2008). Another set of factors that contribute to the utilitarian value of the product are the kinesthetic elements. The ergonomic and human factor considerations such as the human hand measurements that were incorporated into the Oxo good grip products by the designers can provide functional value to the consumer by improving the usage experience of the product. One consumer comment summed the design based functional value well:

“The design of the iPhone is such that it packs a multitude of functions but still is very easy to use and navigate. The product looks sturdy, reliable and well put together. Even without the apple logo on it, I could say that it is a quality product.”

Emotional Value

Design has historically been associated with Emotional Value (Norman 2004). *Emotional value* is defined as the benefit of a product in terms of the emotions it evokes. Design can create emotional responses in two different ways; aesthetics and symbolism. The inherent aesthetic properties of the design has the potential to create an emotional reaction from consumers by triggering neuropsychological pathways that activate the limbic system of the brain (Norman 2004; Ramachandran and Hirstein 1999). The aesthetic properties of a design are related to the appropriate usage of compositional principles such as unity, contrast proportion, rhythm among others (Coates 2003). Another aesthetic source of emo-

tional value is derived from the notion of play. Foremost among the characteristics of play, axiologists have recognized its nature as an experience pursued as an end in itself (Holbrook 1999). One consumer remarked about her Volkswagen Beetle (A-5):

“My Beetle’s face always makes me smile every time I look at it. When I was younger, this was one car I thought looked like a toy I could play with! Over the years, I have developed a special affection to its happy and cute design.”

Emotional value can also arise from the symbolic meanings that consumers attach to the designs of products (Creusen and Schoormans 2005). Based on their literature reviews and qualitative studies, Creusen and Schoormans (2005) found that a product’s appearance can have aesthetic and *symbolic value* for consumers. It needs to be mentioned here that we make a distinction between emotional and affective-based values. We posit that emotional value may be interpreted as more experiential in nature. Experiences that involve fun, enjoyment and play are fundamental more visceral. Other values such as social and altruistic values maybe seen at a slightly higher abstraction as more affective in nature. Overall emotional values maybe seen as a subset of affective value.

SCALE DEVELOPMENT

We generated and purified scale items for the SAFE values by following the recommendations of Churchill (1999). In order to purify the items we collected data from 80 respondents from an undergraduate marketing class from a large South Eastern public university. Standard factor analytical techniques were used to purify the items. Following this exercise we sent the items to 10 experts for feedback. Several items were deleted and modified during these processes.

DATA COLLECTION AND ANALYSIS

Study 1: Sample and Data Collection Procedures

In order to validate the higher order value model in figure 1, we collected data from *design services* companies in the United States. Through the help of Marketing Science Institute and Design Management Institute, we sought the participation of the top 10 design services companies. Two of these firms from United States agreed to participate in the study. Test products were sourced from these design firms. This research used products under development at these design services firms. To allow for generalizability, 60 products from a wide range of categories and complexities were used (e.g., from Fondue forks to insulin pumps).⁵ Consumer respondents were drawn from the respective design firms’ consumer testing panels. The panels were screened for current users

of the product category. The design service firm compensated the participants. The users were asked to view and use the finished products that had been created by the design team and were then administered the value scales in an online computer based survey that was collected on an independent website (www.surveymonkey.com). Responses from a total of 347 respondents were collected from February 2007 to March 2008. After missing data analysis the data set had 320 usable responses.

Assessment of Measures

We further purified the measures using factor analytical methods. As a result of these exercises several items were deleted from the scales.⁶ In regards to the fit statistics of the model the chi-square is 280.4 ($p < .001$) with 146 degrees of freedom ($\chi^2/df = 1.92$). Also, the measurement model had acceptable goodness-of-fit indices: CFI = 0.93, TLI = 0.91, IFI = 0.92. In addition, RMSEA is 0.074, indicating a good fit. None of the standardized residual loadings were more than |4.0|, indicating no problems with the fit between the data and the model (Hair et al. 2006). This, again, showed that the data fit the first order model well. The scales were also subject to standard tests of convergent and discriminant validity (Anderson and Gerbing 1988).⁷

Model Assessment

In order to test the hypothesized value conceptualization in Figure 1, a three-step approach was undertaken similar to that has been used in prior literature (e.g., Brady and Cronin 2001; Dhabolkar et al. 1996). In the first step a first order CFA was conducted on the four sub-dimensions of design-based SAFE consumer values identified through the grounded theory development.

The resulting first order factor analytical model provided a very good fit with the data as shown in Table 1. Next we conducted a second order CFA with the two added second order factors (rational value and affective value). This was followed by the test of the model in Figure 1. As shown in Table 2 this model fit the data well too. To test the fit of the two models we used the target *T* test (Marsh and Hocevar 1985). The *T* values to the two models are 0.90 and 0.89 indicating that the data fit the models well.

The factor loadings for both the second and third order constrained models were examined. While the emotional and altruistic value loaded well on the affective value, social value’s loading on the second order construct was relatively lower. In a surprising result contrary to our hypothesized relationship, we find that rational value has a negative loading on the overall gestalt design-based value construct (see Table 1).

TABLE 1
Beta Parameter Estimates (N = 320 and 99)

Construct	N = 320		N = 99	
	Parameter estimates	t-values	Parameter estimates	t-values
Affective Value → Design Value	0.900	*	0.94	*
Rational Value → Design Value	-0.745	-5.2	-0.92	-8.6
Social Value → Affective Value	0.531	7.2	0.58	3.4
Altruistic Value → Affective Value	0.863	10.03	0.84	6.2
Emotional Value → Affective Value	0.741	*	0.75	*
Functional Value → Rational Value	0.745	-5.2	0.94	-4.6

NOTE: All beta parameters were significant at p<0.01 level. * = the variance for this was set to 1.0 to allow for model convergence (Anderson and Gerbing 1988).

TABLE 2
Beta Parameter Estimates (N = 320 and 99)

Model	χ^2	Degrees of Freedom	χ^2/df	CFI	TLI	RMSEA	T
Study 1 (N=320)							
Model 1: First order CFA	280.4	146	1.92	0.95	0.94	0.76	
Model 2: Second order CFA	308.1	148	2.08	0.91	0.90	0.79	0.91
Model in Figure 2	308.1	148	2.08	0.91	0.91	0.79	0.91
Study 2 (N=99)							
Model 1: First order CFA	260.1	146	1.78	0.95	0.94	0.71	
Model 2: Second order CFA	269.0	148	1.81	0.95	0.94	0.70	0.96
Model in Figure 2	269.0	148	1.81	0.95	0.94	0.70	0.96

T = target coefficient (Marsh and Hocevar 1988)

Study 2: Model Cross Validation

In order to further validate the model, data were collected from 99 students from two marketing classes from a large San Francisco bay area university. The students were given questionnaires that asked them to recall a product, which in their opinion had the best

design. As in the qualitative study, they were then asked to draw and paint this product to the best of their abilities with the goal of creating a likeness of the product. Following this task the students were administered the value scales with similar instructions as in the main study. Here again the measures demonstrated good psychometric properties.⁸ Here again we followed the three-step process of

testing the higher order value models. As shown in Table 2, the results of the test of the hierarchical model were mostly consistent with what we found for the main study.

DISCUSSIONS AND CONCLUSIONS

This research shows that design-based value is multifaceted and supports the notion that current conceptualizations are too narrow to convey the richness of the construct (Flint, Woodruff, and Gardial 1997). The holistic conceptualization of design-based value developed here is based on a synthesis of the literature, qualitative and quantitative studies. Leveraging both qualitative and quantitative methods, the results lend support for a multi-dimensional, hierarchical construct.

Our model and empirical tests show that the four SAFE sub-dimensions loaded on two superordinate constructs, rational and affective values that have been explored before (e.g., Lerner, Small, and Loewenstein 2004). These second order constructs jointly loaded onto a general design-based value construct. The results provided strong support for the second order conceptualization and moderate support for the third order conceptualization. One surprising finding was the negative loadings of rational value on the overall design-based value construct. Our conception of the gestalt design-based value is reflective in nature and assumes that the two sub-dimensions must move together. That means that a product provider who provides more “affective value” must also provide

more “functional value.” This could perhaps contradict the very notion of differentiation, where firms make trade-offs, perhaps providing greater affective value (such as in designer cars) or greater aesthetics in exchange for premium pricing. Therefore it is understandable that some product designs placed more emphasis on form and some others on function.

Design traditionally has been considered the skin of the product that primarily enhances the look of the product and makes the user happy (Dreyfuss 1955). This research shows that design can go far beyond providing just making the product aesthetically pleasing but can also be perceived by users as having functional, social and altruistic value. This is of profound meaning to the marketer who probably pays lesser attention talking about these types of values created by the product’s design. This scale developed here provides a way to measure the broad-based values design can create for the consumer. Managers can, however, use the scale developed here to assess the effectiveness of their designs in conveying broad-based values. Perhaps they can use these scales in the product development process to understand the target values that consumers look for in their ideal products and compare them with the perceived values in the developed product to gauge the effectiveness of their product development prowess. Given these contributions we can safely say that this study highlights and advances our knowledge of the key role played by design in creating value for the consumer.

ENDNOTE

- 1 The designers were asked questions such as; how do you create value for consumers? What types of values do you create?
- 2 Students were asked open-ended questions such as; why they thought it was the best-designed product? What was of value in the design of the product? Why was it valuable? Students were encouraged to answer the questions as elaborately as possible and use as many nouns and adjectives as possible to describe what were valuable to them about the design.
- 3 The authors would like to note here that because of the space limitations for the AMA proceedings we are unable to show the extant literature base we draw from for our qualitative part of the study. We are

- forced to leave out a large number of citations and pieces of information that would add significant depth to the qualitative information we present.
 - 4 Please contact authors for the descriptor words and the frequency with which respondents mentioned them.
 - 5 Contact authors for a more specific list of products
 - 6 Please contact the authors for the specific scale items
 - 7 Contact authors for correlation tables and data on psychometric property of the measures.
 - 8 Contact authors for correlation tables and data on psychometric property of the measures.
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CONSUMER EVALUATION OF BRAND STRETCH: THE EFFECTS OF BRAND IDENTIFICATION AND BRAND ALLIANCE

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SUMMARY

Although product category similarity between parent brand and extension product has been widely accepted as a key factor for consumer responses to brand extension (Aaker and Keller 1990; Czellar 2003; Völckner and Sattler 2006), brand extension with low product fit (i.e., brand stretch) is not uncommon in practice, especially for brands (e.g., Coca Cola, Ralph Lauren Polo, and Virgin) with strong bases of loyal customers and strong brand identities for leverage (Ahluwalia 2008; Cabral 2000; Pepall and Richards 2002; Rangaswamy, Burke, and Oliva 1993). However, compared to general brand extension, very little is known about how consumers evaluate brand stretch (category stretching brand extension). This becomes especially important given that the success rate of brand stretch is lower than brand line extension (Ahluwalia 2008).

This study proposes that brand identification and brand alliances are two important factors (besides perceived extension fit) on consumer evaluation of brand stretch. Brand identification positively relates to pro-brand/company behavior, such as brand championship, brand loyalty, and new product support (Bhattacharya and Sen 2003). Thus, brand identification can be a significant factor of brand stretch evaluation. On the other hand, brand alliances have become an important brand strategy for branding new products in practice and received growing academic attention. Compared to direct brand extension, brand alliances have the advantages of such as synergistic effect of multiple brands and quality signaling by brand ally (Rao, Qu, and Ruekert 1999; Simonin and Ruth 1998); therefore, brand alliances could be a more effective brand strategy for brand stretch.

Two studies were conducted to examine the effects of brand identification, brand alliances, and fit (both *extension fit* and *alliance fit*) on brand stretch evaluation. Study 1 assessed the main effects of brand identification, brand alliance and *extension fit* on consumer evaluation of brand stretch; and to test whether identification and brand alliance could alleviate the effect of extension fit on brand stretch evaluation. Study 1 finds that, as expected, brand alliance, brand identification and extension fit significantly enhance consumer evaluation of brand stretch. It also finds that extension fit has weaker effect when the brand stretch is endorsed by brand alliance; and that brand identification also alleviates the effect of extension fit on

brand stretch when the brand stretch is endorsed by brand alliance.

Study 2 extended Study 1 by comparing two types of brand alliances (prestige brand ally vs. non-prestige brand ally) and examining the effects of both extension fit and *alliance fit*. In addition, Study 2 tested how brand alliances and alliance fit influences the effects of extension fit and brand identification on brand stretch evaluation. Study 2, besides confirming the stronger effects of prestige brand alliance than non-prestige brand alliance, further finds that (1) brand identification alleviates the effect of extension fit on brand stretch evaluation when alliance fit is low; (2) alliance fit alleviates the effect of extension fit on brand stretch evaluation when the brand partner is a non-prestige brand; (3) alliance fit enhances the effect of brand identification on brand stretch evaluation especially when the brand partner is a non-prestige brand.

This study sheds some new insights on the issue of consumer brand stretch evaluation. First, the study does not only confirm that brand stretch can gain more favorable evaluation by (a) consumers with stronger brand identification, (b) when the brand stretch is endorsed by an expert partner brand (especially by a prestige expert partner brand), and (c) when the alliance fit between partner brands is high; but also finds that extension fit (which is intrinsically low for brand stretch) becomes less relevant for brand stretch evaluation (a) for consumers with stronger brand identification, (b) with endorsement by an expert partner brand, and (c) when the alliance fit is high and with endorsement by a non-prestige partner brand. Second, it supports that brand identification has significant impact on consumer sense-making of a company's brand marketing program (i.e., brand stretch) by not only enhancing the evaluation of the extension product directly, but also indirectly by enhancing extension fit perception.

There are important original findings which suggest that brand stretch is more likely to be successful when (a) the brand (a) has a strong base of customers with strong brand identification and (b) partners with expert brands (especially a prestige one) that fit with its own brand image. This is because, under these conditions and combinations of them, brand stretch evaluation tends to be more favorable and the liability of low fit tends to be alleviated. References are available upon request.

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FROM FICTION TO FACT: EXPLORING THE DEFICTIONALIZATION OF BRANDS IN MEDIA

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ABSTRACT

This paper examines the concept of defictionalization of brands drawing on several diverse areas of scholarship to develop a preliminary research model. It further identifies drivers that are more or less management controllable. The paper rounds off with suggestions for future research in this new area of investigation.

INTRODUCTION AND BACKGROUND TO THE RESEARCH

Brand placement has become a very popular topic for academic studies in recent years. Many studies have focused on the use of branded product placement in movies (Gould, Gupta, and Grabner-Krauter 2000; Karrh, McKee, and Pardun 2003; Wiles and Danielova 2009), on television (La Ferle and Edwards 2006; Roehm, Roehm, and Boone 2004; Russell 2002), and, most recently in computer games (Lee and Faber 2007; Molesworth 2006; Mackay, Ewing, Newton, and Windisch 2009). Evidence has suggested that viewers or game players generally do not object to such media (although note that there are some exceptions: see Cowley and Barron 2008), since there is generally an expectation of the representation of brands and advertising to increase the level of realism (DeLorme and Reid 1999; Molesworth 2006; Nebenzahl and Secunda 1993; Sung, de Gregorio, and Jung 2009). As Martin (2004, p. 127) suggests, “. . . the real provides a necessary basis for creating a fantastic milieu that absorbs the consumer.” Many aspects of reality may be used in to evoke the imagination around a brand or product and bridge fantasy and reality, and this is a potentially powerful tool for marketers. However, once induced, such a fantasy world can take on a “life of its own.” As Molesworth (2006, p. 357) indicates, “. . . once evoked, the imagination may negate reality and take on its own form (an imaginary, dream-world is created).” Brands and in particular the sets of values, identities, personalities, and images we associate with them in the context of the media can be used to link fantasy to reality – a viewer’s or a video game player’s everyday experiences.

Research has shown that good product placement can create significant economic value for marketers (Wiles and Danielova 2009), creating positive product or brand attitude (DeLorme and Reid 1999; Nebenzahl and Secunda 1993; Russell 2002) and recall (Brennan and Babin 2004; Mackay et al. 2009; Ong and Meri 1994; Gupta, Balasubramanian, and Klassen 2000; Gupta and

Lord 1998). Molesworth (2006) points to a number of successful placements in computer gaming, including *Red Bull* in a *Playstation* game and the *Mitsubishi Lancer* in *Gran Turismo*. During 2010, spending on film placement is predicted to reach \$1.8 billion (PQ Media 2006). For example, firms are known to have contributed \$25 million toward the production cost of *Minority Report* to showcase their products and services (Grossberg 2002, reported in Wiles and Danielova 2009).

However, product placement is not always successful, and there are a number of complexities in placement that can impede brand value or even create negative attitude. Such issues include overly prominent placements in popular television programs (Cowley and Barron 2006) or films (DeLorme and Reid 1999), cognitive absorption (Wang and Calder 2006), critical acclaim, and violent film content (Bushman 2005; Wiles and Danielova 2009).

Empirical research into branded product placement has so far focused on brands that actually exist in the real world. Thus, branded product placement has sought to drive consumers to buy real products in stores. However, what if the products advertised in the particular media don’t exist in the real world, what then? Producers of movies, television programs and computer games make enormous creative investments in producing realistic, holistic experiences for viewers or players. This includes fine details in the props and scenery of the invented world. For example, *Red Apple Cigarettes* appear in the films of Quentin Tarantino, such as *Pulp Fiction* and *Kill Bill*, but do not actually exist in the real world (Muzellec and McDonagh 2007). The question is, however, would people buy them even if they don’t exist? In some cases the viewer or player may not even know that they don’t exist in the real world. In others, they may know that they don’t exist in reality, but they may exist in their own fantastic imagined world evoked by the media (Martin 2004). Thus, is there a latent brand value created within the media that could, potentially, be actualized. If this were the case, then product placement could have significance not only for enhancing the value of existing brands but for creating new brands – brands built on the use of media and the careful application of placement.

If a latent brand exists within the media and we agree that there is potential for it to become a real brand, then a key issue is how the latent brand becomes a real brand.

This boils down to asking the question – how does fiction become fact? At first glance, this seems somewhat counter-intuitive. However, there are many examples of products that have emerged from the fictional realms of movies, television, and computer games. Table 1 provides a number of examples of these, including *Duff Beer* from *The Simpsons* animated television series, *Sex Panther* from the movie *Anchorman*, the sword *Frostmourne* from the *World of Warcraft* online computer game and the *Bubba Gump Shrimp Company* from the film *Forrest Gump*. All are examples of latent brands that have been “defictionalized.” Defictionalization is defined in this paper as “The transformation of a product and/or brand from a fictional media source into a product and/or brand that exists in the real world.” This process has also been referred to as “reverse product placement” (Edery 2006), “post-modernist brand management” (Muzellec and McDonagh 2007) and “brand precession” (Lynn, Muzellec, and Szymanski 2009). The word defictionalization is used in this paper because we believe that it better describes the process by which the latent brand is actualized, as we shall see below. Drawing on the work of academics of literature and theories of fiction and narration, the paper outlines a number of possible drivers that enhance or reduce the possibility of a latent fictional brand.

The purpose of this paper is to introduce the concept of defictionalization of brands in the media and to propose a preliminary research model for investigation. The next section examines the concept of defictionalization in management-guided versus user-driven contexts and a number of more and less controllable factors contributing to the transformation of a fictional brand into a real one. This is followed by a section examining some of the factors that are likely to contribute to greater placement value for fictional brands. We identify four principal distinct contexts which results in different processes of brand presence and paths of defictionalization. Subsequently a broad research model is presented, along with some indication of the method proposed. Finally the paper rounds-off with conclusions and implication for research and practice in this very new area of investigation.

THE DEFICIONALIZATION CONCEPT

Academics of literature have for a number of years studied the blurred boundaries between fact and fiction. In literary theories of fiction, much of the definition of whether a text is construed as fact or fiction is down to the expectation of readers; Mikkonen (2006) points out that Tolstoy’s *War and Peace* (1865–1869) is typically regarded as a fictional work, despite being a documentation of social and historical facts, whilst Jules Michelet’s *Histoire de la France* (1833–1867), which is interwoven with many invented elements, is regarded as history. According to Mikkonen (2006), five principal reasons

contribute to the possibility (or not) of the defictionalization of fictional literature. Four of these, in modified form, could be considered candidates for a general model of the defictionalization of brands in the media, including: (1) the combination of fact and fiction in consumers’ lives; (2) metalepsis and transworld travel; (3) the commonness of as-if structures in our daily life and identity; and (4) the individual consumers’ ability to perceive problematic differences between the branded product and reality. In addition to these four factors, following the seminal work of Aaker (1997) on brand personality, we add the (fictional) brand-identity fit for the individual. Let us consider each of these factors in turn.

Individuals’ daily lives are strewn with examples of the counterfactual. As Mikkonen (2006, p. 293) states: “It is only human to mistake the make-believe for the factual or to believe a lie. Many may believe fiction to be true (partially, privately, in their group).” Even an individual’s own constructed identity can be considered partly fictional: “A person’s sense of identity, as well as the social configuration of his or her identity, is also always a fiction like reality, constituted in and through representations. Identity is part reality when it responds to the requirements of nonfiction, as in the documentation of identity or as in a testimony. It is part fiction when a person relates the story of his or her life and emplots (*sic.*) lived experience as a pattern of his or her personality” (*ibid.*, p. 293). The combination of fact and fiction, and in particular the ease to which the individual fuses the two in their own imagined world, is suggested as driver for the potential of latent brands presented in fictional media.

The next factor that we will consider from the literature academics is that of metalepsis or transworld travel. This relates strongly to the fantastic imaginary worlds mentioned by Martin (2004). From a literary point of view, metalepsis or metaleptic infractions are required when a reader is required to reorient themselves in a different domain of signification. Mikkonen (2006, p. 301) gives the following example from the film, *The Matrix*:

“In this fictional world, virtual reality has taken the place of reality: people think that they live their ordinary lives, while in actuality they are herded by machines in an apocalyptic world of a computer-generated virtuality. This delusion is more lifelike and comfortable than the gloomy reality of the slavery to the machine. The key experience in the film, however, may not be the juxtaposition of different worlds nor the successful battle against the Matrix but the ceaseless travel between the various domains of existence. Transworld travel is made possible through telephones, electric networks, code-breaking, and, it seems, mind-altering drugs: the boundaries of different worlds are crossed between the Matrix and its outside, between the computer network and the

physical bodies, between symbolic heaven and hell (the last opposition is suggested by the film's many mythological and Christian allusions: Sion, Nebuchadnezzar, Trinity, Neo/the chosen one)."

Academics working in the areas of narratology and transmedia storytelling suggest that there are many parallels between different media. In particular, there is a considerable body of work that suggests similarity (and differences) between narrative fictional writing and the use of narrative in computer games (Juul 2005; Ryan 2006; Thon 2009). Research also seems to suggest that fiction from online computer games such as *World of Warcraft* goes beyond traditional game boundaries (Thon 2009).

From the point of view of the marketing of fictional brands, we would posit that an individual's disposition to dip easily in and out of imaginary worlds, or even between different imaginary worlds, as in the example above, would enhance the ability of a fictional brand to exert latent potential. Transworld travel thus refers to an individual's ability to transport themselves from "reality" to the fictional world(s) of the media (movies, television programs and games) and to the world of the fantastic imagined that is personal to them (Martin 2004).

The third factor that we will examine from literary academics is that of "as-if" or "could-be" structures (Vaihinger 1920). Such structures act as "hooks" in the fictional world that draw it into the realm of the real and make it more accessible for the reader, viewer or game-player. Examples include the proliferation of the surveillance or "nanny" state which provides particular significance for the *George Orwell* text *1984* (1949) or submarines in Jules Verne's *40,000 Leagues Under the Sea* (1870). Time has made these fictional works more accessible and resonant. Similarly, the Hollywood movie *The Day After Tomorrow* is particularly poignant in our current age of industrialization and apparent climate change. We posit that the more "as-if" or "could-be" structures that are embedded in a media, the more factually accessible it will be for the viewer or game-player, and thus the more factually accessible the media is the more likely the brand is to exert latent brand potential.

Fourth, although "as-if" structures can be important in making fictional media more accessible, the brand or product within the media must itself be accessible to the viewer or game-player. If the player does not believe that the product could be made real, then this would have a detrimental impact on the ability of the fictional brand to create latent potential. Examples would be fictional products with fantastic characteristics that could not in all possibility be emulated in the real world. If there is an attempt to defictionalize the product then it would be a poorer representation that provides only partial satisfac-

tion. This is particularly the case for what Lynn et al. (2009) call second-order brand precession products, citing the example of *Bertie Bott's Every Flavor Beans*. While the beans were manufactured for a number of years by the *Jelly Belly Candy Company* they were little more than ordinary jelly beans with a few strange flavors thrown in. As such they could not possibly imitate the magical properties of the beans from the *Harry Potter* series of books and films and were disappointing for consumers. *Jelly Belly* ceased manufacturing *Bertie Bott's Every Flavor Beans* in 2007.

The final defictionalization issue we examine is that of brand-identity fit. Baudrillard (1970) suggests that a large portion of the construction of an individual's identity can be attributed to consumption. This identity, constructed partly as fiction and partly as fact, includes the consumption of media content, again partly fiction and partly fact. Whether a fictional brand achieves resonance with a particular individual will depend upon whether the brand achieves compatibility with the identity of the individual. Identity can be measured in many ways, particularly on a psychological level (Cote and Levine 2002). One popular if simplistic way for measuring the identity of a brand in the marketing literature is that of brand personality (Aaker 1997). Subsequently the fit of the personality of the brand can be matched against the desired personality of the individual. The better the fit of a fictional brand with the desired personality imagined by the individual the more likely it is that a positive latent brand attitude, recall and value will be created.

FICTIONAL PRODUCT PLACEMENT AND MEDIA ISSUES

Product placement is the integration of branded products or references through audio or visual means within mass-media programming (Balasubramanian 1994; Wiles and Danielova 2009). Product placement, although developed as a concept for use in movies in the 1940s, has only grown substantially in popularity since the early 21st century (Karrh, McKee, and Pardun 2003). Although originally designed for advertising real products that are available to purchase in stores, we believe that many of the aspects of theory surrounding product placement and media will also be of relevance in determining the value, attitude and recall of the latent fictional brand. We divide these issues into two main areas: issues related to the media within which the latent brand is being presented; and issues related to the way that the branded product is presented in the media.

Let us first turn our attention to media issues. There is some excellent recent research that points to some core elements that need to be considered in the choice of media for placement. Evidence also suggests that the degree to which a film or game is perceived as compatible with

product placements can influence attitude (Cowley and Barron 2008; Mackay et al. 2009). One area of compatibility is the degree to which the viewers of films or television like the program or movie being watched. Cowley and Barron (2008, p. 89) suggest that “prominent placements can negatively impact brand attitudes of viewers who report high levels of program liking. Conversely, viewers reporting lower levels of program liking shift brand attitude in a positive direction after exposure to a prominent placement.” Thus, it is unwise to distract viewers from popular media content with placements and in this case more subtle use of placement is advised. Secondly, the level of cognitive absorption (Roche and McConkey 1990) experienced by the viewers or players of the media can detract from the successfulness of product placement. Media transportation theory suggests that if the viewer or player becomes engrossed in the media content, in particular the narrative, then the effort and focus is detracted from peripheral content (Wang and Calder 2006). When entertainment and commercial messages are presented concurrently in absorptive media, then such messages can become lost. For example, Wiles and Danielova (2009) find that audience absorption detracts from the value of product placement in movies.

Thirdly, there is some evidence to suggest that objectionable content within the media can lead to negative responses to placements. Essentially, the brand has the possibility of being “tarred with the same brush” if the content being consumed within the media is not considered acceptable. A particular area of content acceptability that can be singled-out is violence, although evidence suggests that some consumers are less predisposed than others, with young men in particular providing more muted views (Hamilton 1998). Wiles and Danielova (2009) in their study find film violence a significant inhibitor on the achievement of abnormal returns from product placement. The final factor with respect to the media that we draw attention to is the popularity of the film/game. Anecdotal evidence suggests that successful fictionalization of brands is strongly related to the popularity of the media. In particular, there are many examples of fictionalized brands from media that have achieved cult status, as demonstrated by some of the examples in Table 1. Part of the explanation of this phenomenon may be drawn from the theory of collective behavior (Park 1967), whereby pockets of critical mass emerge that are neither conforming nor deviant. Not surprisingly, research has shown that the most popular media create the most value from placement (Wiles and Danielova 2009)

The second set of issues surrounding the emergence of a latent brand is the actual placement itself within the media in question. There is a considerable amount of recent research on this topic. Wiles and Danielova (2009) in their comprehensive recent study found that the number

of brand placements and the link to a prominent character were both positive drivers of value, whilst the number of additional placements was a significant inhibitor. However, while Wiles and Danielova (2009) did not find blatancy to significantly detract placement value, the issue of subtle placement was considered important by Cowley and Barron (2008), as mentioned earlier. Similarly, while plot connectedness was not significant in Wiles and Danielova’s (2009) study of movies, Lee and Faber (2007) find that the congruity of the product category of a brand and game content significantly influences brand memory. Similarly, Russell (2002) finds support for plot connection and placement in television programs.

THE INTERPLAY BETWEEN VIRTUAL AND REAL CONTEXTS AND THE NATURE OF DEFICIONALIZATION IN THESE CONTEXTS

In our research, we plan to focus on the fictionalization of brands from computer media contexts. Thus, we will focus on three-dimensional computer games and virtual worlds. In an attempt to posit that there is a typology of generic nature regarding the interplay between virtual (V) and real (R) contexts, we can consider four generic brand life trajectories. These are depicted in Figure 1 and described as follows:

- **Real Brands.** These are brand developed in the real-world that do not venture into the digital world (R→R). Such brands do not attempt to establish a presence in a virtual world or video game. This quadrant encapsulates the majority of brands in existence today.
- **Virtualized Brands.** These are brands are developed in the real world and subsequently move into the virtual world (R→V). For example, the virtual presence of these brands can be established within a “generic” or a “branded” virtual world. Generic virtual worlds include There.com, Second Life and Activeworlds, while branded ones include Buildabearville.com, Hello Kitty Online and Virtual MTV. The virtual world of Second Life has experienced well over 100 major brands.
- **Virtual Brands.** There are many digital brands developed within virtual worlds that do not become tangible and real, rather remaining in the virtual world (V→V). Generic virtual worlds such as SecondLife have hundreds of these brands for items such as digital clothing, vehicles, artworks, buildings, and so on.
- **Defictionalized Brands.** Last but not least, some brands may be developed and prosper in the virtual

world eventually make their move into the real world (V→R). This trajectory is of particular attention to the present endeavor. Examples are given in Table 1.

Defictionalization from the virtual to the real world is context-specific. There are two main media contexts, namely those driven by industry (such as movies and television – coded here “guided” contexts) and those that are driven by user communities (coded here as free-form contexts). A classical example of the latter is the virtual world of Second Life, in which the user is free to choose their own goals and “path” through the media. A cursory examination of what happens in the free-form contexts is that the path V→R rarely occurs and thus warrants against a universal adoption of the defictionalization phenomenon. Such evidence indicates that the defictionalization phenomenon is currently stronger in guided contexts. In the latter contexts, it is assumed that a potential defictionalization will undergo a transformation stage where some of the developers or users will venture into the development of the virtual activity into a company. This is assumed takes over the ownership of the real product and develop a new venture to support the product creation process. In our proposed study we will explain some of the fundamental variables surrounding fictional product placement, defictionalization and media issues in guided-environments.

PROPOSED RESEARCH MODEL AND METHOD

If we pull together the discussion of the particular drivers of the defictionalization of latent brands in guided-contexts, we are able to discern a preliminary research

model. The model is depicted in Figure 2. This is a general model aimed at capturing a broad range of potential constructs in a number of different areas. From an operational point of view, further research is likely to focus only on subsets of these. At the core of the model, dimensions of the latent (fictional) brand drive the potential of the factual, actualized brand and create value for it. The latter results in measurable benefits manifested through the intention to purchase the real brand. The value potential of the latent brand (or branded product) could be measured in a number of ways, including creation of positive attitudes toward the brand, increased brand recall or memory, and subsequently potential and increased brand value. These will be interrelated and we mention them here as a range of potential indicators that could be selected rather than as a “set” of contiguous constructs for measurement. Brand attitude and recall are popular measures in brand placement studies and as such fundamental in fostering increased value. Brand value could be operationalized in a number of ways, including the use of axiological theory (Hartman 1967) to discern the value pattern of the brand in terms of combinations of the emotional, practical and logical dimensions, where emotional valuation of something emotional is the most valuable and logical valuation of something logical is the least valuable (Mattsson 1990). This theory has been successfully applied to evaluation of real brands in virtual worlds (Barnes and Mattsson 2010).

In the research model we see that there are three sets of issues driving the potential of a latent (fictional) brand in the media (television, film or game): media issues, placement issues and defictionalization issues. Media issues such as popularity, liking and content acceptability create more latent brand value whilst cognitive absorption

FIGURE 1
Brand Trajectories between the Real and the Virtual

		Developed Brand	
		<i>Real</i>	<i>Virtual</i>
Initial Brand	<i>Real</i>	Real Brands. Brands that begin in the real-world and that do not venture into the realm of the virtual. Most brands are currently in this space. For example, Frito-Lay potato chips currently exist only in the real world.	Virtualized brands. These are brands that exist in the real-world that attempt to establish a presence in the virtual world. Sony Ericsson phones, Armani apparel and Mercedes cars are examples in the virtual world of Second Life.
	<i>Virtual</i>	Defictionalized Brands. These are fictional brands that begin in the virtual world and that become defictionalized and thus appear in the real-world. The Frostmoure sword from World of Warcraft is one example (see Table 1)	Virtual Brands. These are virtual brands that do not venture into the real-world; they exist only in the realm of the digital. Second Life has many such brands for digital clothing and other items, including Alessandra and Gerri.

TABLE 1
Examples of Brand Defictionalization

Media Category	From Fiction	To Fact
Movie	<i>Willie Wonka and the Chocolate Factory</i> (1971). Based on Roald Dahl's children's book, <i>Charlie and the Chocolate factory</i> , this popular classic film is about an incredible confectionary producer with many products that have seemingly magical qualities.	When the film was launched an entire line of Wonka-branded candies was launched. Now owned by Nestlé, the Wonka brand still produces many products including chocolate bars and "everlasting gobstoppers."
Movie	<i>This is Spinal Tap</i> (1984) is a documentary of a fictional heavy metal rock band.	Spinal Tap later went on to record albums, tour and give radio and television interviews.
Movie	<i>Forrest Gump</i> (1994). Forrest Gump and Benjamin Buford "Bubba" Blue are characters in the film. Bubba proposes the idea of a shrimping company, which Forrest pursues after Bubba's death during the Vietnam War.	The Bubba Gump Shrimp Company restaurant opened in 1996 (by Viacom, which owns Paramount Pictures) and by 2009 had 31 restaurants worldwide.
Movie	<i>Office Space</i> (1999). In the movie, the red Swingline stapler is coveted by the character of Milton and later taken by the boss, Bill Lumberg.	The red Swingline stapler is now produced by Swingline which initially only produced black staplers.
Movie	<i>Harry Potter and the Sorcerer's Stone</i> (2001). Based on the story of the boy magician Harry Potter and his adventures at Hogwarts School for Witchcraft and Wizardry.	A huge number of promotional products have been developed for this and subsequent movies, including wands, butterbeer (a beverage), Bertie Botts Every Flavor Beans (jellybeans with alternative flavours such as vomit and earwax), in-universe books, robes, pranks and sports.
Movie	<i>Anchorman: The Legend of Ron Burgundy</i> (2004). In this comedy about a top-rated newsman in San Diego in the 1970's, <i>Sex Panther</i> is the pungent cologne worn by the main character. Made from real panthers, "60% of the time it works, every time."	Licensed from Paramount Pictures and Dreamworks, <i>Sex Panther</i> is cologne produced by Omni Consumer Products Corporation since 2008.
Movie	<i>Idiocracy</i> (2006). In a futuristic world, water is replaced by "Brawndo: The Thirst Mutilator", a sports drink advertised as rich in electrolytes.	Licensed from the film, <i>Brawndo: The Thirst Mutilator</i> has been produced by Omni Consumer Products Corporation since 2007.
Animated Television Series:	<i>Scooby Doo</i> (1969-present). Scooby snacks are an incentive food item for the characters Scooby Doo and Shaggy in the animated detective series.	Warner Brothers licensed Scooby snacks as a vanilla wafer cookie (sold at Suncoast home video stores) and as a dog treat (manufactured by Del Monte Foods).

TABLE 1 (CONTINUED)
Examples of Brand Defictionalization

Media Category	From Fiction	To Fact
Animated Television Series	<i>The Simpsons</i> (1989–present). Duff Beer is Homer Simpson’s beer of choice in the animated comedy series.	Duff Beer has been made available in the guise of several products worldwide. In particular Duff is available as a novelty energy drink in the U.S. and a beer in Mexico.
Television Drama Series	<i>True Blood</i> (2008–present). The series chronicles the co-existence of vampires and humans in a fictional small town in Louisiana.	Tru Blood is a blood orange soft drink licensed by HBO and manufactured by Omni Consumer Products since 2009.
Video Game	<i>World of Warcraft</i> (2004–present). This massively multiplayer online roleplaying game is based on a fantasy world inspired by the Warhammer board game and the later single-player Warcraft computer game series.	Several products from the game are available to purchase for real. For example, the sword of Frostmourne the legendary runeblade that stole the soul of Prince Arthas Menethil has been licensed by gamemakers Blizzard.

detracts from brand value. For placement issues, the number of placements of a branded product in the media, the link of to a prominent character in the film, program or game and the degree of plot connectedness all contributes to the potential of the latent brand, whilst the number of competing brand placements and the level of cognitive disruption from blatant inhibits the potential of the latent brand. Further, Figure 2 shows five factors that are likely to contribute either positively or negatively to the defictionalization process. These relate to the presence or otherwise of “as-if” structures within the media to act as a hook for defictionalization, whether the fictional brand contradicts fact, the individual’s predisposition to combine fact and fiction in their daily lives and to be transported between ontological spheres, and the fit of the fictional brand with the desired identity of the individual.

Controllable Versus Less Controllable Drivers

Some of the drivers are more controllable by management; others are uncontrollable or only partially controllable. Placement issues (number of brand placements [+], number of other placements [-], blatancy of placements [-], link to prominent characters [+] and plot connectedness [+] appear to be more controllable by management. Media issues are measurable at the user/respondent level and thus the situation feeds back into decision-making. Cognitive absorption [-], popularity of the film/game [+], film/game liking [+] and content acceptability [+] are partially controllable factors and offer testable proposi-

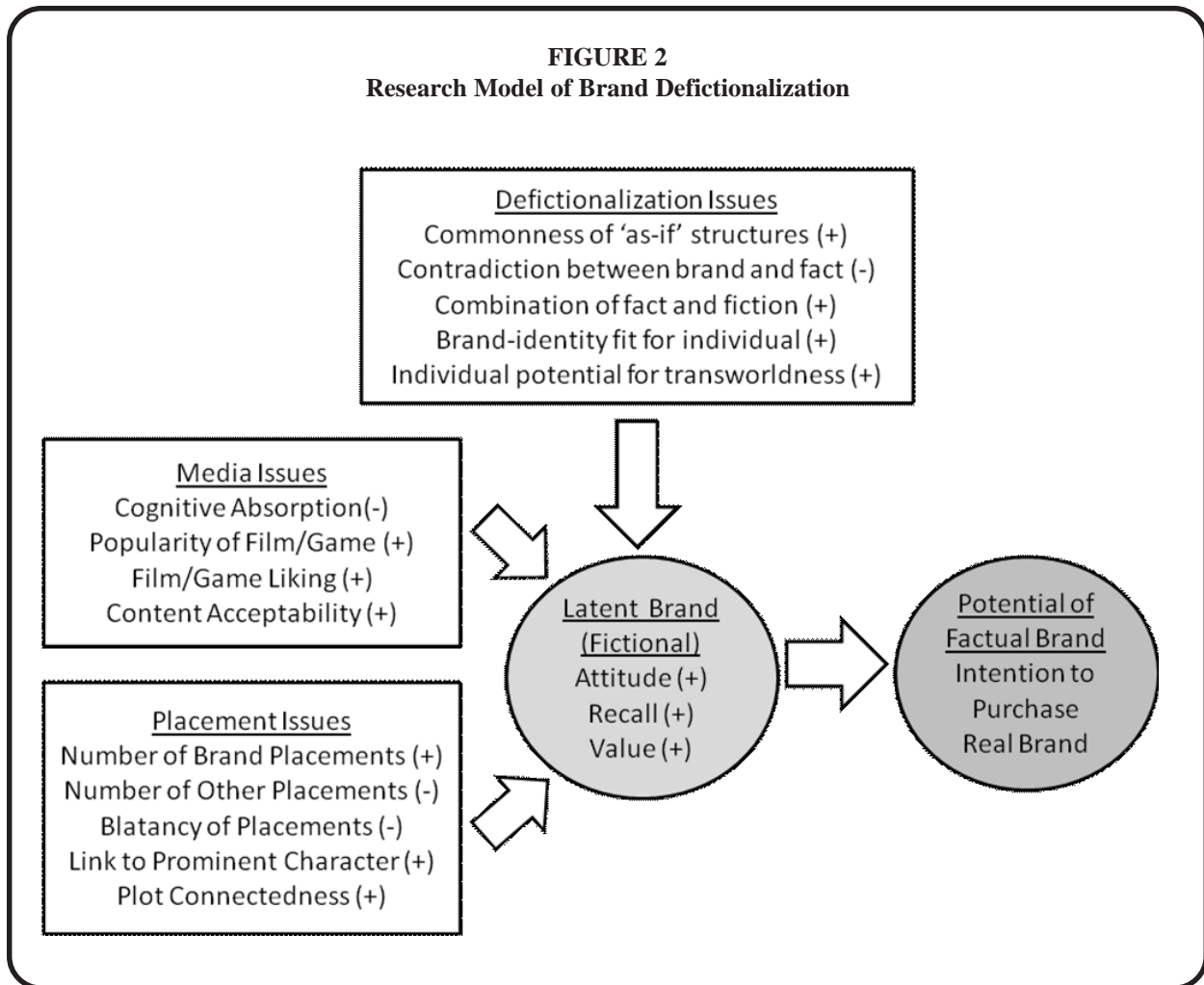
tions which if shown to result in greater user/consumer acceptance positively drive management into believing in increased potential of the latent brand and increased likelihood of subsequent consumer intention to purchase.

Defictionalization issues can be both controllable and less controllable. Thus, the commonness of “as-if” structures in the media [+], contradiction between brand and fact [+] and the combination of fact and fiction [+] are of a more controllable nature by management. In contrast, brand-identity fit for the individual [+] and the individual’s potential for transworldness [+] are not readily controllable by managers.

The Study

The study that we are in the process of planning will involve an experimental design testing various scenarios of placement, media issues and defictionalization issues. Scenarios will be developed and become attributes in a discrete choice/conjoint type experiment where the utility of the individual components of the research model will be identified. Respondents will be managers in the online games or similar sectors. The experiment will involve the placement of fictional branded products within a first-person 3-D online video game or virtual world with development capabilities. Candidates include *Half-Life*, the science fiction first-person battle game with scripted sequences and that enables third party modifications and map development.

FIGURE 2
Research Model of Brand Defictionalization



CONCLUSIONS

This paper has introduced the emerging phenomenon of the defictionalization of brands in the media and provided some examples. Although defictionalization is arguably not a new phenomenon (see the *Willie Wonka* and *Spinal Tap* examples in Table 1), recent advancements in media, including online video games, and in product placement theory have provided considerable new potential and impetus to the ability of marketers to manufacture branded products via use of placement in

media. Based on a combination of theories and concepts, including some from previous untapped areas such as literary academia, we have proposed a possible research model for empirical research into defictionalization. It should be noted that this research is exploratory and the research model is open to amendment, but it does provide a starting point for an area that current has received no notable empirical research in the marketing discipline. We hope that this paper encourages others to pursue research in this very new area of investigation.

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THE AUTHENTICITY OF BRAND EXTENSIONS: A COMPLEMENTARY CONSTRUCT TO FIT

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ABSTRACT

We argue that brand extension authenticity (BEA) is a complementary construct to brand extension fit in understanding consumers' reactions to brand extensions; – particularly among those with strong connections to the brand. We develop the BEA construct comprised of four dimensions; – maintaining brand quality, honoring brand heritage, preserving brand essence, and committing to the brand. We contrast the BEA construct with that of fit and suggest that both shape consumers' reactions to brand extensions from different angles, but more importantly they are complementary to each other in determining the extension's success, and enhancing brand value.

INTRODUCTION

Eighty percent of new product launches in 2004 were brand extensions (Batra, Lenk, and Wedel 2009). Marketing managers introducing brand extensions leverage the assets of the parent brand in order to reduce the risks and costs of new product introduction, gain efficiencies, and transfer positive affect from the parent to the extension brand. Consumers tend to respond more favorably to new offerings when the parent brand evokes familiarity and favorable feelings (Keller 2002; Kim and John 2008). As Batra, Lenk, and Wedel (2009) note, while 80 percent to 90 percent of new products fail, brand extensions fail at a lower rate than new products introduced as new brands. As marketers would like to improve these odds further, brand extension researchers have focused on explaining the determinants of brand extension success or failure. The most researched factor of brand extension success is "fit." We argue that another factor, in addition to fit, determines whether or not a brand extension will be successful; – the authenticity of the brand extension.

Recently, researchers and marketing analysts have pointed to the increasing importance of authenticity as a driver of consumer attitudes and intentions toward brands (Gilmore and Pine 2007; Beverland 2006; Beverland 2008; Beverland and Farrelly 2010; Gerzema and Lebar 2008). Additionally, authenticity has become vitally important in the promotion of new products and brand extensions (Brown, Kozinets, and Sherry, Jr. 2003). Successful stories of heritage-based campaigns for brands such as Budweiser, John Hancock, and Ivory demonstrate

the significant meaning of authentic reproductions of past brands (Brown et al. 2003). Brand managers thus increasingly position their brands as authentic. For example, Stolli vodka in its new advertising campaign urges customers to choose its authentic product (Cloud 2008). Following Mongilner and Aaker (2009), a content analysis of ads in four magazines targeting a wide range of consumers (*Business Week*, *New Yorker*, *Cosmopolitan*, and *Woman's Health*) during the last six months of 2009 revealed that out of 300 advertisements nearly half of the ads (46%) integrated the concept of authenticity into their messages.

Despite the enhanced interest in brand authenticity, we know little about the conceptual meaning and boundary of the brand extension authenticity concept (BEA), or its impact on consumers' perceptions and reactions to brand extensions. This paper develops the BEA concept, drawing from the research on consumer desire for authenticity and brand authenticity across a wide range of product categories and industries. We propose that perceptions of BEA represent the legitimacy of the extension and reflect four interrelated, but distinct, dimensions; – (1) Maintaining Brand Quality, (2) Honoring Brand Heritage, (3) Preserving Brand Essence, and (3) Committing to the Brand. We then argue that the BEA construct differs conceptually from that of fit and suggest how BEA is used as the basis for brand extension evaluation. Finally, we discuss the importance and implications of this construct to brand extension research and strategy.

BRAND EXTENSION AUTHENTICITY

Conceptual Background

Authenticity. The importance of BEA rests on the increasing importance of and attention to the role of *authenticity* in the marketplace, as a valued consumption experience; – as well as experience of self; – and a desirable quality of brands for both marketers and consumers (Avery 2008; Arnould and Price 2000; Beverland 2006; Beverland 2008; Beverland and Farrelly 2010; Brown et al. 2003; Grayson and Martinec 2004; Kates 2004; Leigh, Peters, and Shelton 2006; Lewis and Bridger 2000; Penaloza 2000; Gilmore and Pine 2007; Rose and Wood 2005; Thompson, Rindfleisch, and Arsel 2006). Grayson and Martinec (2004) note that consumers' con-

cern with the authenticity of market offerings is “longstanding, persistent, and of contemporary significance.” Alternatively, Gilmore and Pine (2007) argue that authenticity is the new business imperative driven by the demands of the experience economy in which authenticity has superseded quality as the current consumer mandate. Lewis and Bridger (2000) state that the “new consumer” pursues a quest for authenticity of self-enhancing, quasi-religious significance in the realm of consumption. In this same vein; – that concern with authenticity is modern, Revilla and Dodd (2003) note that authenticity is a value produced by modern life.

Interpretive brand studies (Avery 2008; Beverland 2006; Brown et al. 2003; Grayson and Martinec 2004; Holt 2002; Kates 2004; Thompson et al. 2006) demonstrates that a *major contested domain* animating customers and non-customers is the authenticity, or legitimacy, of a brand. One can detect in their conversations two issues regarding brand authenticity; – *internal* versus *external* consistency (cf., Gilmore and Pine 2007). The first issue involves whether the brand is true to itself; – being *internally consistent*. The second involves whether the brand is what it appears to be, and not the result of marketing gimmicks or exaggerated claims, or even counterfeit goods; – being *externally consistent* (Beverland and Farrelly 2010; Brown et al. 2003).

Two recent examples of Porsche advertising represent these two conceptually distinct issues of brand authenticity. In Porsche’s 2008 Bloodlines television commercial for the Cayenne GTS a man driving a Cayenne GTS pulls up to an urban overlook where sounds of roaring Porsche engines fill the air in his imagination. A shot appears of a newspaper story with the headlines, “Porsche: Urban Legend Fact or Fiction,” followed by still shots of classic Porsches, 911s and Caymans, accompanied by the roaring of their engines. The final shots present engine roaring Porsche Formula 1 race cars to the voiceover, “The Bloodlines are unmistakable, the new Cayenne GTS. Porsche, there is no substitute.” The message conveys that the Cayenne is a real Porsche, a member of the Porsche family.

This message reflects *internal consistency*; is the brand true to itself? Does the brand embrace a stable core consistent with its essence, heritage, soul, values and uniqueness to which it remains faithful, and from which it does not stray, resisting pressures to be something else. A brand manager stewarding an internally consistent brand does not follow whims, trends in the marketplace, or potentially lucrative, but unrelated growth opportunities. Rather, the internally consistent brand manager remains committed to the brand itself, even ignoring market opportunities and customer preferences, if they conflict with his or her belief in what the brand stands for, or how the brand has been traditionally constructed and managed

(Avery 2008; Brown et al. 2003; Beverland 2008; Gilmore and Pine 2007; Thompson et al. 2006). The internal consistency of brands mirrors conceptions of the internal consistency of the self construct. This first meaning of brand authenticity is analogous to Polonius’s advice to his son Laertes in *Hamlet*. Above all, “to thine own self be true” and to the myriad, popular self-help books and advice on finding, discovering and recovering one’s *authentic self*, as well as the psychological construct, authentic self.

A September 2009 *New York Times* print ad for the Porsche 911 headline states “Roots in racing, not posing.” Here Porsche addresses the *external consistency* of the brand; a Porsche does not pose as something that it is not. Porsche is what it appears to be. The Porsche ad implies that some unnamed competitor is posing as having a racing heritage. External consistency assumes the existence of a stable internal core (internal consistency) that the brand presents openly, genuinely, honestly, and sincerely without deception, feigning, or fabrication. In its relations to stakeholders; – customers, publics, suppliers, and employees, an externally consistent brand strives to be trustworthy, honest, and credible. In *Hamlet* Polonius follows his internal consistency advice to Laertes quoted above with “And it must follow, as the night the day, Thou canst not be false to any man,” arguing that one must be true to others; – externally consistent. These traits parallel those of the *authentic self* in interpersonal relationships in which authenticity reflects consciously avoiding misrepresentation of self to others, engaging in open and honest discussions, and being willing to correct inaccurate partner understandings (Lopez and Rice 2006). Authenticity, then, requires that a brand or person exhibit both internal and external consistency.

Authenticity and Brand Extensions. Brand extensions by definition, move the brand into new directions (cf., Gerzema and Lebar 2008), whether within the same product category (Porsche’s development of the Cayman and the Boxster; – a line extension), new subcategories (Porsche’s introduction of the Cayenne SUV), or new product categories; – category extension (Porsche’s majority ownership of the subsidiary Porsche Design Group comprised of three divisions selling men’s luxury, fashion accessories, Porsche vehicle-related products for Porsche drivers and fans, and design services).

An extension is etymologically something that is *stretched* from the original idea, the brand. Thus, an extension is both the thing itself and something else; – something different from the original thing, but connected to it and springing from it. An authentic brand extension creates a distance for itself from the commodified nature of mass markets and mass consumption (Holt 1998). It also provides “an escape from the phoniness that underlies most of today’s market practices” (Grayson et al.

2004). An authentic brand extension preserves the unique quality, heritage, and essence of the parent brand that differentiate it from others and conveys a high degree of legitimacy or, *internal consistency* – the brand is always true to itself. An authentic brand extension is not only true to its parent brand, but also appears to be authentic to its customers. It cannot appear to be the result of marketing gimmicks or exaggerated claims. An authentic brand extension thus shows its *external consistency* through its brand manager's motivation and commitment to preserving and conveying the true values of the brand to its customers.

Conceptual Definition

Drawing from the earlier discussions, we define perceived brand extension authenticity (BEA) as a consumer's perception that a brand extension is a legitimate extension of the brand. We propose that brand extension authenticity reflects four interrelated, but distinct, dimensions. We derived these dimensions from a close reading of research on authenticity and brand authenticity across a wide range of product categories and industries.

Maintaining Brand Quality. For such diverse brands as luxury wines (Beverland 2005, 2006), film sequels (Brown et al. 2003), and sports cars (Avery 2008), researchers have demonstrated that the quality of brands as reflected in production processes, components/ingredients, and other attributes signals its degree of legitimacy and reinforces (or undermines) its brand identity. Quality commitments engendering authenticity often include distinctive, traditional, hand-crafted methods, and artisanal standards that limit production and connote that the brand is the real thing; – not a mass, commodified object (Avery 2008; Beverland 2005; Beverland 2006; Beverland, Lindgreen, and Vink 2008; Gilmore and Pine 2007; Thompson et al. 2006). However any functional, aesthetic or stylistic choices brand managers make to broaden market demand for a brand can shape customer perceptions of brand extension authenticity. Extensions developed using inferior production methods, components, features, ingredients, style, design, or standards risk that consumers will perceive them as inauthentic.

Honoring Brand Heritage. Brands have distinct origins; they are created in specific places at specific times with particular methods of production and designs and styles that reflect cultural associations and concrete referents (Brown et al. 2003; Beverland 2008; Grayson and Martinec 2004; Leigh et al. 2006; Penaloza 2000). Over time, as a brand remains true to itself, these origins create brand heritage; – traditions that reflect unbroken connections to its origins. The development and maintenance of brand heritage relies on indexical cues (Grayson and Martinec 2004); – perceptions that the brand has an *actual*

connection to the cultural associations that ground its heritage. This dimension parallels Gilmore and Pine's *referential* authenticity (2007); – authenticity based on connections to time-situated places, objects, persons, events. Such cultural markers lend authenticity to market offerings by enhancing their verisimilitude and realism. Similarly, a brand extension that respects the brand's heritage provides evidence that it is genuine. Signals of brand heritage may include cultural associations around place of production, founding parent, brand prototype, and traditional style and design. Brand extensions that violate heritage, origins, and traditions will appear inauthentic.

Preserving Brand Essence. Brand essence refers to the soul of the brand and its fundamental values (Beverland 2005; Kelly 1998) that define what it stands for and make it unique. Marketing scholars have variously referred to brand essence as its DNA, unique selling proposition, brand mantra, and brand promise (Holt 2004; Keller 2008). As van Rekom et al. (2009) note, brands represent "reproductions of a same original idea." Thus a brand represents a *unique, distinct, singular concept* that mirrors its identity, but replicates itself as market offerings. These *copies* may be identical renderings as in the case of many consumer package goods, or they may vary as with artistic and entertainment offerings; – where for example actors, film-makers, novelists, and music performers serve as brands. In the latter examples we can consider film sequels (Brown et al. 2003), novels, and albums as brand extensions. The uniqueness, singularity, and originality of the brand (cf., MacCannel 1973) provide its aura and identity (Avery 2008; Beverland and Farrelly 2010; Brown et al. 2003; Thompson et al. 2006). A brand extension at odds with its heritage and essence compromises its uniqueness and its one-of-a-kind quality and threatens its authenticity.

Committing to the Brand. The brand commitment dimension reflects an inner-directedness by the firm and its managers that resists exploitation of the brand marquee in the pursuit of commercial opportunity (Avery 2008; Beverland 2008; Lewis and Bridger 2000; Thompson et al. 2006; van Rekom et al. 2009). The inner-directed brand's manager is the "passionate creator" dedicated to the brand who does not introduce extensions potentially desired by the market that conflict with the brand's quality, heritage, and essence. As does the inner-directed person who resists external influences, the brand remains unwavering in the face of potentially attractive financial and commercial opportunities. In so doing, the brand remains aloof from the pressures of the market, commodification, mass consumption, and potential customers who would be attracted to the brand for the wrong reasons (Avery 2008; Holt 1998; Kates 2004; Leigh et al. 2006). Thus, consumers will reject brand extensions that appear to reflect externally driven, profit-focused opportunities as inauthentic. While the first two dimensions of

brand extension authenticity evaluate the legitimacy of the brand manager's choices in constructing an extension, and the third is the outcome of these choices on the brand meaning, this fourth dimension reflects the perceived legitimacy of the brand manager's motives for making these choices.

FIT VERSUS AUTHENTICITY AS THE BASES FOR BRAND EXTENSION EVALUATION

Authenticity offers a complementary perspective to fit for understanding how consumers judge brand extensions. Fit captures whether the extension is similar to the parent brand and variously refers to the degree to which a brand extension can be classified as a "member of the parent-brand category" (Boush and Loken 1991), the similarity between the extension product category and existing products affiliated with the brand (DelVecchio and Smith 2005), the degree of relevance of specific attributes or benefits between the extension and the parent brand (Broniarczyk and Alba 1994), linkage between associations of parent brand name and extensions, or the similarity of the extension's initial image with that of the parent brand (Bhat and Reddy 2001; Park, Millberg, and Lawson 1991). Regardless of their conceptualization of fit, researchers suggest that as it increases, consumers more confidently transfer their favorable associations of the parent brand to the extension, which in turn contributes to the formation of positive evaluation of extension product (Aaker and Keller 1990; Gronhaug, Hem, and Lines 2002), and reduces the consumer's perceived risks (DelVecchio 2000).

However, some evidence suggests that fit is not always a good predictor for the success of brand extensions. Meyers-Levy, Louie, and Curren (1994) examine the degree to which a parent brand and a new product are congruent or linked by common associations, and find that the brand extension with moderate incongruence is preferred over the ones that have extremely high congruence or incongruence. They observe an inverted-U effect of fit on brand extension favorability. Maoz and Tybout (2002) reexamine this relationship in two experimental conditions: consumers' high involvement and low involvement, and conclude that a moderately incongruent extension is evaluated more favorably than either a congruent extension or an extremely incongruent extension when consumer involvement is high.

Perceived fit reflects the perception of similarity between the extension and the parent brand. The question of fit is thus a cognitive one, raising the issue of perceived *compatibility or similarity* of the extension to the parent brand (Ahluwalia 2008; Boush and Loken 1991; Broniarczyk and Alba 1994; Dacin and Smith 1994; Klink and Smith 2001; Mao and Krishnan 2006; Meyvis and Janiszewski (2004); Monga and John 2007; Lane 2000;

Park, Millberg, and Lawson 1991), but does not engage the self image of consumers, nor their interest in and connections to the product category, or the brand. Researchers studying fit have not suggested that consumers' connections to the brand or parent or extension categories play any role in judgment of fit, nor have they manipulated or measured these variables. They implicitly assume that knowledge (either created or brought to an experiment or survey) of the parent brand and extensions is sufficient for consumers to evaluate fit and thus form assessments of the extension.

An alternative perspective reflects the extent to which consumers perceive the brand extension to reflect the essence, aura, or "DNA" of the parent brand (e.g., Brown et al. 2003; Grayson et al. 2004; Holt 1998; Kelly 1998); – a question of *legitimacy*, or authenticity. Brand essence differs from brand image in that the latter refers to all possible associations with regard to the brand (Aaker 1996; Krishnan 1996), whereas the former refers to the most essential features of the brand which play a crucial role in conveying brand identity, creating and sustaining brand equity (Keller 1993; Kim and John 2008). While marketers can use marketing tools to create favorable brand images, maintaining brand essence in new brand extensions challenges brand managers. As a vivid illustration, Harley Davidson faltered when they tried to stretch the brand to fragrances, because their loyal customers could not link fragrances to Harley's core features of ruggedness and masculinity (Haig 2003). Similarly, Porsche's introduction of Porsche Cayenne invoked much discussion of the legitimacy of the Cayenne even though it represents a very closely related product category (Avery 2008). Volkswagen's managers struggle to rebuild the authentic New Beetle in order to preserve the brand essence in a radically innovative model (Brown et al. 2003). These examples suggest that BEA is a *major contested domain* and that authenticity in brand extensions is highly desired by consumers and may drive brand extension success. We argue that brand extension authenticity differs fundamentally from fit in three important ways; – unlike fit BEA springs from a consumer's self image, is socially constructed, and normatively based.

Self Image and Authenticity

A number of researchers suggest that consumers' quests for authenticity springs from their self images (Arnould and Price 2000; Belk and Costa 1998; Beverland 2006; Beverland, Lindgreen, and Vink 2008; Beverland and Farrelly 2010; Brown et al. 2003; Grayson and Martinec 2004; Gilmore and Pine 2007; Kates 2004; Holt 2002; Leigh et al. 2006; Lewis and Bridger 2000; Thompson et al. 2006). Additionally, brands play important roles as social markers in consumer's creation and communication of their identities (Belk 1988; Escalas and Bettman 2005; Klein, Kleine, and Kernan 1993; Kleine,

Kleine, and Allen 1995; Sirgy 1982; Solomon 1983), as well as reinforcing attitudes toward self (Escalas and Bettman 2003; McCracken 1988). We argue that perception of BEA engages the self images of consumers and extends from their interest in the product category, or the brand. Assessments of BEA derive not only from the desire for authentic consumption experience, but more importantly from the demand for seeking, maintaining, and asserting the authentic self. Gilmore and Pine (2007) define authenticity as purchasing on the basis of conforming to self image. Thus, judgments of BEA should be self-referential. As such, we assume consumers' connections to the brand operate to shape their reactions to brand extension authenticity. Avery's (2008) analysis of Porsche Cayenne conversations shows that perceptions of its authenticity were very much shaped by one's type and level of engagement with the Porsche brand. A consumer indifferent to the parent brand may well be able to judge the fit of an extension with its parent, but will not react strongly to its authenticity.

The Social Construction and Normative Basis of BEA

As Peterson (2005) notes in his study of country music, authenticity is not an inherent property of an object, person, or performance. "Rather, authenticity is a claim that is made by or for someone, thing, or performance and either accepted or rejected by relevant others." Conversations among consumers increasingly play an important role in defining brands and whether their directions or extensions are authentic (Avery 2008; Brown et al. 2003; Germeza and Lebar 2008; Gilmore and Pine 2007; Thompson et al. 2006). Individuals define their own experiences of authenticity, but do so in the context of relevant others' perceptions and shared understandings. Thus, authenticity and BEA are in the eye of the beholder, but reflect the views of others whose collective meanings shape the beheld. Alternatively, conceptions of fit represent whether consumers categorize an extension as a member of a *class or group* shared with the parent brand, whether the category is constructed by product type, shared attributes, image similarity, or target customers (Aaker and Keller 1990; Boush and Loken 1991; Delvecchio and Smith 2005; Broniarczyk and Alba 1994; Bhat and Reddy 2001; Park, Millberg, and Lawson 1991). While such conceptions may be socially defined (as with all linguistic categories), the determination of fit is essentially a categorization problem.

In contrast to fit, the authenticity of a brand, or a brand extension rests, on its legitimacy and, as such is normatively based. Judgments of authenticity ultimately spring from a social and moral contract rooted in the claim, either implicitly or explicitly, that the object is what it appears to be and not a simulacra, fake, or copy. This aspect of authenticity reflects *external authenticity*; – the trustworthiness, honesty, and credibility of the brand as it extends

in new directions. As brands increasingly serve as social markers and cultural resources for constructing the self, they embrace a social contract to uphold the meanings that form the basis of their symbolic capital which reflects a significant aspect of their value to consumers and their brand equity. Brand extensions may reinforce, undermine, energize, or evolve the meanings of the parent brand. If the extension alters brand meaning in such a way that it no longer serves as a social marker, or undermines its identity constructing function and the perception of its being a reliable partner, it violates its social contract, damages its trustworthiness, and risks its integrity and authenticity. Thus, inauthentic brand extensions carry not merely brand dilution risks, but fundamental risks to brand morality.

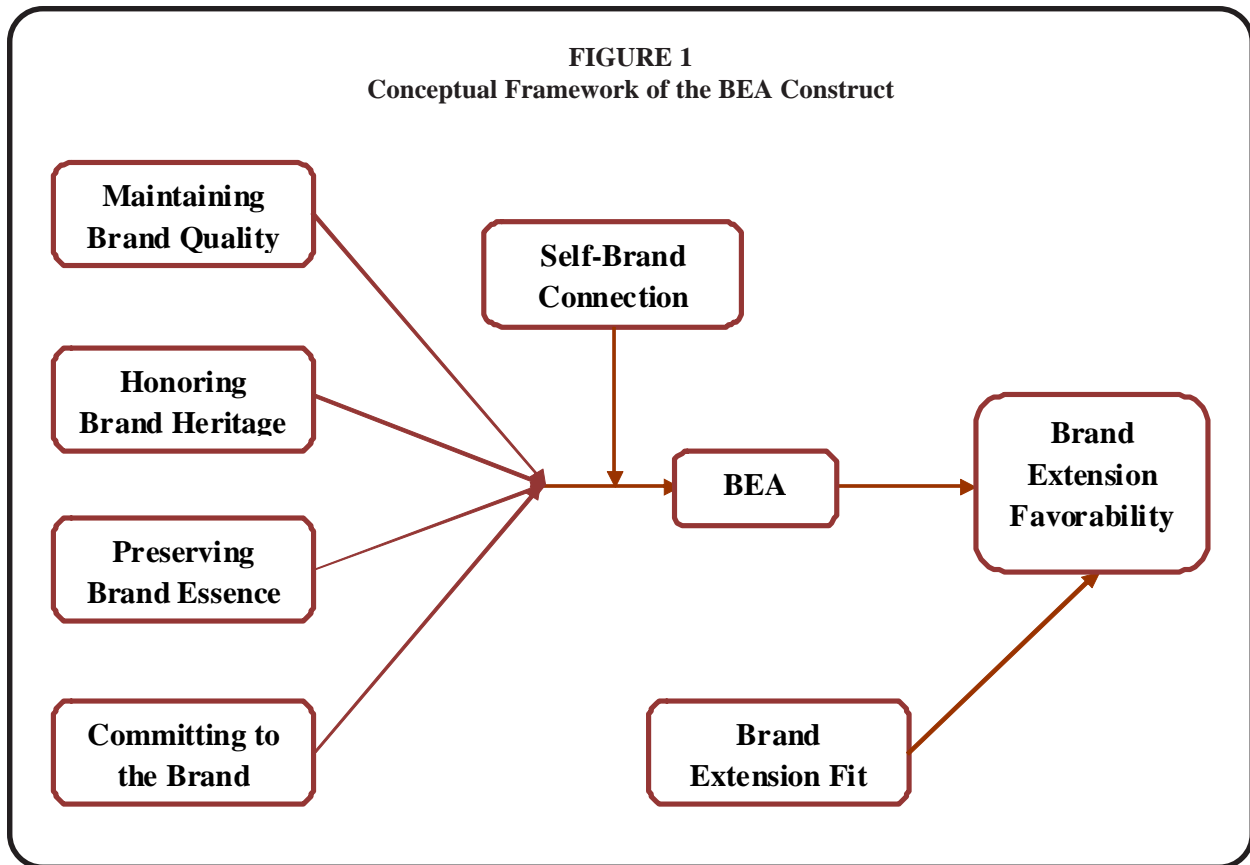
The self-referential, socially constructed, and normative basis of BEA render it fundamentally different from brand extension fit. Brand extension researchers have suggested that appropriately fitting brands are likely to enhance brand extension success and that poorly fitting extensions may dilute brand beliefs (Loken and John 1993) and presumably thus damage the equity of the parent brand. However, brand extension researchers have not suggested that poorly fitting extensions render parent brands untrustworthy, illegitimate, or symbolically irrelevant. We argue that inauthentic extensions risk the trustworthiness, legitimacy, and symbolic relevance of extension and the parent brand.

SUMMARY AND CONCLUSION

In an age where consumers increasingly seek authenticity in the marketplace, we argue that brand extension success is increasingly shaped by consumer perception of brand extension authenticity (BEA), as well as fit. We develop the BEA construct, defining four dimensions that comprise it; – maintaining brand quality, honoring brand heritage, preserving brand essence, and committing to the brand. As Figure 1 indicates, these four dimensions determine BEA which is moderated by self brand connection. Along with fit, BEA shapes the favorability of consumers to a brand extension.

The BEA concept complements that of fit in understanding the dynamics of consumer responses to brand extensions. Favorable reactions to brand extensions lead to both the success of brand extensions and also their impact on the value of parent brands. Lane and Jacobson (1995) demonstrate in an event study that the announcement of a brand extension impacts stock market returns; – positively for brands with high esteem and high familiarity *and* those with low esteem and low familiarity. The market responds less favorably or negatively for those brands with inverse associations between esteem and familiarity. Gerzema and Lebar (2008) suggest that new products *energize* brands because they reflect movement

FIGURE 1
Conceptual Framework of the BEA Construct



and concomitantly vision, innovation, and dynamism. They further argue, based on 15 years of studying brands with Y&R's BrandAsset® Valuator, that increases in brand energy (along with brand relevance) result in increases in current sales (one-third of the impact) and in future sales (two-thirds of the impact). Thus, brand exten-

sions not only pave the way for new product introductions, but potentially enhance the value of the parent brand. The self-referential, socially constructed and normative basis of BEA may offer further insight for understanding how to influence brand esteem and energy and, thus brand extension success.

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DEVELOPING STRATEGY FOR NEW, INNOVATIVE PRODUCTS USING CONSUMER'S MINDFULNESS AND KNOWLEDGE

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SUMMARY

Firms depend on the success of their new, innovative products to maintain growth, financial performance, and competitiveness (Hauser, Tellis, and Griffin 2006; Sood and Tellis 2005). Steps that precede consumer decisions to adopt innovations have been studied extensively (for examples, see Gatignon and Robertson 1985; Rogers 2003). However, research exploring consumer's underlying information processing while evaluating new products is limited (Moreau, Lehmann, and Markman 2001; Rogers 2003). Understanding these processes and how they affect adoption decisions is an element critical to the success of new, innovative products. The mindfulness construct (Langer 1989) has the potential to extend our knowledge of the processes used by consumers in their evaluation of these products.

Mindfulness is a cognitive style describing an individual who is "open to novelty, alert to distinctions, sensitive to context, aware of multiple perspectives, and oriented in the present" (Bodner and Langer 2001, p. 1; Sternberg 2000). Consumers who are less mindful tend to process information within categories that already exist in their schema (Langer 1989). Extant research has shown that when consumers process information about new products within existing categories, they are less likely to perceive relative advantages and adopt the innovation (Gregan-Paxton et al. 2002; Moreau, Lehmann, and Markman 2001; Olshavsky and Spreng 1996). Therefore, those who have a greater propensity for mindfulness may be more likely to embrace these products because they are more open to new information and process it more actively (Langer and Moldoveanu 2000).

Information-processing theory provides a foundation that allows study of the mindfulness construct as part of a comprehensive framework. One approach, piecemeal and category-based processing (Fiske 1982), was referenced for this research since its consideration of category-based processing complements the mindfulness construct. Since mindfulness has a positive relationship to active information processing (Bodner and Langer 2001), it is hypothesized that a mindful individual will be more likely to engage in piecemeal-based processing. Sujan (1985)

studied the relationship between consumer's product category knowledge and processing style and found that when a stimulus matches an expert's category-based knowledge, category-based processing is used. If there is not a match, piecemeal-based processing is utilized. The current study hypothesized that the individual's mindfulness level has a moderating effect on the relationship between knowledge and type of processing.

The stimulus for this study was a nutritional supplement patch. A survey was administered to undergraduate students ($n = 361$) to assess their degree of mindfulness, product knowledge, and processing style. From the results, it is concluded that when activated, mindfulness alone does not have a direct effect on an individual's processing style in terms of the probability of engaging in piecemeal-based processing. However, when the interaction between knowledge and mindfulness is considered, the prediction that those high in knowledge and mindfulness have a high probability of utilizing piecemeal rather than category-based processing is supported. Most significantly, this interaction yields results that differ from those that would be expected considering the relationship between knowledge and processing style alone. If only knowledge is considered, it is expected those with a high level of knowledge will have a high probability of utilizing category-based processing (Sujan 1985). This study, by incorporating the mindfulness construct, adds another dimension to our knowledge of the factors that affect processing style during new product evaluation.

Understanding the role of mindfulness and product knowledge in product evaluation allows marketers to leverage processing style to develop more effective product strategy especially in terms of market segmentation and positioning. Piecemeal-based processing leads to more favorable adoption decisions for innovative products. By activating mindfulness by placing the product in a category that is new to the consumer, the probability of piecemeal-based processing by individuals with a high level of mindfulness will be increased. As a result, consumers in this segment will be more likely to perceive the relative benefits these products offer increasing the probability of adoption. References are available upon request.

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INSTITUTIONAL PRESSURES, MANAGERIAL COGNITION AND ORGANIZATIONAL BEHAVIOR: IN THE CONTEXT OF MULTICULTURAL MARKETING

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SUMMARY

The inclusion of multiculturalism in mainstream marketing programs represents a practice that is exercised to varying degrees across firms and industries. The present study attempts to explain this variance by integrating insights from the institutional theory and strategic issue diagnosis literatures. A conceptual model is established, proposing that institutional pressures encourage companies to include multicultural elements in their mainstream marketing campaigns, and that an opportunity (threat) appraisal of this specific practice enhances (attenuates) the effect.

The growing populations and increasing purchasing power of minority groups in Canada represent significant market shifts that practitioners have started acknowledging at varying speeds and to varying degrees across and within industries. Companies are increasingly adjusting their marketing discourses to reflect the “multiethnic” composition of today’s society. Recently, a focus has been directed toward identifying the causes and effects of differentiated marketing practices, which deal with tailoring marketing messages to minority groups and diffusing them through specific ethnic media outlets. However, there is an evident gap in the literature, with respect to identifying the factors that lend companies to incorporate multicultural elements in their mainstream marketing materials and the effectiveness of such a practice.

The present study attempts to shed light on this phenomenon by referring to the institutional theory and strategic issue diagnosis literatures, which provide complementary sets of considerations in explaining strategic behavior. Institutional theorists contend that an organization’s social environment plays a critical role in shaping its communication activities, leading to convergent organizational behavior. More recently however, some researchers argue that firms do not necessarily blindly conform to institutional pressures, but rather behave in a wide variety of ways, ranging from passive compliance to active resistance. Within the strategic issue diagnosis stream of research, it is asserted that managerial cognition is an essential component of the organizational decision making process, and that managers interpret strategic issues derived from their environments as either an opportunity or threat, leading to more divergence in organizational behavior across firms. In sum, these two

streams of research postulate that both environmental constituents and organizational characteristics have an impact on the likelihood that a company adopts or resists particular strategic actions. The conceptual model presented in this study demonstrates that high perceptions of coercive, mimetic and normative pressures entice firms to adopt multicultural marketing practices and that these influences are most powerful when the strategic issue of implementing multicultural elements in marketing materials is perceived in terms of benefits (i.e., opportunity) as opposed to losses (i.e., threat). It is also expected that the adoption of multicultural marketing practices will be more prevailing among market-oriented firms, rather than technology-oriented ones. Finally, the legitimacy acquired through conforming to institutional norms is expected to enhance the firm’s reputation.

The main contribution of this study is the development of a conceptual model that integrates institutional pressures and managerial cognitions in explaining strategic behavior. Past findings demonstrate that institutional expectations urge companies to adopt similar strategies, yet as within our context, firms do not perfectly comply to those expectations but rather employ a wide variety of strategies, ranging from conformance to defiance. Furthermore, the strategic issue diagnosis literature emphasizes strategic divergence based on how managers interpret a specific strategic issue. Mixed findings across the literature however, pertaining to whether it is the opportunity or threat assessment that leads to strategic action, indicates that the relationship between organizational cognition and behavior might not be linear. The moderating role of managerial cognition, affecting the relationship between institutional constituencies and organizational behavior provides a potential explanation for these inconsistencies. The reputation outcome of the proposed model is another contribution of the study, since it has not been extensively studied in the institutional nor strategic issue diagnosis literatures, yet potentially yields important practical implications.

Future research should first and foremost focus on empirically testing the proposed model and potentially generalizing its applicability to different strategic issues encountered in institutionalized environments. It would also be interesting to elaborate on the different possible outcomes of the proposed interactions between institutional pressures and managerial cognitions, and present

contexts in which threats might incite adoption strategies, while opportunities might lead to defiance strategies.

The rapid shift in consumer demographics represents an important consideration for marketing practitioners who design and promulgate promotional messages in

North America. It is argued in this study that multicultural marketing is becoming an institutionalized practice that is adopted to gain legitimacy, as opposed to increased efficiency, however, it is only undertaken if it is perceived in terms of benefits as opposed to losses.

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THE IMPACT OF UNPROFITABLE CUSTOMER ABANDONMENT ON CURRENT CUSTOMERS' EMOTIONS: NEGATIVE OTHER-FOCUSED VS. POSITIVE EGO-FOCUSED

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SUMMARY

The proactive termination of customer relationships that lack profitability (“unprofitable customer abandonment”) has previously been discussed in academic literature and shown to be associated with substantial value (Haenlein et al. 2006). Nevertheless, there is only insufficient insight into its impact on existing customers the abandoning firm would like to retain. Our study therefore investigates (a) the emotional reactions of the abandoning firm’s current customers in response to unprofitable customer abandonment, (b) how the tie strength toward the abandoned customer influences these reactions, and (c) the relationship between emotional reactions and behavioral intentions in response to unprofitable customer abandonment.

Following the work of Clore et al. (1987) we use the term emotion to describe internal mental affective conditions. We classify emotions along the two dimensions valence (positive/negative) and focus (ego-focused/other-focused) (Kitayama et al. 2000; Kitayama et al. 2006). Consistent with attribution theory (Mizerski et al. 1979), we assume that unprofitable customer abandonment will result in causal attributions that lead to emotional reactions (Weiner 1985). We furthermore assume that strong tie relationships are more consistent with an interdependent (vs. independent) construal of the self and therefore with other-focused (vs. ego-focused) emotions (Clark 1984; Clark et al. 1986; Frenzen and Nakamoto 1993). Prior research indicates that different emotions are related to different action tendencies (Roseman et al. 1994; Shaver et al. 1987). We assume that the valence of emotional reactions will have a relationship to the choice between positive (i.e., loyalty, positive WoM) and negative behavioral intentions (i.e., exit, negative WoM, boycott). In addition, we postulate that the focus of emotional reactions will be associated with the choice between individualistic (i.e., exit, voice, loyalty) and collective (i.e., boycott) reactions (Klein et al. 2004; McGraw and Tetlock 2005; Sen et al. 2001).

Data collection was carried using an online experiment. We collaborated with a U.S. market research firm who distributed our questionnaire via e-Mail to an online consumer panel. This resulted in a usable sample size of 428 respondents. Respondents were first asked to provide

the name or initials of “a casual acquaintance” (weak tie condition) or of “one of their closest friends” (strong tie condition, Frenzen and Nakamoto 1993). They were then exposed to a scenario text describing an unprofitable customer abandonment decision implemented by a mobile phone provider. Respondents are approximately equally split by gender, on average 43 years old with an annual income of approximately \$40,000.

Emotional reactions were measured following the work of Kitayama and Markus (2000, 2006). Behavioral intentions were measured building on Hibbard et al. (2001) for threatened withdrawal, constructive discussion, passive acceptance, and venting; Ping (1993) for exit, voice, and loyalty intentions; Bougie et al. (2003) for negative WoM; Sen et al. (2001) for boycott; and East et al. (2007) for positive WoM. To test for demand artifacts we asked respondents whether they could imagine an actual mobile phone provider behaving in the way described in the situation ($M = 3.11$, $SD = 1.07$) and whether they believed that the described situation could happen in real life ($M = 3.49$, $SD = 1.01$) on a scale from 1 to 5. The effectiveness of our tie strength manipulation was verified based on four items used by Frenzen and Nakamoto (1993).

Our analysis shows that hearing about unprofitable customer abandonment leads to emotional reactions among the abandoning firm’s current customers. Surprisingly, we observe a relative high occurrence of positive ego-focused emotions: 20 percent of respondents report to (very) likely feel good about themselves while 15 percent feel self-esteem and 11 percent pride. With respect to the impact of tie strength, other-focused emotions are significantly more likely for the abandonment of strong ties than of weak tie relationships. Regarding behavioral intentions in response to unprofitable customer abandonment, negative emotional reactions are more strongly correlated with negative action tendencies (i.e., exit, threatened withdrawal, venting, negative WoM, boycott) while positive emotional reactions show higher correlation with positive action tendencies (i.e., collaborative voice, loyalty). Yet, although other-focused emotions are experienced more frequently than ego-focused ones, virtually all action tendencies (with the exception of collaborative voice) show a stronger correlation with ego-focused than with other-focused emotions.

These findings result in three theoretical contributions: First, we show that unprofitable customer abandonment can lead to positive ego-focused emotions and that these emotions are associated with positive behavioral intentions (i.e., loyalty). Second, we show that by terminating some client relationships and maintaining others, the company signals to its remaining customers that they are of higher importance to the firm. This apparently leads to the same positive ego-focused emotions as formally upgrading them to a higher loyalty program tier (Dreze and Nunes 2009). Finally, our work enhances the concept of ego- and other-focused emotions by extending it from a cross-cultural to an interpersonal context.

From a managerial perspective, our work provides two important insights: First, we show that unprofitable customer abandonment does not necessarily only lead to negative emotions within the current customer base. Second, our results indicate that the type of relationship toward the abandoned customer matters and influences the emotional reactions experienced in response to unprofitable customer abandonment. Although it is mainly ego-focused emotions that drive subsequent behavioral intentions, customers who are related to the abandoned customer through strong ties should be of specific concern to the abandoning firm.

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BEHAVIORAL POST-CONSUMPTION INTENTIONS FROM A HIGHER-ORDER MULTIDIMENSIONAL VALUE PERSPECTIVE

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ABSTRACT

The aim of this manuscript was to test different value dimensions in fostering overall customer value. A structural model was developed and tested with customers of a large European mobile service provider. Results confirm the multidimensionality of customer value and underline significant differences between the product and service subsystems.

INTRODUCTION

Customer value is of fundamental interest for managers and scholars as well since consumers attempt to maximize value in their market exchanges with product/service providers (Bharadwaj and Floh 2008). It has been called one of the most powerful forces in today's marketplace (Patterson and Spreng 1997) and is an underlying source of competitive advantage (Woodruff 1997). Holbrook (1994) even states: "(...) customer value is the fundamental basis for all marketing activity." (Holbrook 1994). From a company's perspective, creating and delivering customer value is of fundamental importance. Value creation is reflected in a company's whole marketing-mix (Cengiz and Yayla 2007). From a consumer's perspective, these efforts made on the supply side elicit various value perceptions of the product or service consumed, regarding functional, emotional, economical and social dimensions (Petrick 2002, 2004; Sweeney and Soutar 2001). These value perceptions in turn impact behavioral intentions such as loyalty toward the firm and word-of-mouth delivered to other customers, family and friends (Lin et al. 2005).

Recognition of the relevance of the customer value concept as a major antecedent to intentional post-consumption concepts like loyalty and word-of-mouth has generated research centered around its development, composition and valid measurement (Sánchez-Fernández and Iniesta-Bonillo 2006). Past research on customer value employed a unidimensional approach. It operationalized the construct directly through single-item (e.g., Bolton and Drew 1991; Cronin et al. 1997) or multiple-item (e.g., Agarwal and Teas 2001) measures. Given the conceptual richness of the construct, a unidimensional operationalization of customer value is seen to be inadequate (Ruiz et al. 2008; Wang et al. 2004). Facing

this shortcoming in previous value conceptualizations, scholars have switched employing a multidimensional approach to capture this complexity by considering customer value as a multidimensional construct consisting of distinct components (Petrick 2002; Sheth et al. 1991). With two exceptions, the majority of these previous studies used a reflective conceptualization of the value construct. Furthermore, the analyses were conducted at the component level but the conclusions were made at the overall customer value level (Spiteri and Dion 2004). This approach is difficult to defend conceptually (Ruiz et al. 2008). It is more plausible to assume that an overall value perception is formed by the customer. Perceived customer value is formed by combining single value perceptions reflecting functional, emotional and social facets. Based on these considerations, we endorse the view of capturing customer value at a more abstract level (Zeithaml 1988). We conceptualize perceived overall customer value as a second-order formative construct. The overall value regarding both, the product and the service under scrutiny, is defined by four value dimensions which are conceptualized as reflective latent constructs, respectively.

Another shortcoming in previous value research is the negligence of consumption-systems comprising both products and services. Existing research focuses either on products (e.g., automobiles or consumer goods) (Monroe and Chapman 1987; Sheth et al. 1991; Zeithaml 1988) or on services, such as finance, sports and tourism (e.g., Cronin et al. 2000; Lin et al. 2005; Petrick 2002; Ruiz et al. 2008). Market offerings comprising a combination of service and product subsystems (e.g., mobile phones and mobile services) remain disregarded. Yet, firms are increasingly involved in the marketing of consumption-systems that contain both a significant product and service subsystem. Also, firms are realizing the complementary role of product and service subsystems in structuring consumer experiences. Firms that focused only on their product offering, now rely on associated services to differentiate their product offering and vice versa (Mittal et al. 1999). To fill this research gap, this paper proposes a first-order reflective and second-order formative, multidimensional specification of customer value and empirically assesses this conceptualization from a consumption-system perspective (product and service). In doing so, this study contributes to advancing knowledge by (1) conceptualizing a higher-order customer value construct com-

posed of distinct dimensions (2) identifying the roles of the different value dimensions in fostering overall customer value depending on the market offering (product vs. service) under scrutiny (3) examining how different dimensions of perceived customer value (product and service, respectively) impact behavioral intentions.

THEORETICAL BACKGROUND AND HYPOTHESES

Customer Value as a Second-order Multidimensional Formative Construct

Customer value has its roots in equity theory and is closely linked to the exchange theory of marketing (Kotler 1972). Traditionally, it has been conceptualized as cognitive trade-off, considering only functional aspects (e.g., price and utility). Recent studies, however, underline its multidimensionality emphasizing the relevance of social or hedonic perspectives (e.g., enjoyment) (Petrick 2002, 2004; Sweeney and Soutar 2001). Hence, the presence of both cognitive and affective factors in the nature of value is suggested (Holbrook 1994; Sánchez-Fernández et al. 2009; Sheth et al. 1991; Sweeney and Soutar 2001). Consumption experiences usually involve more than one type of value simultaneously (Babin, Darden, and Griffin 1994; Holbrook 1994; Sheth, Newman, and Gross 1991).

Hirschman and Holbrook (1982) already argued for an experiential perspective on customer value that includes not only utilitarian aspects but also the symbolic, hedonic, and esthetic aspects of the consumption process. Only recently, however, has customer value been conceptualized as a multidimensional construct (Babin and Babin 2001; Overby and Lee 2006; Petrick 2002; Petrick 2004; Sweeney and Soutar 2001) based on seminal contributions by Holbrook (1994) and Sheth et al. (1991). Considering functional as well as hedonic and social aspects, the multidimensional approach overcomes the excessive concentration on economic value of the traditional value conceptualization and echoes the growing relevance of emotions in consumer behavior research (Sánchez-Fernández et al. 2009). Based on Sheth et al. (1991) and Sweeney and Soutar (2001), an extended four dimensional conceptualization of customer value is adopted for this research (Sweeney and Soutar 2001; Wang et al. 2004; Zeithaml 1988). The four dimensions can be described as follows: (1) functional value (performance/quality): the value derived from the expected performance and the perceived quality of the offering; (2) emotional value: the value derived from the feelings or affective states that an offering generates; (3) economical value (price/value for money): the value derived from the offering in proportion to the perceived short term and longer term costs (output/input ratio); (4) social value: the value derived from the offering's ability to enhance social self-concept.

The relevance of these value dimensions may vary depending on the type of product or service being considered. For example, Sheth et al. (1991) found that functional and social value dominated the decision as to whether to use filtered or unfiltered cigarettes, whereas emotional value was the key to the decision to smoke. Accordingly, researchers have argued that consumption experiences usually involve more than one type of value simultaneously (Babin et al. 1994; Holbrook 1994; Sheth et al. 1991). The influence of the four value dimensions on overall value and related constructs are a promising area worth further research (Parasuraman and Grewal 2000). Thus, we assume that:

H1-ABCD: The different value dimensions have varying influence on the overall value perception, depending on the product or service being considered.

Influence of Customer Value on Post-Consumption Intentions

An understanding of the determinants of loyalty intentions may help firms to manage profitability by allocating resources between the product and service subsystem optimally (Anderson et al. 1997). Loyalty intentions can be viewed as a customer's psychological disposition toward a product or service. In a purchasing situation, loyalty intentions reflect favorable attitudes toward the brand or firm. Not only cognitive aspects but also affective aspects need to be considered to explain the evolution of loyalty. (Vogel et al. 2008).

Few studies have examined customer value, conceptualized as a multidimensional construct, in relation to behavioral intentions (see Gallarza and Gil Saura 2006; Petrick 2004; Pura 2005; Wang et al. 2004). The literature that does exist is characterized by dissimilar conceptualizations of customer value and related constructs such as satisfaction, loyalty or repurchasing intentions, leading to contradicting results. Hence, direct comparison of the empirical results is at least problematic (Woodall 2003).

Based on various hints from previous research, however, (e.g., Heskett et al. 1994; Parasuraman and Grewal 2000; Patterson and Spreng 1997; Reichheld 1996; Tam 2004), we assume that customer value is the key determinant of post-consumption intentions like loyalty and word-of-mouth (Cengiz and Yayla 2007; Lin et al. 2005). Moreover, it represents the foundation for "true" customer loyalty (Reichheld 1996). Higher levels of customer value lead to higher levels of customer loyalty which in the long run determines the success of organizations (Cronin et al. 2000; Snoj et al. 2004; Ulaga and Chacour 2001). In other words, loyalty intentions may have an immediate influence on (buying) behavior (Vogel et al. 2008).

Considering the previously discussed multidimensional conceptualization of customer value encompassing both cognitive and affective factors, it is proposed that:

H2: (Overall) customer value is positively related to loyalty intentions.

H3: (Overall) customer value is positively related to word-of-mouth.

The Product and Service Subsystems in Consumption-Systems

From both the firm's and the consumer's perspective, the product and service systems are key subsystems influencing each other. The consumption-system approach is conceptually based on the General Living Systems Theory (Miller 1978; Mittal et al. 1999; Reidenbach and Oliva 1981). In outlining this general theory, Miller (1978) has attempted to develop a complete description of the structure, process, and behavior of all living systems – from organisms to organizations. By identifying the critical subsystems all living systems must have, he made the interrelationships and overlapping among these subsystems manifest (Reidenbach and Oliva 1981).

A consumption-system may be examined cross-sectionally to gain a structural view of the consumption experiences. From the consumer's and the firm's perspective, the product and the service systems are key subsystems of a given consumption-system. The product and the service subsystem are consumed and evaluated simultaneously. In case of the mobile telecommunication consumption-system, the mobile phone and the mobile service are the key subsystems. This is of particular relevance, for continuously provided services – such as (mobile) telecommunications – in which the provision of customer value is closely tied to duration of the provider-customer relationship and ultimately its profitability (Bolton 1998). The high costs involved in the acquisition of new customers makes the early stages of new customer relationship unprofitable. Only in the later stages, with the decreased cost involved in serving a loyal customer, does such a relationship become profitable (Reichheld and Sasser 1990).

Prior literature has made some attempt to analyze consumption-systems for satisfaction and related constructs. Oliver and Swan (1989) as well as Westbrook (1981), for instance, found that satisfaction with the service related significantly to satisfaction with the product. Mittal et al. (1999) show in their investigation of automobile owners that the relationship among attribute-level performance, satisfaction, and behavioral intentions change during the consumption process. While service satisfaction initially had much larger impact in determining allegiance toward the manufacturer, later product

satisfaction was more influential in generating loyalty toward the parties involved. Following that, Mittal and Katrichs (2000) found that there are temporal changes in an attribute's importance in determining overall satisfaction.

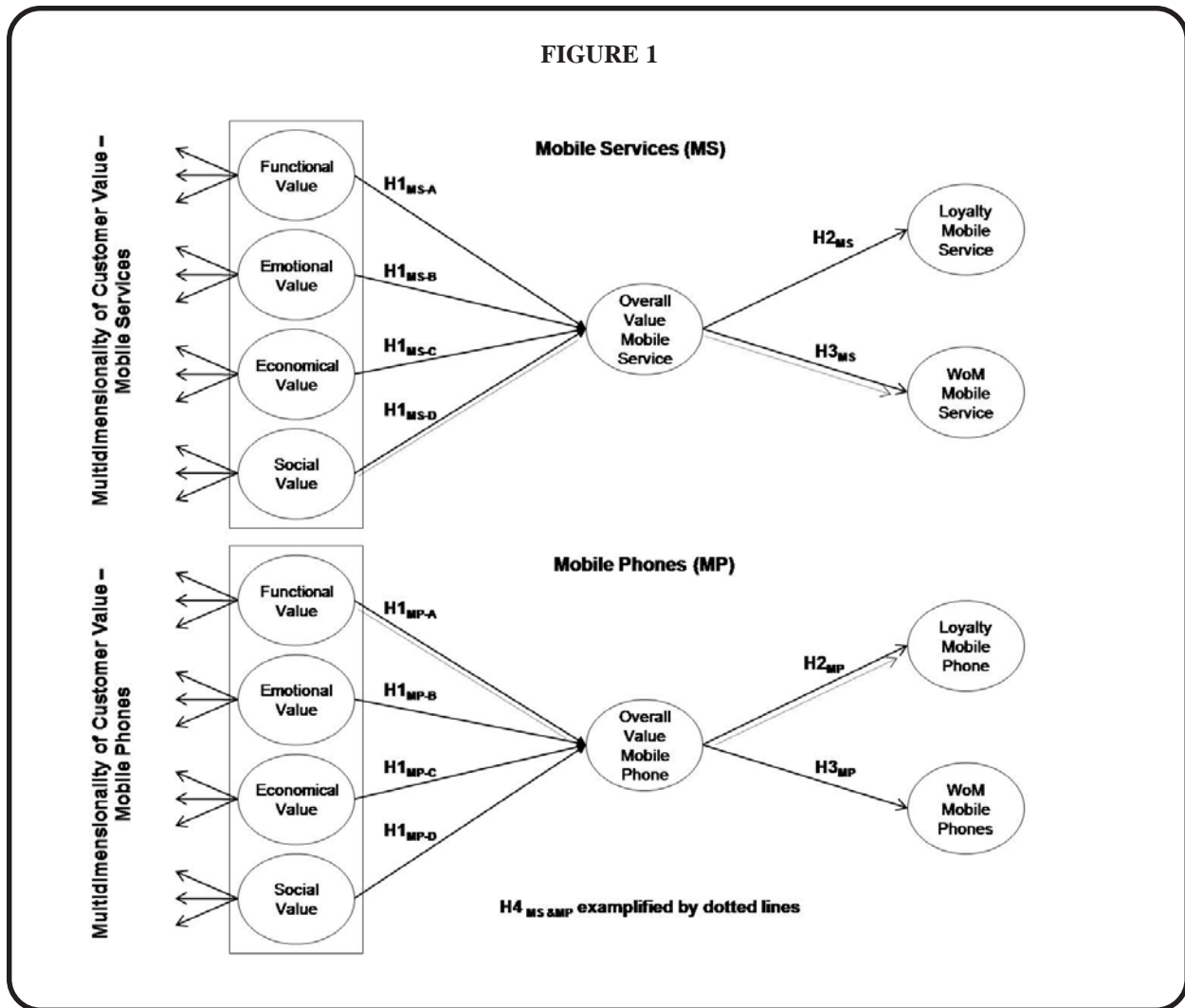
To the best of our knowledge, however, no study analyzed the underlying dimensions of customer value from a consumption-system perspective. To bridge this gap, we empirically assessed the value perceptions of the product and service subsystems in the consumption-system of mobile telecommunications simultaneously. Due to differences between products and services (Sibley 2007), we assume the four value dimensions have different influence on subsequent behavioral intentions.

H4: The four value dimensions are expected to have a different impact on the formation of loyalty and word-of-mouth, in the case of products versus services, respectively.

METHODOLOGY

The multidimensional conceptualization of value adopted in this study is based on Sheth et al. (1991) and Sweeney and Soutar (2001). All constructs were measured with items used previously in literature. Only positive word-of-mouth was included (Cronin et al. 1997; Johnson et al. 2006; Petrick 2002; Salzberger 2009; Sweeney and Soutar 2001; Yang and Peterson 2004). The items were adapted to the context of the present study. Two focus groups were conducted in order to test the appropriate wording of the items. A seven-point rating scale, 1 = "strongly disagree," 7 = "strongly agree," was used throughout the survey. We conceptualize perceived overall customer value as a second-order formative construct. The overall value regarding both, the product and the service under scrutiny, is defined by four value dimensions which are conceptualized as reflective latent constructs, respectively. This approach is backed up three times: firstly, various value dimensions forming an overall value perception is more plausibly grounded in reality. For instance, perceived functional value of a product contributes to a person's overall value perception of this product. The overall value perception being reflected in the single value dimensions of, e.g., functional value is less likely. Results of two focus groups assisting in a qualitative pre-assessment to our main quantitative study confirmed our assumptions in this regard. Secondly, conceptualizing perceived overall value as a second-order formative construct is in line with suggestions in recent literature (Lin et al. 2005). Thirdly, the prerequisite of weak correlations between the different forming dimensions of customer value is backed up by our empirical data (see Table 1). However, even stronger correlations between the underlying value dimensions do not necessarily infringe on a formative approach (Lin et al. 2005).

FIGURE 1



Data collection was administered with an online questionnaire. An electronic invitation to take part in the research project was emailed to students of a large European Business School, leading to 878 participants in the online survey. A mobile phone was promised to a randomly drawn respondent as incentive. Structural Equation Modeling (SEM) was used for analyzing the data since it appears to be the best available statistical technique for testing the hypotheses of latent variables. SEM enables the estimation of measurement error and the calculation of reliability and validity indices. Prior to the analyses the authors checked for homogeneity in wording of the service and product value items. Due to slight differences 4 pairs of items were deleted. Subsequently, a confirmatory factor analysis was run to test for construct validity of the measurement model. Following Marsh, Hau, and Wen (2004) highly satisfactory fit indices were achieved [$\chi^2 = 2167$; $df = 753$; CFI = .946; TLI = .938; RMSEA = .046; SRMR = .048].

Composite reliability (CR) and average variance extracted (AVE) were calculated to check for reliability. All

measures are above the recommended thresholds of CR and AVE suggesting satisfying construct validity. Additionally, all factor loadings were significant and exceeded the suggested level of .5, supporting the convergent validity of the constructs (Hair et al. 2006). To test for discriminant validity, the authors followed the widely accepted approach of Anderson and Gerbing (1988). The significant result of Chi-square differences tests indicated that the measures are discriminant and could be used for further analyzes. The construct correlations as well as the numbers for composite reliability and average variance extracted are presented in Table 1.

RESULTS

As a first step of analysis, the authors calculated the structural model. The results indicate satisfactorily fit indices [$\chi^2 = 2258$; $df = 775$; CFI = .943; TLI = .937; RMSEA = .047; SRMR = .052]. Hence, the authors concluded that the conceptual model is supported by the data. The formative second-order factor overall value is largely and highly significantly influenced by the paths of

the first-order dimensions of customer value. Interestingly, the importance of emotional value is highest for mobile phones, whereas economical value has the largest effect on the mobile services' overall value. Functional value has a moderate impact on customer value. While social value has a weak influence on overall customer value. This latter result is true for both mobile phones and services. Based on the results of a series of Wald chi-square-difference tests the link between economical value and overall value is significantly higher for mobile services. Based on these results, the authors conclude that H1 must be confirmed for the economical value dimensions albeit rejected for the functional, emotional and social value dimensions.

The relationships between overall value and customer loyalty are also strong and highly significant (Stand. Coeff. Mobile Phones: .787; Stand. Coeff. Mobile Services: .734). Additionally, overall value explains the large amount of variation of the outcome variable customer loyalty (R^2 Loyalty Mobile Phones: 62.0%, R^2 Loyalty Mobile Services: 53.9%). These high numbers clearly indicate the satisfactory nomological validity of our basic model and its hypotheses. H2 is supported by the data. Again, the results of the structural model are summarized in table 2. The results of word-of-mouth intentions do not differ from loyalty. Again, the relationships between overall value and word-of-mouth are substantially high and significant (Stand. Coeff. Mobile Phones: .793; Stand. Coeff. Mobile Services: .721). Overall customer value explains a large amount of variation in word-of-mouth intentions (R^2 Word-of-Mouth Mobile Phones: 62.9%, R^2 Word-of-Mouth: 52.0%). Based on these results, the authors accept H3 for both instances.

The identification of indirect effects was the next part of our analysis. For this purpose, the authors calculated both for product and service the indirect effects (path coefficients) from the value dimensions to overall value and from overall value to loyalty and word-of-mouth intentions, respectively. Thereby, the importance of emotional value is highest for mobile phones, whereas economical value has the largest effect for mobile services. Both value dimensions have a significantly higher influence on behavioral intentions than their respective counterparts. Following that, the dimensions of highest relevance are the functional value for mobile phones and the emotional value for mobile services. This is true for loyalty as well as for word-of-mouth intentions. Social value of mobile phones has a moderate impact, while economical value has a weak influence on behavioral intentions toward the product manufacturer. Social and functional value of mobile services are of moderate relevance, although slightly higher than for mobile phones. Based on these results, the authors conclude that H4 must be confirmed for the emotional and economical value

dimensions albeit rejected for the functional and social value dimensions.

GENERAL DISCUSSION

The purpose of this study is to examine the second-order multidimensional conceptualization of customer value in relation to post-consumption behavioral intentions from a consumption-systems perspective. Consumption-systems are market offerings characterized by a significant product and service subsystem (i.e., mobile phones and mobile services). According to Mittal et al. (1999) the mobile telecommunication industry is an excellent example for this kind of investigation. For this purpose, the authors developed a conceptual value model which was tested with a sample of 878 participants. Based on the results of our analyses, the authors can conclude the following: First, the conceptualization of customer value as a second-order multidimensional formative construct has been confirmed by the data (see also Lin et al. 2005; Ruiz et al. 2008). In line with the theories of Sheth et al. (1991) and Holbrook (1994) the results support the cognitive-affective nature of customer value. The conceptualization includes functional, emotional, economical and social dimensions of the construct.

Second, the analyses have shown that the respective value dimensions have different influences on loyalty and word-of-mouth intentions depending on the product or the service. Thus, not only the direct influence on overall customer value, but more importantly the indirect effects of the four value dimensions on behavioral intentions were examined. The functional value dimension is of moderate relevance for both mobile phones and mobile services. Surprisingly, the emotional value of mobile phones is significantly above the emotional value of mobile services. Emotional value relates to positive feelings and fun (Sweeney and Soutar 2001). Tangibility and visibility as well as an increasing number of technical functions might contribute to the superior emotional value of mobile phones. Moreover, the mobile service industry may only be related to avoiding negative feelings and providing reliable services while on the move, partly explaining this result. The impact of the economical dimension on overall value is strong for mobile services, albeit significantly less strong for mobile devices. In fact, this result may be explained by the large amount of free cell phones given as incentive for new contracts or renewals with the service provider. Following a similar vein, consumers may underestimate the price of mobile phones not supported by the respective service provider and perceive the prices charged as too high. For mobile phones and mobile services the social value dimension is of medium relevance (.434; .537). Yet, the importance of the social value of mobile services is higher, albeit insignificantly. Following gratification theories, aspects such

TABLE 1
Construct Correlations and Local Fit Indices

Variable	CR	1	2	3	4	5	6	7	8	9	10	11	12
Mobile Services:	.77	.53											
Functional Value		.457	.70										
Emotional Value		.406	.063	.57									
Economical Value		.132	.438	-.065	.55								
Social Value		.548	.709	.215	.368	.65							
Loyalty		.553	.714	.217	.371	.810	.70						
WoM		.310	.125	.231	.001	.166	.167	.68					
Mobile Phones:	.86	.137	.484	.080	.315	.337	.339	.534	.67				
Functional Value		.110	.036	.345	-.005	.076	.077	.744	.349	.77			
Emotional Value		.029	.214	.032	.659	.194	.196	.077	.375	.119	.67		
Economical Value		.144	.202	.202	.172	.291	.220	.535	.566	.584	.295	.77	
Social Value		.141	.198	.198	.169	.171	.292	.525	.556	.573	.289	.768	.79
Loyalty													
WoM													

Note: AVE's are presented on the diagonal, construct correlations are below the diagonal.

TABLE 2
Path Coefficients and T-Values

Path	Mobile Phones	Coeff.	T-Values	Mobile Services	Path	Coeff.	T-Values
<i>Basic Model</i>							
Functional Value → Overall Value		.320	8.258	Functional Value → Overall Value		.262	6.059
Emotional Value → Overall Value		.690	17.587	Emotional Value → Overall Value		.386	8.612
Economical Value → Overall Value		.108	2.975	Economical Value → Overall Value		.514	14.007
Social Value → Overall Value		.131	3.753	Social Value → Overall Value		.175	4.841
Overall Value → Loyalty		.787	38.937	Overall Value → Loyalty		.734	37.293
Overall Value → WoM		.793	43.203	Overall Value → WoM		.721	37.689
<i>Indirect Effects</i>							
Functional Value → Loyalty		.252	7.499	Functional Value → Loyalty		.192	5.749
Emotional Value → Loyalty		.543	18.395	Emotional Value → Loyalty		.283	8.823
Economical Value → Loyalty		.085	3.029	Economical Value → Loyalty		.377	13.822
Social Value → Loyalty		.103	3.777	Social Value → Loyalty		.129	4.854
Functional Value → WoM		.254	7.699	Functional Value → WoM		.189	5.908
Emotional Value → WoM		.548	18.426	Emotional Value → WoM		.278	8.542
Economical Value → WoM		.086	3.011	Economical Value → WoM		.371	13.920
Social Value → WoM		.104	3.731	Social Value → WoM		.126	4.765

Note: All paths of the basic model are significant at the .001-level. All reported coefficients are standardized parameter estimates.

as fashion, status and sociability that relate to similar aspects such as social value may be responsible for the difference. Hence, mobile services may be a means to express personality and particularly sociability in a public context (Pura 2005).

Finally, the strong impact of the overall value as well as high portions of explained variance of both loyalty and word-of-mouth intentions underlines the importance of customer value on outcome variables. This is true for both mobile phones and services. Being in accordance with existing literature on this subject (e.g., Parasuraman and Grewal 2000; Patterson and Spreng 1997), the results also underline the importance of customer value in influencing (buying) behavior. Hence, the creation of value seems an appropriate strategy for marketers to reduce competition and high switching rates in the mobile telecommunication industry. Besides, the influence of customer value on loyalty intentions is not significantly different between the product and service subsystem. Yet, literature indicates that loyal customers put greater emphasis on social and emotional value (Butz and Goodstein 1996), providing opportunities for further research.

LIMITATIONS AND OUTLOOK

The cross-sectional design of the study limits the validity of the results. Since causality inferences need a longitudinal design, the conclusions of this study are to

some extent exploratory in nature. Nevertheless, the authors strongly believe that the results are trustworthy based on the strong theoretical background and the excellent goodness-of-fit indices of the empirical evaluation of the model. Another potential limitation can be claimed by the fact of a single shot study meaning that the results are based on a single study in a single industry. Future recommendations can be derived from the limitations of our study. Replication studies as well as longitudinal designs to confirm the results are highly appreciated by the authors. Research on consumer value, particularly regarding the multidimensionality of the construct, is still in the early stages of the conceptual development and requires refinement (Smith and Colgate 2007; Sweeney and Soutar 2001; Woodruff 1997). Mediator variables, such as trust, commitment, and involvement have not been fully modeled or empirically tested and so are also fruitful areas for future research (Spiteri and Dion 2004). Additionally, the consumption-system approach is a clearly under-researched area. For example, it remains to be investigated how the product and service subsystem interact in forming overall customer value and behavioral intentions, respectively (Johnson et al. 2006). Also, it remains to be investigated whether the consumer makes comparisons between the product and service subsystem and how much comparisons affect consumer judgments of overall value and behavioral intentions (Mittal et al. 1999). Overall, the authors believe that this topic is still open for discussion where more learning is yet to come.

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A CONCEPTUAL STUDY OF CROSS-CULTURAL COMPARISON BETWEEN DEVELOPING AND DEVELOPED ECONOMIES FOR DOMESTIC CONSUMPTION: COGNITIVE, AFFECTIVE, AND NORMATIVE PROCESSES

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ABSTRACT

This conceptual study aims to conduct a cross-cultural comparison between developing and developed economies about influential factors on domestic consumption from the perspectives of cognitive, affective, and normative processes, specifically in the contexts of China and Germany. Country-of-origin image as investigated from its cognitive aspect, animosity as examined from the affective perspective, and ethnocentrism as researched from the normative angle, are proposed to exert significant influences on domestic consumption in both countries, but the extents of their influences differ. Foreign brand image is proposed to be a significant moderator between these influential factors and domestic consumption. Implications for research as well as for practice are offered.

INTRODUCTION

Consumers make decisions not merely on a cognitive process dealing with various information about the product/brand, but also on affective and normative processes (Pecotich and Rosenthal 2001; Vida and Reardon 2008). Regarding domestic consumption, consumers in developing and developed economies display apparently different attitudes. For instance, consumers in developing economies prefer foreign products/brands mainly due to their symbolic overtones since products/brands originating from developed economies represent high social status, cosmopolitanism, and modernity (Zhou and Belk 2004); whereas consumers from developed economies may prefer buying domestic products/brands due to their superiority in quality (Albaum and Peterson 1984). However, only a handful studies have investigated domestic consumption by cross-cultural comparison, especially between developing and developed economies and few have considered the impacts of the cognitive, affective, and normative processes in influencing domestic consumption (Vida and Reardon 2008). Therefore, this study aims to conduct a cross-cultural comparison about influential factors on attitudes toward domestic consumption from all cognitive, affective, and normative aspects, specifically in the contexts of China and Germany as representatives of developing and developed economies, respectively.

The cognitive process refers to that an individual tends to utilize his/her logic to process informational cues (Sojka and Giese 2006). For instance, consumers often infer product quality based on the origin of this product. Indeed, country-of-origin (hereafter COO) image effect relates to that consumers process information about a product/brand based on cues relevant to its origin. Previous research on COO image effects suggests that consumers in developing economies prefer foreign brands from more developed countries or regions, since these brands are perceived as representing high-quality and fashionable styles (Papadopoulos 1993; Verlegh and Steenkamp 1999). The desirability of foreign brands in developing economies surpasses their utilitarian value and primarily results from symbolic motives such as status (Batra et al. 2000). In contrast, the magnitude and direction of the COO image effect in developed countries may be even opposite to those in developing economies. It is observed that consumers in developed economies prefer to buy products/brands originating from their own country due to their perceived high quality (Albaum and Peterson 1984). The COO image effect, therefore, is based on a rational thinking reflected by the cognitive process and is proposed to vary across developed and developing economies, which forms the first comparative objective of this study.

Informational cues may evoke powerful positive or negative imagery, which would have an impact on attitudes without affecting attribute-related beliefs identified during the cognitive process (Hansen 2005). Consumers often base their decision making on their feelings toward the product/brand (Pham 1998). Consumer animosity describes a general antipathy of consumers toward a particular country and is an affective state which can impact domestic consumption (Klein et al. 1998). The second objective of this study is to examine whether the effect of animosity on domestic consumption would vary across developed and developing economies.

Normative process is relevant in consumer decision making when society norms induce them to comply without changing other attribute attitudes or beliefs (Pecotich and Rosenthal 2001). Consumer ethnocentrism refers to a preference which is inflated for one's own group and a dislike for others due to certain social norms (Kwak et al.

2006). Generally, consumer ethnocentrism would reduce consumer's purchase intention toward foreign products/brands (Verlegh and Steenkamp 1999). Consumer ethnocentrism is considered a component of attitude and its level varies across countries (Pereira et al. 2002) and product categories (Balabanis and Diamantopoulos 2004). In developing economies, due to the perceived high quality associated with foreign products/brands, consumer ethnocentrism may not play an important role toward domestic consumption. In contrast, in developed economies, given that consumers perceive local products/brands as of higher quality compared to that of foreign products/brands, ethnocentrism may exert a strong influence on domestic consumption. However, little research has examined this comparison, which forms the third objective of this study.

Meanwhile, effects of COO image, animosity, and ethnocentrism on attitudes toward domestic consumption may be influenced by foreign brand image. For instance, regarding a favorable foreign brand image, the effect of animosity toward foreign brands may be comparatively weak in both developed and developing economies. The fourth objective of this study is to examine whether foreign brand image plays a moderating role in the relationships between COO image, animosity, consumer ethnocentrism and attitudes toward domestic consumption.

Hence, the objectives of this study are: first, to compare the effects of COO image, animosity, and ethnocentrism on attitudes toward domestic consumption between developing and developed economies; and subsequently to investigate the moderating role of foreign brand image in these relationships.

COGNITIVE, AFFECTIVE, AND NORMATIVE PROCESSES

Cognitive, affective and normative processes are interdependent regarding consumer decision making, although under certain contexts one of these three mechanisms may play a major role (Vida and Reardon 2008). The cognitive process suggests that people tend to use logic and rational data to reach conclusions (Sojka and Giese 2006). Prior research has examined the COO image effect primarily from a cognitive process perspective (Bilkey and Nes 1982; Verlegh and Steenkamp 1999; Papadopoulos and Heslop 2002). A product/brand can be regarded as a set of informational cues including both intrinsic cues such as taste, design and performance and extrinsic cues such as price, warranty, and COO image. The COO image of a product/brand is suggested to act as a stimulus to activate internally stored schemas (Shimp and Sharma 1987). Our study also falls in this research stream to investigate the COO image of a product/brand from a cognitive processing perspective. We focus on consumer knowledge about a country's products.

Consumers have descriptive, inferential and informational beliefs as to a particular country's products and/or brands (Martin and Eroglu 1993) and these beliefs are often stereotypical views (Papadopoulos 1993). Consumers employ these COO cues often as a surrogate indicator to infer on a product's quality, especially when product-related information is not available, ambiguous, or unfamiliar to them (Erickson et al. 1984; Laroche et al. 2005), indicating the need to comprehend the processing of COO cues from a cognitive perspective (Bloemer et al. 2009).

Regarding affective processing, an individual tends to use his/her feelings as a cue to make decisions (Pham 1998; Schwarz and Clore 1988; Zajonc and Markus 1982). Consumer animosity is defined as the antipathy caused by past or current political, economic or military events toward a country's previous or current enemies (Klein et al. 1998). For instance, Japan was once at war with China during World War II, which could partially explain a phenomenon that boycotting toward Japanese products is sometimes advocated by consumer groups when the two countries are at conflict on political issues nowadays. Hence, despite the high quality perception associated with a country's products, consumers may not buy products from that country, due to their animosity toward it. In contrast, if consumers relate another country to themselves in terms of status and fashion through possessing products/brands from it, then the effect of consumer animosity on purchase intentions toward that country's products/brands would be weak (Readon et al. 2005).

Norms can be defined as expectations on how people should act (Ajzen 1991). Consumers tend to engage in normative processing when group-relevant norms induce them to comply without changing other attribute beliefs (Pecotich and Rosenthal 2001). Consumer ethnocentrism, which refers to an individual's inclination to believe that products/brands manufactured domestically are superior and that she/he should not buy imported products/brands because of the negative effects that such purchases may decrease domestic employment rate and harm his/her country's economy (Shimp and Sharma 1987), is closely related to normative processing. Extant research supports that consumer ethnocentrism would exert a negative influence on consumers' product judgments and purchase intentions of foreign products (Netemeyer et al. 1991).

CONCEPTUAL FRAMEWORK AND PROPOSITIONS DEVELOPMENT

Foreign Brand's COO Image and Domestic Consumption

COO image effect refers to that consumers often use the country where a product is manufactured as an extrinsic cue when making purchasing decisions (Bilkey and

Nes 1982; Cordell 1992; Papadopoulos 1993). However, with more and more companies sourcing outside their home countries and the continuing globalization of markets, it is difficult for an individual to identify the COO of a product only by manufacturing location (Clarke et al. 2000). Brand origin, therefore, has been acknowledged to have a greater impact on consumer purchase intentions than has manufacturing origin (Papadopoulos 1993). A brand's COO image plays an important role in consumers' perceptions toward brands from a country (Johansson et al. 1985; Saeed 1994), which further affects purchase intentions (Roth and Romeo 1992). Brand origin can be classified into two categories, i.e., foreign versus local. Foreign brands in Chinese consumers' minds refer to brands that originate in developed countries and regions (Zhuang et al. 2008). In the case of China, foreign brands are defined as those brands outside mainland China, which also include brands from Hong Kong, Macau, and Taiwan. In contrast, foreign brands for consumers in developed economies refer to brands originating from other countries, not necessarily from developed markets. In addition, attitudes toward domestic consumption refer to consumers' attitudes toward domestic brands, i.e., brands originating from within the country.

For developed and developing economies, the mechanisms about how a foreign brand's COO image influences attitudes toward domestic consumption may be different. Prior research suggests that consumers from developed economies prefer local brands and resist foreign brands largely due to their perceptions that most local brands possess higher quality than foreign brands, especially when foreign brands are from developing markets (Albaum and Peterson 1984; Netemeyer et al. 1991). In contrast, consumers in developing economies tend to exhibit a greater preference for foreign brands, i.e., brands from developed countries and regions (Batra et al. 2000; Wang and Yang 2008) due to the brand origin stereotype that foreign brands represent high quality, advanced technology, and modernity (Zhou and Belk 2004). Therefore, we propose that:

P1: Foreign brand's COO image would exert a stronger negative impact on domestic consumption for consumers in developing economies than for those in developed economies.

Consumer Animosity and Domestic Consumption

Consumer animosity is defined as strong negative feelings consumers hold toward purchasing products/brands from a nation or group that they do not like (Witkowski 2000). It is a rooted emotion resulting from past or current economic, political, military, or religious conflicts between nations/regions (Riefler and Diamantopoulos 2007). A handful of studies have examined specific nations in terms of animosity, such as Austra-

lians' attitudes toward French products/brands (Ettensen and Klein 2005), Chinese attitudes toward Japanese products/brands (Klein et al. 1998) and Dutch attitudes toward German products/brands (Nijssen and Douglas 2004). Given that consumer animosity is closely related to affective processing, research in this stream seeks to interpret consumers' negative emotions toward the products/brands from a specific country and their purchase intentions or actual purchase toward those products/brands. However, regardless of which country or region being investigated, it is suggested that animosity toward another country/region would result in unfavorable attitudes toward products/brands from that country/region (Riefler and Diamantopoulos 2007). The question is whether the extent of influence of animosity on attitudes toward domestic consumption is the same in developed and developing countries/areas.

Regarding developed markets, consumers may show a strong reluctance toward buying products/brands from a country that they do not like, partly because of the perceptions that their own products/brands can compete at the same quality level with those from the disliked country (Netemeyer et al. 1991). In this sense, consumer animosity, if existing toward the other country, would exert a strong and positive influence on purchase intentions toward domestic products/brands. Whereas in developing economies such as China, animosity may not strongly influence their attitudes toward products/brands from this country, even if consumers display negative emotions toward a disliked developed country or region, due to the foreign brand stereotype that foreign brands from developed economies represent high quality and modernity (Zhou and Belk 2004). It has been observed that although Chinese consumers do not like Japan as a country, they still continue to show positive attitudes toward electronic brands such as Canon from Japan. Chinese consumers even prefer to buy a camera made in Japan rather than made in China, simply because they expect Japan-made products to be of higher quality. Indeed, as Klein, Ettensen, and Morris (1998) points out, animosity may be more related to the historical/current event itself than to contemporary economic concerns in China. When consumers make purchase decision, they focus on their current economic and product-related concerns, rather than the event. In this sense, we propose that:

P2: Animosity would exert a stronger positive impact on attitudes toward domestic consumption for consumers in developed economies than for those in developing economies.

Consumer Ethnocentrism and Domestic Consumption

Consumer ethnocentrism is distinguished from animosity in terms of that ethnocentrism is rooted in patrio-

tism and/or nationalism (Shimp and Sharma 1987) while animosity is based on hatred of another country (Klein et al. 1998). Consumer ethnocentrism refers to a preference which is inflated for one's own group and a dislike for others (Kwak et al. 2006), which would reduce his/her purchase intentions toward foreign products (Verlegh and Steenkamp 1999). An individual with higher ethnocentrism would have a stronger tendency toward supporting traditions, symbols as well as products/brands from their own cultures, and at the same time, dislike products/brands from other cultures (LeVine and Campbell 1972).

Consumers with a higher extent of ethnocentrism would be more likely to regard the behavior of purchasing foreign products as unpatriotic, which would cause unemployment and further damages to the country's economy (Shrimp and Sharma 1987). Extant research supports that consumer ethnocentrism would exert a negative influence on consumers' product judgments and attitudes toward foreign brands (Netemeyer et al. 1991).

Chinese ethnocentrism came into being when the country was experiencing a very hard time such as foreign aggression and forced confiscation of private capital (Steenkamp et al. 2002). Hence, Chinese ethnocentrism, to a larger extent, is established on Chinese patriotic enthusiasm that Chinese people should unite together to be strong and ought to buy local brands (Klein et al. 1998; Steenkamp et al. 2002). However, the effect of ethnocentrism on domestic consumption may be not so evident during the current transitional stage of China economy, especially when most Chinese people regard foreign products/brands from more developed economies as a symbol of status and fashion (Zhou and Belk 2004). Hence, due to this strong positive stereotype associated with foreign brands held in Chinese consumers' minds, the effect of ethnocentrism on domestic consumption may not be distinct when people make purchase decisions.

In contrast, Western ethnocentrism results from a history or a culture full of national proud; therefore, western consumers' recognitions and preferences of local brands are based upon the stereotype that local brands are of higher quality and of more favorable image while foreign brands cannot reach an acceptable quality level (Shrimp and Sharma 1987). Take Germany, a developed economy, as an example, it possesses a strong tendency toward supporting traditions, symbols as well as products/brands from their own cultures due to historical and economical reasons (LeVine and Campbell 1972). Hence, we propose that:

P3: Consumer ethnocentrism would exert a stronger positive impact on domestic consumption for consumers in developed economies than for those in developing markets.

The Moderating Effect of Foreign Brand Image

Foreign brand COO image is suggested to exert a negative influence on domestic consumption both in developing economies and developed economies. However, the strength of this effect may depend on foreign brand image. Under the context of a more favorable foreign brand image, foreign brand's COO image tends to exert a stronger negative influence on domestic consumption than otherwise. Regarding consumers in developing markets, due to the foreign brand image stereotype, a favorable brand image would, to a greater extent, enhance the negative impact of foreign brand COO image on domestic consumption, indicating the positive moderating effect of foreign brand image. While in developed economies, the moderating effect of foreign brand image may not be as strong as in developing economies due to the fact that local brand image is also strong and favorable in developed markets while developing economies such as China lack strong local brands in most industries. Therefore,

P4: Foreign brand image tends to significantly and positively moderate the relationship between foreign brand COO image and domestic consumption for consumers in developing economies; whereas the moderating effect of foreign brand image tends to be less significant for consumers in developed markets.

Animosity tends to show a positive influence on domestic consumption, both in developed and developing economies. However, the strength of this relationship may vary across foreign brand image. For a foreign brand with a more favorable image indicating positive associations such as higher quality, animosity tends to exert a less positive influence on domestic consumption than otherwise. In terms of consumers in developing economies, although consumers show a negative emotion toward products/brands from a disliked developed country, they still cannot resist buying them because their local products/brands cannot compete at the same quality level as those from that developed market. Whereas for consumers in developed economies, local products/brands also excel in producing favorable brand associations such that consumers do not truly emphasize foreign brand image; hence, the moderating effect of foreign brand image between animosity and domestic consumption may not be so evident as that in developing markets. Therefore, we propose that:

P5: Foreign brand image tends to negatively moderate the relationship between animosity and domestic consumption for consumers in developing economies; whereas the moderating effect of foreign brand image tend to be less significant for consumers in developed markets.

Consumer ethnocentrism is proposed to exert a positive impact on domestic consumption, both in developing and developed economies. This effect, however, may depend on foreign brand image. Ethnocentrism may exert a weaker impact on domestic consumption for a more favorable foreign brand image, especially for consumers in developing economies due to that a more favorable foreign brand image can enhance more of their self-esteem which cannot be achieved by possessing local brands (Zhou and Belk 2004), and thus indicating the negative moderating effect of foreign brand image. In contrast, the moderating effect of foreign brand image in developed markets may not be so strong as that in developing economies because consumers in developed markets perceive little differences in terms of brand associations between foreign brands and local brands, even for a more favorable brand image (Zhuang et al. 2008). Therefore, we propose that:

P6: Foreign brand image tends to significantly and negatively moderate the relationship between consumer ethnocentrism and domestic consumption for consumers in developing economies; whereas the moderating effect of foreign brand image tends to be less significant for consumers in developed markets.

DISCUSSION

This conceptual study conducts a cross-cultural comparison for domestic consumption from integrated perspectives of cognitive, affective, and normative processes. Few studies have examined this phenomenon in consideration of all three processes. Furthermore, our study contributes to literature by investigating the impacts of important factors reflected in these three processes on attitudes toward domestic brands, which are COO image, animosity, and consumer ethnocentrism. Specifically, it is proposed that foreign brand's COO image would exert a stronger negative impact on domestic consumption for consumers in developing economies than for those in developed economies, whereas animosity and ethnocentrism would exert a stronger positive impact on domestic consumption for consumers in developed economies than for those in developing economies. Furthermore, foreign brand image is proposed to moderate the relationship between foreign brand COO image, animosity, ethnocentrism and attitudes toward domestic consumption for consumers in developing economies while the moderating effect of foreign brand image tends to be less significant for consumers in developed markets.

First, in line with prior relevant research findings (Wang and Yang 2008; Zhou and Belk 2004; Zhuang et al. 2008), it is proposed that foreign brand COO image's negative impact on domestic consumption is less significant in developed economies than that in developing

economies. In developing economies, such as China, consumers prefer foreign brands from more developed countries or regions, because these brands are thought to represent high-quality, fashionable styles, status, cosmopolitanism and modernity (Papadopoulos 1993; Verlegh and Steenkamp 1999). Prior COO image research indicates that in less developed countries, the desirability of foreign brands results primarily from symbolic motives which surpasses the utilitarian value of the branded products and is regarded as an important determinant for purchase decision (Zhou and Hui 2003). In contrast, consumers in developed economies prefer local brands and resist foreign brands (Albaum and Peterson 1984; Netemeyer et al. 1991). That is, the foreign brand COO image's negative impact on domestic consumption should not be as strong as that in developing markets.

Furthermore, foreign brand image more strongly and positively moderates the relationship between foreign brand COO image and domestic consumption in developing economies than in developed markets. Indeed, due to the foreign brand stereotype, a favorable brand image would, to a greater extent, enhance the negative impact of COO image on domestic consumption in developing economies.

Second, animosity is proposed to more positively impact domestic consumption in developed markets than that in developing economies, because although consumers in developing markets may display negative emotions toward a disliked developed country or region, this animosity may not strongly influence their attitudes toward products/brands from this country due to the foreign brand stereotype (Batra et al. 2000). In this sense, foreign brand image is suggested to more strongly and negatively moderate the relationship between animosity and domestic consumption in developing economies than in developed markets.

Third, consumer ethnocentrism is proposed to more positively impact domestic consumption in developed markets than in developing economies, because consumers in developing markets regard foreign products/brands from more developed economies as a symbol of status and fashion (Zhou and Belk 2004) and thus decreasing the impact of ethnocentrism on domestic consumption. In this sense, foreign brand image more strongly and negatively moderates the relationship between ethnocentrism and domestic consumption in developing economies than in developed markets. Supphellen and Rittenburg (2001) find that in Poland, when foreign brands are regarded favorably, consumer ethnocentrism would positively impact attitudes toward domestic brands while has no effect on attitudes toward foreign brands. Their finding demonstrates that consumers in developed economies believe their local products/brands are as superior as

foreign products/brands, regardless of whether foreign brands are considered favorably. Therefore, no matter whether foreign brand image is favorable or not, consumer ethnocentrism impacts domestic consumption in developed economies, indicating the less significant moderating role of foreign brand image. In contrast, in developing markets, due to the foreign brand stereotype that foreign brands represent social status and modernity and are more superior than local brands; if the foreign brand image is perceived favorable, then the impact of consumer ethnocentrism on domestic consumption would be weak, showing the negative moderating effect of foreign brand image (Zhuang et al. 2008).

Managerial Implications

This study also provides useful insights for marketing managers in both developed and developing economies. Regarding marketing practices in developing economies, it is important to utilize the positive impact of foreign brand COO image on attitudes to intentionally confuse consumers about the local brand origin (Zhuang et al. 2008). Marketing managers should also realize that past and current political and economical events would influence consumers' domestic consumption and try to make good use of public relations when any such event happens so as to seize the chance to market their brand to consumers. It is also desirable to use patriotism as a good marketing tool to effectively communicate local brand meanings to boot consumer purchases toward local brands.

In terms of developed markets, since consumers believe their own brands are superior to foreign brands and, thus, prefer local brands due to animosity and/or ethnocentrism, foreign brands should pay attention to their origin and try to use effective communications to disguise their foreign nature so as to make consumers believe they are more local than foreign. A useful way is to establish close connections with local communities (Keller 2008).

In addition, it is important for multinational companies to notice that brand localization in developing economies may not be a good strategy since consumers in developing markets prefer foreign brands due to the foreign nature of these brands. Instead, foreign companies should emphasize their origin when entering developing markets. However, it is noteworthy that foreign companies should pay close attention to political or economic issues between the home country and the host country so as to monitor the preference tendency of host country consumers. When host country consumers prefer local brands to foreign brands due to patriotism, then it would be better to use brand localization.

We recognize there may exist more factors reflected in cognitive, affective, and normative processes in affecting attitudes toward domestic consumption, such as ethnicity-related norms. Future research should incorporate more influential variables to give deeper insights on domestic consumption.

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AFFECTIVE AND COGNITIVE ASSESSMENT OF FOREIGN COUNTRIES: IMPACT ON BEHAVIORAL INTENTIONS

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SUMMARY

A decade ago, Klein, Morris, and Ettenson (1998) revealed that negative feelings toward a foreign country can prevent consumers from consuming products from that country. In this context, while extant research has investigated *negative* feelings toward foreign countries (e.g., feelings resulting from animosity, ethnocentrism, or nationalism), research on *positive* (i.e., favorable) feelings, which may lead to deliberate purchases of foreign products is still rare (e.g., Brijs et al. 2006; Jaffe and Nebenzahl 2006; Verlegh 2001). Addressing this gap, Oberecker, Riefler, and Diamantopoulos (2008, p. 26) recently proposed the *consumer affinity* construct, which is defined as “a feeling of liking, sympathy, and even attachment toward a specific foreign country that has become an in-group as a result of the consumer’s direct personal experience and/or normative exposure and that positively affects the consumer’s decision making associated with products and services originating from the affinity country.”

In this study, we test hypotheses regarding the impact of affinity on consumers’ intention to (1) *purchase products* from, to (2) *invest in*, and (3) *visit* the affinity country. Furthermore, we analyze the *relative* impact of consumer affinity feelings as compared to cognitive evaluations¹ of the affinity country and consequently assess the extent to which affinity dominates over country beliefs (or vice versa).

Specifically, the following hypotheses were formulated and tested:

Hypothesis 1. Consumer affinity positively impacts consumers’ intentions to (a) purchase products originating from the affinity country, (b) invest in the affinity country, and (c) visit the affinity country.

Hypothesis 2. Macro image of the affinity country positively impacts its micro country image.

Hypothesis 3. Consumer affinity positively impacts the micro country image of the affinity country.

Hypothesis 4. Macro image of the affinity country positively impacts consumers’ intentions to (a) purchase products originating from the affinity country,

(b) invest in the affinity country, and (c) visit the affinity country.

Hypothesis 5. Micro image of the affinity country positively impacts consumers’ intentions to (a) purchase products originating from the affinity country, (b) invest in the affinity country, and (c) visit the affinity country.

Hypothesis 6a. Consumer affinity has a similar impact on intentions to purchase products from the affinity country as macro and micro country image.

Hypothesis 6b. Consumer affinity has less of an impact on intentions to invest in the affinity country than macro and micro country image.

Hypothesis 6c. Consumer affinity has a stronger impact on intentions to visit the affinity country than macro and micro country image.

Based on 241 fully-completed questionnaires which were received from an online-survey among German consumers,² the model implied by Hypotheses 1–6 above was estimated and achieved satisfactory fit. The structural paths of the model supported H1a and H1c, H2, H3, H5a, and 5b, as well as H6a–6c.

In summary, our findings show that consumer affinity directly impacts intentions to purchase products from and visit the affinity country. However, consumers’ affinity feelings do not seem to directly drive investment decisions, the latter being driven by the affinity country’s micro image. Furthermore, results demonstrate that consumer affinity is indeed equally or even more relevant as cognitive evaluations in terms of impacting purchases of products or visits to a country. Feelings of affinity also have a strong positive impact on consumers’ evaluations of products from a country (i.e., micro country image) and, therefore, even though affinity may not exert a *direct* influence on investment intentions, such feelings indeed influence the latter *indirectly*. Overall, our model accounts for 45 percent in intentions to purchase products from the affinity country, 15 percent in intentions to invest in the country and 59 percent in consumers’ intentions to visit the liked country. These figures further indicate that feelings of affinity explain a substantial amount of variance in behavioral intentions.

In conclusion, affective influences (as captured by affinity) and cognitive influences (as captured by macro/micro country image) have complementary effects on behavioral intentions; thus, incorporating *both* types of

influences in models investigating COO effects seems appropriate from an explanatory point of view. References are available from the authors upon request.

ENDNOTES

1 In order to capture cognitive country evaluations we draw on Pappu, Quester, and Cooksey (2007) and apply the concept of country image at both macro and micro level. Micro country image captures beliefs that consumers hold about a country's *product*-related innovativeness, design, prestige and work-

manship; while macro country image captures consumers' impressions of a *country's* overall level of economic, social, technological and political situation.

2 The top three affinity countries of the respondents were Spain (mentioned by 16%), Italy (14%) and Austria (8%). Altogether some 40 different affinity countries were mentioned by the respondents.

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DO CONSUMERS PERCEIVE A STANDARDIZED CORPORATE BRAND CONSISTENTLY ACROSS COUNTRIES?

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SUMMARY

Corporate branding strategies are gaining more and more importance. Recently, a growing number of firms in the fast moving consumer goods sector, which is historically dominated by product brands, communicate their corporate brand actively toward stakeholders (Laforet and Saunders 2005). Therewith, they aim to gain a higher level of awareness in the public domain and to influence consumer behavior directly, not only indirectly by enhancing product image. Former research helps to identify what is associated with a firm (Fombrun et al. 2000; Walsh and Beatty 2007) and how single associations impact consumer behavior, e.g., the impact of social responsibility. However, companies lack knowledge on how to evaluate cross-nationally if their corporate branding strategy works. For them it is necessary to know if corporate branding adds value to a company's products and if so, how the corporate brand adds value.

Based on schema theory (e.g., Mandler 1979; Rumelhart and Ortony 1977) and former research, we derive a threefold conceptual framework. Firstly, building upon Brown and Dacin (1997) as well as Walsh and Beatty (2007), we consider specific corporate associations as antecedents of an overall evaluation of the company, i.e., corporate image. Secondly, we not only hypothesize an indirect effect of those specific corporate associations through corporate image on product loyalty, but also that they might directly influence product loyalty. This addresses companies' intentions to have an immediate impact on consumer behavior by using corporate branding. Thirdly, following Lehman et al. (2008), we analyze the variation of the hypothesized cause-effect relationships across countries.

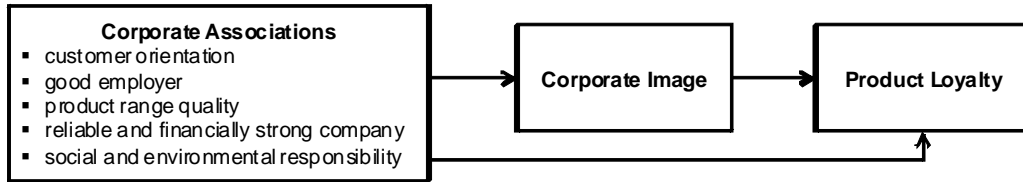
Prior to the data collection, a Monte Carlo study was conducted to decide on sample size and to determine power of the hypothesized model. The analysis is based on a cross-sectional consumer sample from Germany, France, Romania, Russia, and the USA. A FMCG manufacturer, which has standardized its international corporate branding in 2001, was chosen as stimuli. Applying quota sampling, based on the country-specific distribution of the populations in terms of age and gender, 1200 consumers above 15 years are interviewed in each coun-

try. Thus, the final dataset includes 6000 observations. Sample weights are computed based on the latest census data from the countries concerned to adjust the sample to product category, highest educational attainment, gender, and age to enhance the representativity (Asparouhov 2005). After testing measurements on their validity and reliability and assessing measurement invariance, we apply multiple group structural equation modeling using WLSMV estimation to test the hypotheses (Lubke and Muthén 2004). Further, we test significance of country-specific differences of structural parameters estimates applying corrected chi-square difference tests.

With regards to consumers' perception of the corporate brand, the results illustrate that specific corporate associations impact corporate image largely in the same way across countries, i.e., the standardization of the corporate brand seems to work in terms of a consistent external portrayal. Regarding the effect of an internationally standardized corporate brand, results provide support that the impact of corporate image on consumers' product response is positive across all countries. Thus, from a consumer's perspective, communicating the corporate brand adds value. With regards to corporate image, its impact on consumers' product response is found to be higher in collectivistic cultures. However, the analysis also reveals that consumers in the corporate brand's home market particularly value the company's favorable external portrayal. With regards to the direct impact of specific corporate associations on consumers' product response, we state that corresponding relationships exist depending on the country concerned. However, these relationships turn out to be rather complex.

Regarding theoretical implications, the present study advances knowledge on corporate branding in an international context, extending the findings of Brown and Dacin (1997) as well as Berens et al. (2005). To date most studies dealing with corporate branding focus on the services sector or on durable goods (Hsieh et al. 2004; Biehal and Sheinin 2007). Analyzing corporate branding of a FMCG firm, answers Walsh and Beatty's (2007) call to examine their customer-based reputation measure in other context than the services sector. Regarding managerial implications, the proposed model provides corporate brand managers with an instrument to evaluate whether the corpo-

FIGURE 1
Conceptual Framework



rate branding strategy works across countries or not. The proposed model is suited to gather benchmark data regarding current levels of specific corporate associations

and overall corporate image as well as their impact on consumers' product response. References are available upon request.

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THE EFFECTS OF CORPORATE-BRAND CREDIBILITY, PERCEIVED CORPORATE-BRAND ORIGIN, AND SELF-IMAGE CONGRUENCE IN EMERGING ECONOMIES: EVIDENCE FROM CHINA'S AUTO INDUSTRY

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SUMMARY

This study aims to investigate the effects of corporate-brand credibility, perceived corporate-brand origin, as well as self-image congruence on purchase intention, specifically in Chinese Mainland's automobile industry. Specifically, we hypothesize: the more favorable the corporate brand's credibility is, the more likely the purchase intention of a brand is (H1); perceived corporate-brand origin tends to be positively related to purchase intention (H2); corporate-brand credibility tends to be more significant in influencing consumers' purchase intention toward the brand than perceived corporate-brand origin (H3); and the higher the perceived degree of self-image and corporate-brand image congruity is, the more likely the purchase intention toward the brand is (H4).

The survey was conducted in four major Chinese Mainland cities, i.e., Beijing, Shanghai, Guangzhou, and

Chengdu. Survey brands were the major auto company brands in China, such as Shanghai General Motors, Guangzhou Honda, and Tianjin Toyota. A total of 800 questionnaires were distributed in this study. Finally, 477 usable cases with a response rate of 59.6 percent were collected. Hierarchical regression analysis results supported all four hypotheses. Results reveal that corporate-brand credibility, perceived corporate-brand origin, and self-image congruence are all positively related to purchase intention. The more congruent that an individual's self-image is with corporate-brand image, the higher the purchase intention is. Furthermore, we find that consumers attach more importance to corporate-brand credibility than to corporate-brand origin, thus contributing to relevant literature by answering the question as to which trait, whether corporate-brand credibility or perceived corporate-brand origin, is more significant in influencing consumers' purchase intention. References are available upon request.

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THE UNATTENDED EFFECTS OF SATISFYING PROFESSIONAL SERVICES CLIENTS: THE INFLUENCE OF CLIENT SATISFACTION AND ATTITUDINAL CONGRUENCE ON EMPLOYEE RETENTION

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ABSTRACT

Professional Service firms strongly depend on highly qualified human resources but often face immense turnover rates causing high costs and an outflow of knowledge. Effective employee retention approaches for professional services are lacking. We address this research gap by scrutinizing client satisfaction (CS) and attitudinal congruence as determinants of employee retention, mediated by employee satisfaction (ES). A two-factorial between-subjects experiment was conducted manipulating CS and attitudinal congruence. Applying ANOVA and regression analysis, we found significant effects of CS on ES and retention and partly significant effects of attitudinal congruence on ES and retention. Our findings allow considering CS as a potential lever for employee retention.

INTRODUCTION

Service firms depend on qualified and skilled human resources. For professional service firms which deliver especially sophisticated and mostly immaterial services, the need for highly qualified employees is even more exigent. However, professional services firms find themselves in a severe discrepancy with very high employee turnover rates (Scott 1998) in contrast to their essential need for highly skilled human resources (Griffeth 2000). High turnover rates do not only endanger the companies' ability to provide proper services but also cause high costs (Luo and Homburg 2007). The replacement costs for a highly qualified professional services employee can rise as high as two annual salaries (Rust et al. 1996). Retaining skilled employees is therefore of high importance for professional services firms. On the one hand, retention brings forward a more stable pool of employees in the organization to ensure the companies' ability to yield revenues and grow (Rust et al. 1996). On the other hand, it lowers expenditures and effort for replacements. Due to synergies and network effects, a relatively stable group of people is more productive and innovative (Tsai and Ghoshal 1998).

Causes of the tremendous dimension of employee turnover in professional service firms can be supposed to lie in the nature of the job. Professional services work is

mostly organized in serial projects during which employees work very closely together with their clients and often remote from their employer. As such, their job is mostly organized as a sequence of projects of several weeks to several months. Due to intense interaction, collaborating employees of the client company can be seen as colleagues during the period of project development. Since client feedback is used widely to evaluate professional services employees' performance, clients are a very critical part of the work environment for professional services employees. In many companies, employee performance is judged upon client feedback. These framing conditions exhibit that the client organization has a (transiently) substantial influence on professional services employees' work environment, motivation and satisfaction and therefore has to be taken into account when conceiving effective retention management for professional services.

Reviewing the literature on the client employee interface it becomes apparent that a variety of empirical studies in the field of marketing exists. However, all of these studies research the client employee relationship under the hypothesis that employee satisfaction and behavior influence client satisfaction and behavior. In view of the compelling employee turnover problem in professional services firm, it is remarkable that there is no research available which has reversed client employee the relationship in order to investigate possible client influences on employee satisfaction, behavior and retention. So far, neither academics nor practitioners have considered client satisfaction causal for employee satisfaction and retention (Luo and Homburg 2007). Insights into the effect of client satisfaction on employee satisfaction and retention would help professional services firms to better understand employee retention problems and possibly solve them. Besides that, managers would have another argument available for justifying investments into client satisfaction.

We contribute to the body of literature by scrutinizing the effect of client satisfaction and attitudinal congruence on employee satisfaction and retention. To the best of our knowledge, this is the first study to relate client satisfaction to employee retention. Our research stands out by spanning boundaries between the different research streams

of services marketing and human resource management that had been rather isolated beforehand.

THEORY AND HYPOTHESES DEVELOPMENT

A direct effect of client satisfaction on employee satisfaction can be assumed based on emotional contagion theory (Hatfield et al. 1994) and balance theory (Heider 1958). According to balance theory, a system of triadic relationships between two persons and an object can be either balanced or unbalanced. A relationship system that is unbalanced will cause systematic tension so that if the system is to persist, it must move toward a balanced state. A relationship system is balanced if two people have the same attitude toward the object. It is unbalanced if two people involved in a relationship with each other differ in their attitudes toward the object. This results in cognitive tension that ultimately leads to activities to balance the system. For example, B can change his or her attitude toward the object to be consistent with A's attitude, thus rebalancing the system. In this study, balance theory is applied to a relationship system involving three entities: an employee of a professional service company, a customer for whom this employee is responsible, and the service company as the object within the triangle. According to balance theory, this system seeks a balanced state. The triangle is balanced if the employee's attitude toward the service company is similar to the customer's attitude toward the service company (Heider 1958; Homburg and Stock 2005). The application of balance theory on marketing and management problems is widely acknowledged in the literature (for an overview cf., Homburg and Stock 2005).

Emotional contagion theory is conceptualized as "a multiply determined family of social, psychophysical and behavioral phenomena" (Hatfield et al. 1994, p. 7). In the narrower sense, emotional contagion is "the tendency to automatically mimic and synchronize facial expressions facial expressions, vocalizations, postures, and movements with those of another person and, consequently, to converge emotionally" (Hatfield et al. 1992, p. 153). Emotional contagion theory has already been applied several times in the marketing literature for explaining relationships between customers and employees (e.g. Homburg and Stock 2004; Howard and Gengler 2001; Pugh 2001). The transfer of emotions (which does not necessarily need to become manifest in behavior) is one possible theoretical explanation for the effect of client satisfaction on employee satisfaction. Client satisfaction might convey through facial expression, vocalizations and postures and thus transfer emotions, i.e., satisfaction to the respective employee. Because of evidence from both balance theory and emotional contagion theory, we propose:

H₁: Client satisfaction positively affects employee satisfaction.

Balance theory also serves as the theoretical rationale for our second hypothesis. As such, the congruency of attitudes (relationship balance) should affect the client employee relationship. That is, congruent attitudes of client and employee shall affect employee satisfaction positively. An unbalanced relationship system should affect employee satisfaction negatively. We therefore hypothesize:

H₂: Relationship balance with the customer positively affects employee satisfaction.

Finally, a direct effect of employee satisfaction on employee retention can be proposed drawing on the theory of social identity and the theory of reasoned action. The theory of social identity pertains to the individual's pursuit of gaining a positive identity or improving his or her present identity by identification with certain social groups (Tajfel 1959; Tajfel 1978; Tajfel and Turner 1970; Tajfel and Turner 1986; Tajfel and Wilkes 1963). The identification process is based on three levels: social categorization, social identification, social comparison, and psychological group distinction. The result is a stronger solidarity within the own group and degrading of other groups. The theory of social identity has been applied several times in the literature for explaining consumer behavior (e.g. Madrigal 2001; Sen and Bhattacharya 2001; Sirgy 1982). Employee satisfaction might accordingly lead to social identification with colleagues and the employer and thus to psychological group distinction manifesting itself in stronger commitment to the employing company and degrading of alternative employers, hence, intent to stay.

The theory of reasoned action indicates that attitudes lead to intentions which, in turn, manifest themselves in actions (Ajzen and Fishbein 1975; Ajzen and Fishbein 1980). The theory has been applied and tested several times in marketing and social sciences (e.g. Bagozzi et al. 1992; Horn and Hulin 1981). Applying it to the proposed relationship of employee satisfaction and retention, we propose that a high level of satisfaction brings forward the intention to continue the relationship with the current employer. Based on the theory of reasoned action and the theory of social identity, we propose:

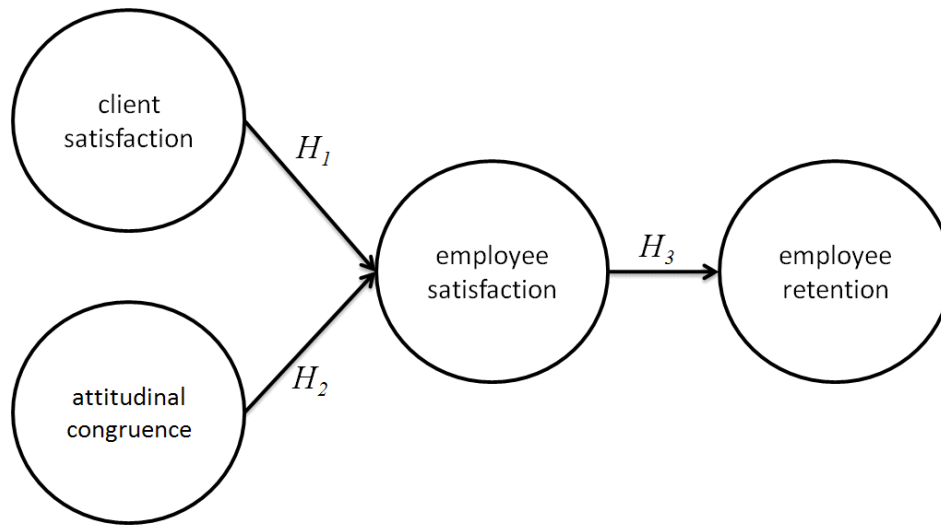
H₃: Employee satisfaction leads to employee retention.

Based on these considerations, we developed the following research framework.

STUDY DESIGN

For the model validation, the first priority was to rigorously test the causal effect of customer satisfaction

FIGURE 1
Research Framework



on employee satisfaction. This is a methodological challenge since several studies have researched the reversed causal effect of employee satisfaction on client satisfaction in the past. Despite contemporary analysis methods such as structural equation modeling, it is very difficult to find evidence for a causal effect while simultaneously ruling out the reversed effect. Reverse causality can be ruled out on the one hand, if researchers have access to panel data (Echambadi et al. 2006). However, panel data is mostly available as secondary data and often difficult to attain. On the other hand, experiments can be conducted to isolate causality (Echambadi et al. 2006, p. 1805). We applied an experimental design in order to test the proposed effects. This study design allows testing the causal effect of client satisfaction on employee satisfaction while simultaneously ruling out the reverse effect. As a result of these considerations, we decided to deploy a two-factorial design with employee satisfaction and retention as the dependent variables. Both independent variables (client satisfaction and attitudinal congruence) are manipulated on two levels.

In order to test hypotheses 1 and 2, the manipulations are embedded in a general scenario requiring test subjects to imagine being a consultant at a fictional strategy and management consultancy. The test subjects imagine working together with an automobile manufacturing firm developing a new technological strategy. A contact person (head of research and development) at the client company is introduced. Client satisfaction is operationalized with a satisfied or dissatisfied client in the experimental scenarios, while relationship balance is modeled by the congruency of attitudes toward the service project. Four

scenarios result (satisfied customer – congruent attitudes; satisfied customer – incongruent attitudes; dissatisfied customer – congruent attitudes; dissatisfied customer – incongruent attitudes). We limited the information about other employee satisfaction constituents (e.g., working hours, stress, and relationships with colleagues and superiors) to a minimum in order to make the test subjects focus on customer behavior. Aiming at instrumental control, extraneous factors were held constant. Therefore, the only framing information given is: “All in all, your work environment and remuneration are okay for you.” The scenario variations manipulating client satisfaction and attitudinal congruence are outlined in Table 1.

The four different scenarios were randomly assigned to the test subjects in order to control extraneous or spurious variables (Malhotra and Birks 2006). The dependent variables are measured after presenting the scenarios. An intervening task separates the measurement of satisfaction and retention. Construct validity is monitored by manipulation checks. Satisfaction is split into two sub-factors: general job satisfaction and project-related satisfaction which is consistent with the construct definition. Job satisfaction is measured with three items on a 7-point Likert and project-related satisfaction with 7 items on a 7-point Likert scale. Items for both job satisfaction and project related satisfaction were adapted from Homburg and Stock (2004). Cronbach’s alpha exhibits satisfying reliability levels both for the job satisfaction scale ($\alpha = .858$) as well as for the project related satisfaction scale ($\alpha = .949$). We tested discriminant validity of project satisfaction and general job satisfaction with a factor analysis revealing satisfying discriminance. Employee

TABLE 1
Manipulation of the Experimental Scenarios

Variable	Dimensions	Level 1 (positive)	Level 2 (negative)
Customer Satisfaction	<ul style="list-style-type: none"> - Positive cognitive evaluation of employee performance - Positive affective evaluation of employee performance (Homburg, Hoyer and Koschate, 2005, p. 85). 	All in all, your customer seems to be quite pleased. He is satisfied with your performance and especially your last presentation elated him.	Your customer is quite dissatisfied and upset about your performance. He already threatened to complain to your boss about you.
Relationship Balance	<ul style="list-style-type: none"> - Congruent attitudes toward the shared project - Ease of finding consensus (following Heider, 1958) 	You regularly reach a consensus on project issues with your client. You and your client share the same ideas about how to advance the project.	It is quite difficult to reach a consensus about the further project development with your customer. Both of you have utterly different opinions about that.

retention was operationalized by the intent to stay and measured by a semantic differential with a 7-point Likert scale from 1 (“I will definitely leave the consulting firm”) to 7 (“I will definitely stay with the consulting firm”).

ANALYSIS AND RESULTS

We conducted our experiment at a German and a Swiss business school where EMBA students were encouraged to participate. Out of a basic population of 380 students, 226 took part equaling a response rate of 59.5 percent. We obtained 220 usable data sets. The four

experimental scenarios were assigned randomly to the participants. Table 2 provides an overview of the mean scores.

In order to analyze the between-group variation of the four scenario groups, we applied an ANOVA analysis. Results are summarized in Table 3 and 4.

We found project satisfaction to be significantly influenced by customer satisfaction and relationship balance ($p < .02$). With an R^2 of .501 the explained variance can be interpreted as very satisfying due to the limited information provided in the scenarios and the manifold

TABLE 2
Means of Employee Satisfaction and Retention

Attributes					
Scenario	Customer Satisfaction	Relationship Balance	General Job Satisfaction	Project Satisfaction	Employee Retention
1	+	+	5.55	5.66	5.45
2	-	+	4.49	3.56	4.93
3	+	-	5.25	4.80	5.38
4	-	-	4.15	2.62	4.81

Likert scale from 1 („I totally disagree”) to 7 (“I totally agree”)

TABLE 3
ANOVA Results of Customer Satisfaction and Relationship Balance on Project Related Satisfaction

Source	df	F	Sig.	Partial Eta ^{2 1)}
Corrected Model	3	73.026	.000	.508
Constant Term	1	3333.045	.000	.940
Customer Satisfaction	1	181.692	.000	.462
Attitudinal Congruence	1	31.695	.000	.130
Interaction Term	1	6.014	.015	.028

TABLE 4
ANOVA Results of Customer Satisfaction and Relationship Balance on Job Satisfaction

Source	df	F	Sig.	Partial Eta ²
Corrected Model	3	10.650	.000	.131
Constant Term	1	3398.819	.000	.941
Customer Satisfaction	1	29.199	.000	.121
Attitudinal Congruence	1	1.607	.206	.008
Interaction Term	1	1.224	.270	.006

determinants of employee satisfaction (Agho et al. 1993). The variation in client satisfaction accounts for 46.2 percent of the variance in project related satisfaction, relationship balance 13 percent and the interaction term accounts for 2.8 percent according to the Eta² scores. We conclude that client satisfaction and relationship balance positively affect project related satisfaction. Client satisfaction significantly affects job satisfaction, too. However, the partial Eta² of client satisfaction is higher for project related satisfaction (.462) than for job satisfaction (.121). Relationship balance does not significantly ($p < .1$) affect general job satisfaction; however, it significantly affects project related satisfaction (partial Eta² = .130). In order to test to what extent employee retention is affected by employee satisfaction, we regressed employee retention on job satisfaction and project related satisfaction. Project related satisfaction significantly affects employee retention with $b = .237$ and job satisfaction with $b = .494$ (with $p < .01$). On the one hand, this result is surprising since project related satisfaction should have a strong

influence on retention due to the experimental design. The regression analysis exhibits an R² score of .30 which can be interpreted as adequate due to the numerous formative factors of employee retention and the scenario-based experimental design (Brown and Peterson 1993). As such, client satisfaction has an indirect effect on employee retention via both project related satisfaction and job satisfaction as indicated by the significant ANOVA and regression results.

DISCUSSION AND MANAGERIAL IMPLICATIONS

Due to the challenges concerning causality as argued above, we focused on internal validity but also strived for acceptable external validity. To test the hypothesized causal relationship ruling out the reverse causal effect (i.e., an impact of employee satisfaction on customer satisfaction) and to eliminate confounding variables, we applied manipulation checks, randomization and constant

extraneous conditions. All in all, the experiment proceeded very controlled.

One criterion of the external validity of experiments is their proximity to real life and to the extent to which participants can relate to the scenario. We measured the ease of answering the questions and received a very high mean score (above 6 on a 7-Point Likert scale). This result leads us to the conclusion that our experiment was easy to relate to and rather close to reality. However, drawing on EMBA students as participants and not real management consultants or professional services employees is another important issue limiting external validity (Winer 1999). For this experiment, students were chosen since they are a relatively homogenous group. Furthermore, the participants of this experiment had an average professional experience of 7.8 years which made it easier for them to relate to the scenarios. Indeed, a professional services sample would have yielded higher external validity. However, at the current state of our research, this was not feasible.

The results of the study are highly novel because, to date, the client employee relationship has only been researched by marketing strategy scholars in the reverse direction. Employee retention as a consequence of client satisfaction has been neglected so far. The observed effect of customer satisfaction on employee satisfaction and retention has several practical implications. We reveal a first potential leverage for retaining professional services employees. Due to their special job conditions, no dedicated retention strategy seemed to be in place. With this study, we found a strong influence of client satisfaction on employee satisfaction and finally employee retention. Hence, the relationships researched can be used to quantify the return on investments into client satisfaction and help managers justify marketing spending. That is, client satisfaction might condition not only marketing related parameters such as sales, market share and client loyalty but also affect employee performance, diminish cost of employee turnover and increase the corporate knowledge base by accumulating human and social capital.

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SERVICE QUALITY AND ENTERPRISE AGILITY: EMPLOYEE PERCEPTIONS OF RETAILER FLEXIBILITY

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SUMMARY

Customers will continue to seek to tailor solutions that fit their individual, increasingly complex needs (Gwinner, Bitner, et al. 2005), having the effect of producing both an evolved knowledge economy and a fractured marketplace (Day and Montgomery 1999). As a result service firms are forced to find means of becoming more flexible for their clientele, else they face the prospect of languishing, unable to serve the specialized needs of the market.

For this reason, the significance of service quality and its effect on the health of the service-providing firm has been closely examined in the marketing and management literatures. However, the extant research frequently places the locus of the generation of service quality at different places within the service firm. This research attempts to synthesize three popular notions of the source of customer-contact service quality in concert. The first notion is that service quality is derived by the actions of the service manager, preparing the store and training employees in order to engender service quality (Lusch et al. 2007; Arnold, Palmatier, et al. 2009; Hartline and Ferrell 1996). The second sources service quality to the actions and behaviors of the front-line service worker in his/her dealings with the customer (Gwinner, Bitner, et al. 2005; Bitner, Tetreault, et al. 1990). The third ascribes service quality to the ability of the top-management team to detect changes in the external environment and direct the entire enterprise to innovate new services and reconfigure existing services to better fit the needs of the clientele (Menor, Roth, et al. 2001).

Realistically, the successful service firm must be able to execute service quality that incorporates the contributions of all three echelons of the firm. The purpose of this study is to explore the nature of this multi-faceted approach to quality generation in the service firm. Specifically, this research seeks to address three questions regarding service quality within the service-providing retail establishment:

1. What is the relationship between service employees' assessment of their service performance and their perception of their firm's ability to adapt its service offering?

2. Are service retail managers' perceptions of their firm's market orientation affected by their perceptions of their desire to perform service quality?
3. Are service retail managers' desire for service quality related to their employees perceptions of the managers' tactics to engender service quality?

Design

Data was collected from a specialty retailer of sporting goods and equipment, with a location concentration primarily in the eastern United States. The data collection was focused upon a subset of those stores in the upper Midwest, consisting of a regional manager's domain of thirteen stores.

In all, of the thirteen stores of the included in the district, ten stores offered their participation. The survey garnered responses from 35 unique managers, both store managers and assistant managers and 115 unique employees throughout all of the stores. The number of useable surveys, largely due to the state of completion of the surveys took the totals down to 27 managers and 88 employees. Finally, because of the fact that not every employee who took a survey had an associated manager who took the survey, we were left with 77 employees matched with 27 managers.

Method

To test the model, a partial least squares (PLS) path methodology is used. Partial Least Squares path analysis is a modeling technique that enables analysis who possess data sets previously not amenable to other causal modeling techniques, such as covariance-based structural equation models (Hulland 1999; Haenlein and Kaplan 2004). While in more the more traditional path modeling methodology, SEM, there are strict assumptions on the nature of the data as well as target recommendations on the sample size, in PLS, because it is a limited-information approach (Dijkstra 1983) these stipulations such as assumptions about the scale of measurement, or the scale of measurement are not set into effect (Fornell and Bookstein 1982). Further, because these assumptions are not made in PLS, the methodology is robust against skewness, multicollinearity, and specification error (Cassel, Hackl, et al. 1999).

Discussion

This study had three findings of particular note. First, it was revealed that managers' perception of their firm's market orientation was shown to coincide very significantly with the stated degree of commitment the managers held toward maintaining service quality in their organizations. In other words, if they saw their firm as market oriented, they were more apt to be committed to driving service quality themselves. Second, in a similar manner, the front-line employees' assessment of their service delivery was tied strongly to their assessment of their firm's ability to wholly adapt its format to reflect changes in consumer tastes, needs, and whims. If the service employee assessed his abilities in customer service highly, they tended to believe that the top management team supported their efforts when customer tastes and prefer-

ences change, or if change is necessitated by the external environment.

Third, the employees of our sample were able to match their manager's assessment of their commitment to service quality to their own (employees) assessment of their managers' instrumentality of this commitment (captured by training, empowerment, recognition and financial rewards); however, they were only able to link training and empowerment to their assessment of the own front-line service delivery. Surprisingly, financial rewards and recognition did not play a significant role in shaping the front-line service encounter. An explanation for this confound might support Herzberg's (1959) "Dual Structure Theory" which is extended to analyze the modern front-line service position. References are available upon request.

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REVISITING THE EXTRINSIC-INTRINSIC CONUNDRUM: WHICH REWARD HELPS TO IMPROVE FRONTLINE EMPLOYEE PERFORMANCE?

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SUMMARY

Although rewards have been conceptually argued to improve service quality, empirical evidence in this respect has been limited. Using social exchange theory framework, this research investigates the importance of rewards (extrinsic and intrinsic), in influencing organizational commitment (affective and continuance) and service quality of frontline employees in the two most difficult and important types of frontline service situations, face-to-face and telephone encounters of a bank.

Reward format for frontline service providers is particularly important to the services literature because, (1) the service quality produced by these employees is a prerequisite for success and the survival of any service firm (Zeithaml et al. 2008), (2) studies in psychology and sociology have demonstrated important relationships between reward formats and the quality of work performed, (e.g., Jenkins et al. 1998), and, (3) research has found that front line employees have been notoriously difficult to motivate (Heskett et al. 2008; Vandenberghe et al. 2007). Thus, it seems advantageous to examine how reward formats may positively or negatively influence the provision of service quality amongst front line employees.

With that in mind, this study investigates how extrinsic and intrinsic rewards affect frontline service employees' provision of service quality. Using a social exchange framework (Cropanzano and Mitchell 2005) we theoretically ground reward formats in economic and social exchange, conceptualizing them as independent second-order constructs which, between them, address the range of factors that stimulate employees to act. Further, our exchange framework allows us to specify the important intervening role played by the service provider's type and level of commitment to the organization. Commitment, like rewards, is also based in both economic and social exchange and has been found to be a key driver of employee behaviors (Ricketta 2008; Vandenberghe et al. 2007). Our theoretic framework allows us to investigate how both rewards and commitment have, in fact, positive and negative effects on the provision of service quality.

Extrinsic rewards are rewards that are instrumental in nature and bestowed on the employee by the firm. These

rewards tend to be, but are not always, based in monetary gain and relate not to the job per se, but to the context in which the job is executed. Extrinsic rewards include: *Pay satisfaction, Satisfaction with fringe benefits, Promotional opportunities and Working conditions.*

Intrinsic rewards are rewards inherent in the content of the job itself (as opposed to the context in which the job occurs) because performing the job relates to the ability of the employee to achieve and experience psychological growth (Herzberg 1987). Intrinsic rewards enhance the motivating potential of the jobs by increasing perceptions of responsibility, influence, and self-recognition of achievement (Eby et al. 1999). The specific measures of intrinsic rewards embody these characteristics. Intrinsic rewards include: *Autonomy, Positive feedback, Participation, Role clarity and Training.*

We examine the consequences of rewards, particularly important in service delivery (Boshoff and Mels 1995), by considering the relationship between the provision of rewards and organizational commitment. Organizational commitment has been identified as a multi-dimensional construct having distinct components (Meyer et al. 2002). Two of these components, continuance commitment (CC) and affective commitment (AC) have been regarded as most distinguishable from one another in terms of their antecedents and consequences (Meyer et al. 2002; Luchak and Gellatly 2007), and have been useful in helping understand various marketing phenomena (e.g., Gruen et al. 2000). CC is derived from Becker's side-bet theory (1960) and is defined as attachment based on the costs that employees associate with leaving the organization (Meyer and Allen 1991; Vandenberghe et al. 2007). AC is the employee's emotional attachment to, identification with, and involvement in the organization (Meyer and Allen 1991). It has its roots in the concept of exchange, as employees want to remain, and are willing to exert effort on behalf of the organization because of the positive work experiences and benefits they derive from their relationship.

We hypothesize: (1) extrinsic rewards have positive effect on affective commitment (H1) and on continuance commitment (H2) but a negative effect on service quality (H5); (2) intrinsic rewards have positive effect on affective

tive commitment (H3), no effect on continuance commitment (H4), and positive effect on service quality (H6); (3) Affective commitment has a positive influence on service quality (H7); and (4) Continuance commitment has no effect on service quality (H8).

The research was conducted among employees in telephone call centers and branches of a major retail bank in the United Kingdom. Self-administered anonymous questionnaires were mailed to the “Head of Customer Services” responsible for call centers and to the Regional Bank Manager responsible for branches, who further arranged for the distribution to their respective employees. The respondent sample size for this study was 342 from call centers and 170 from branches, generating net response rates of 53.5 percent and 57 percent respectively. The profile of the respondents was representative of the typical employee profile – 16 percent male and 84 percent female, mean age of around 36 years, and average organizational tenure of 12.5 years in branches; and 36 percent male and 64 percent female, mean age of 30 years, and average organizational tenure of around 3.5 years in call centers.

In this study, frontline employees evaluated their own performance in terms of service quality on a shortened (8 items) and adapted version of the SERVQUAL instrument. AC and CC were measured using the revised three-component scale of commitment (Meyer, Allen,

and Smith 1993). Adapted versions of existing scales were used to measure all other variables. All items were linked to five point Likert type scale ranging from “strongly agree” to “strongly disagree.”

Latent variable structural equation modeling (SEM) was adopted as the analysis technique for the study using AMOS (Arbuckle and Wothke 1995–1999). First, the measurement model was estimated and standardized regression coefficients obtained, and second, the structural model was estimated. To test the structural invariance (equal weights) across the two groups, we conducted multi-group analysis of structural invariance. The results are summarized in Table 1.

The results indicate that intrinsic rewards have greater effect on service quality than extrinsic rewards, rewards have a stronger effect on commitment in call centers as compared to branches, and affective commitment is the better of the two for service quality. Our findings support the arguments of exchange theory literature, which suggests that employees offer or enhance their commitment when they feel that their needs are being satisfied. In call centers both extrinsic and intrinsic rewards were found to be significant determinants of affective commitment, and continuance commitment was influenced by extrinsic rewards as hypothesized. However as compared to call centers, the effect of rewards in branches was found to be somewhat limited as only extrinsic rewards influenced

FIGURE 1
Structural Equation Model

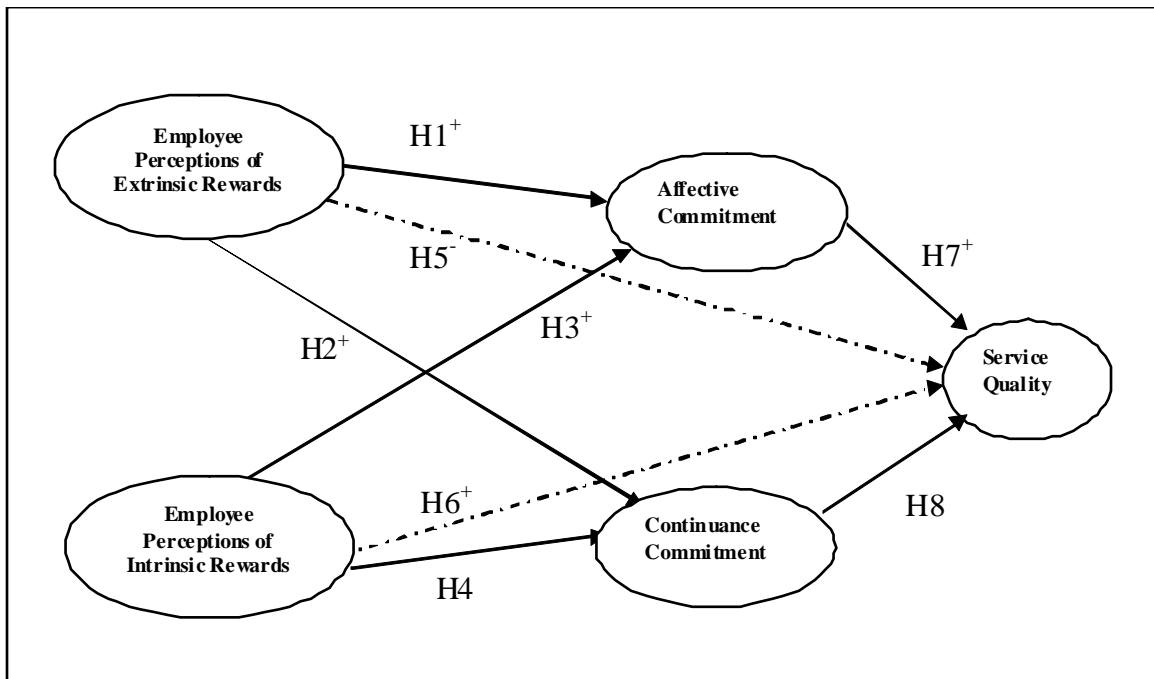


TABLE 1
Hypotheses Testing Results

Hypothesis	Path	Call Centers	Branches
		Std. Regression Coefficients	Std. Regression Coefficients
H1	ER -> AC	.23*	.65**
H2	ER -> CC	.24*	NS
H3	IR -> AC	.59**	NS
H4	IR -> CC(no rel.)	Supported	Supported
H5	ER -> SQ	-.64**	-.57**
H6	IR -> SQ	.77**	.58**
H7	AC -> SQ	.26*	.44*
**H8	CC -> SQ (no rel.)	Supported	Supported

**1% level significance; * 5% level significance; NS- Not significant

affective commitment, which is also supported by the lack of invariance found in the structural weights of rewards on affective commitment in the structural multi-group model.

Affective commitment emerged as the only component of commitment to have a significant direct effect on service quality in both branches and call centers. Our findings are in accordance with commitment theory, which states that employees with high AC are more likely to internalize with organization's goals and values, and should be inclined to work hard in delivering quality service to customers (Allen and Grisaffe 2001). As hypothesized, continuance commitment was not found to have any significant effect on service quality.

Intrinsic rewards were found to be more significant than extrinsic rewards with respect to service quality. In

both the samples, intrinsic rewards had a significant positive effect on service quality. As regards extrinsic rewards, in both samples, the findings were found as hypothesized. Despite literature highlighting the significance of extrinsic rewards for performance, including service quality (Steers and Porter 1979; Zeithaml, Parasuraman, and Berry 1990; Armstrong 2001), the results indicate that they are not found to be effective for service quality of frontline employees. The results of our study are in agreement with Cognitive Evaluation theory and Self-Determination theory (Deci and Ryan 1985), which propose that extrinsic rewards diminish performance (Deci, Koestner, and Ryan 1999; Gagne and Deci 2005). Managers in service firms could use internal marketing, through effective administration of extrinsic and intrinsic rewards, in influencing frontline employee attitudes and service quality.

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PRICING OF SERVICES: OFFER CHARACTERISTICS' IMPACT ON SUCCESS OF STRATEGIC PRICING DECISIONS OF INNOVATIVE SMES

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SUMMARY

Introduction and Purpose of the Study

Pricing is a key success driver for every technology-based enterprise due to its direct impact on profitability (Gruber 2004; Kim et al. 2009). Taking into consideration the increasingly shorter life cycles, especially pricing of new services and products has become increasingly important (Litan and Song 2008). Nevertheless, many managers undervalue the great importance of this topic (Schindehutte and Morris 2001). Many marketing activities for new services and products of innovative small and medium-sized enterprises (SMEs) can still be characterized as mostly informal, following a short-term orientation, and lacking strategic content (Hills et al. 2008). However, a promising shift in managerial practice can be witnessed. Managers have started to use pricing as a strategic weapon in combination with the other elements of marketing and innovation strategy (Leenders and Wierenga 2002).

Academic research in the field of marketing and innovation management has often neglected pricing theory and practice (Hauser et al. 2006; Hoffman et al. 2002). Scholars have investigated mostly large industrial firms. Even though exhibiting a different pricing behavior (Hills et al. 2008), there are only a few studies focusing on SMEs. Additionally, research findings indicate that major differences exist between the ways in which service and product firms approach marketing and especially pricing. The reason for these differences may be the distinctive characteristics of services: intangibility, inseparability, heterogeneity, and perishability. Several studies found service firms to be less willing to spend money on marketing and market research, less structured in terms of marketing function, and less market-oriented as product firms (e.g., Edgett and Thwaites 1990; Hooley and Cowell 1985).

Our study contributes to current services marketing and entrepreneurship research in four significant ways. First, we address the call for of more empirical research into the impact of pricing decision practice on success (Noble and Gruca 1999), particularly in the field of new services and products (Krasnikov and Jayachandran 2008; Page and Schirr 2008) and SMEs (Hills et al. 2008).

Second, our study reveals the different aspects of strategic pricing decisions actually applied by service SMEs, contrasting the findings to the characteristics of product SMEs. Third, our research sheds light on the moderating role of offer type (being service or product) in the relationship between strategic pricing decisions and their performance effects. Our fourth contribution is the transfer of up-to-date research design and methods to the field of managerial pricing decisions of innovative SMEs (Liang 2008).

Methodology

We drew on established measures. Additionally, we conducted expert interviews with managers of new ventures, SMEs, and entrepreneurship scholars to validate our measures. We sent out questionnaires to 3,378 technology-based companies randomly drawn from the German Chamber for Industry and Commerce. We asked the management to refer their answers to a new service or product that plays a central role for the company. Four hundred twenty responses were gathered yielding a response rate of 12 percent which is typical for pricing surveys. Three hundred seventy-nine of the responses stem from SMEs. Dividing the sample by type of offer (being service or product) yields a split of 202 service SMEs versus 177 product SMEs. To evaluate the performance effects of strategic pricing decisions, we chose structural equation modeling and, specifically, partial least squares (PLS). Applying group comparisons, we examined the hypothesized moderating effects. We base our hypotheses on three related theoretical perspectives that describe the behavior of organizations and their success: Resource-Dependence Theory (RDT), Information Economics (IE), and Principal-Agent Theory (PAT).

Results and Discussion

In all, 23 of the 32 hypotheses were significantly supported by the sample. Our data also supported the hypothesized moderating effect: The relationship between the different strategic pricing decisions for new offers and their performance effects varies depending on the venture's type of offer (being service or product). The examined moderator strongly affected the structural equation model: 13 out of 32 hypothesized path coefficients

differ significantly between service SMEs and product SMEs.

Our study creates greater transparency about the differences of technology-based SMEs' strategic pricing depending on their type of offer. For practitioners, we

provide an actionable set of guidelines regarding their strategic pricing decisions. Our results enable service marketers to apply the most promising pricing configuration in line with best practices. This insight reveals a direct opportunity for entrepreneurs to increase business performance.

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BEYOND THE MARKETING MIX: COMPETING THROUGH CORPORATE SOCIAL INITIATIVES

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SUMMARY

Defined broadly as “a commitment to improve [societal] well-being through discretionary business practices and contributions of corporate resources” (adapted from Kotler and Lee 2005), corporate social responsibility (CSR) occupies a prominent place on the global corporate agenda in today’s socially conscious market environment. An increasing body of research has shown that there are multi-faceted business benefits companies can reap from engaging in CSR activities, such as more favorable product evaluation (Sen and Bhattacharya 2001), greater consumer loyalty and advocacy (Du, Bhattacharya, and Sen 2007). According to a survey reported in *McKinsey Quarterly* (2009), companies are using CSR initiatives to build and strengthen their competitive position in the market. However, to the best of our knowledge, prior research on CSR has focused overwhelmingly on single brand contexts and therefore has excluded any potential effects of competition on the business returns to CSR.

Using the context of a challenger-leader competition, this research examines the efficacy of CSR initiatives as a challenger’s competitive weapon against a market leader. We did a series of focus groups on participants and non-participants of a real-world corporate social initiative aimed at improving oral health among disadvantaged Hispanic communities. The initiative was undertaken by an oral care brand whose market share in the U.S. Hispanic segment was lagging behind its major competitor and hence was in a challenger position. Interviews with brand managers indicated that one of the business objectives in launching this social initiative was to gain market share in the Hispanic segment. The focus group study highlighted two factors that might affect their reactions to the initiative, consumers’ participation (or not) in the challenger’s initiative and their extant trust in the leader. More specifically, we find that consumers who had participated in the initiative described the challenger as more trustworthy (e.g., caring, trustworthy, angelical, and Latino-it is one of us) regardless of their trust in the leader. In contrast, the reactions of consumers who were merely aware of the initiative varied dramatically depending on their level of trust in the leader. Specifically, aware consumers who had high trust in the leader tended to question the sincerity of the challenger’s CSR motives

(e.g., “they help the community to make a name for themselves and to gain popularity”), or argue that the leader provided similar benefits to the community. On the other hand, aware consumers who were not emotionally attached to the leader embraced the challenger’s social initiative (e.g., “this means they care about our welfare and want us to get ahead”) and displayed favorable reactions to the challenger’s initiative similar to those of the participant consumers.

Based on the exploratory focus group study and prior research on relationship marketing, trust, and attributions, we developed a series of hypotheses which were then tested in a follow-up field survey in the same empirical context. Results from our survey provided support for our hypotheses regarding (1) the interactive effects of initiative participation (vs. awareness) and brand trust in the leader on consumer reactions to the challenger’s initiative, (2) the mediating role of brand trust in cultivating consumer loyalty, and (3) the mediating role of CSR attributions in building brand trust.

Our research contributes to the literatures of CSR, trust, and competition. By looking at the real-world scenario involving a challenger brand trying to make inroads into the incumbent brand’s turf, we are able to paint a more nuanced, realistic picture of the business returns to CSR compared to previous CSR research. As well, in light of extant thinking that a late entrant’s superior marketing mix is often ineffective in the face of an incumbent brand’s advantage (Bowman and Gatignon 1996; Shankar, Carpenter, and Krishnamurthi 1998), our research shows, for the first time, the late entrant’s ability to leverage its CSR to overcome the incumbent advantage among not only participant consumers but also non-participant consumers who are aware of the CSR and whose trust in the incumbent is relatively low. Also importantly, our research points to the pivotal role of consumers’ affective trust in the dynamics of challenger-leader competition. While the unique advantage of CSR in helping a challenger compete stems from the ability of such actions to engender trust amongst its desired consumers in a relatively short period of time, turning them into not just customers but champions, consumers’ trust in the market leader represents the essential competitive barrier the challenger must overcome in order to win them over.

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GENERAL AND CARBON RELATED ENVIRONMENTAL KNOWLEDGE, ATTITUDES AND BEHAVIOR: A STRUCTURAL EQUATION MODELING APPROACH

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SUMMARY

Global warming has gained global acceptance as an issue that needs to be addressed. While firms can reduce the amount of carbon they produce, they can also offset their production of carbon, by purchasing savings in other areas, that result in a “measurable avoidance, reduction or sequestration of” carbon or greenhouse gasses (Ramseur 2007, p. 1). Firms can also purchase carbon offsets, and at present there are a multitude of alternative offset providers and offset programs available (Clean Air-Cool Planet 2006). These programs can be highly complex, which can lead to consumer confusion (Majoras 2008; ACCC 2008).

Consumer environmental knowledge and attitudes have been researched for over 40 years in an attempt to provide insight and understanding into pro-environmental behavior. The aim of this research is to examine the relationship between; general and carbon specific knowledge, attitude toward the environment, and their general and carbon specific behaviors for a sample of consumers in the United States.

Hypotheses

Attitude toward the environment has been commonly found to be an antecedent to pro-environmental behavior (Moloney and Ward 1973; Lynne and Rola 1988; Kaiser, Wolfing, and Fuhrer 1999). Allport (1935, p. 810) stated that “an attitude is a mental and neutral state of readiness, organized through experience, exerting a directive or dynamic influence on individual’s response to all objects and situations with which it is related.” Attitudes are generally introduced as a mediating variable (Davies, Foxall, and Pallister 2002) in measuring the relationship between knowledge and behavior. Therefore, we propose that:

- H1a: General environmental knowledge is positively related to attitude toward the environment.
- H1b: Carbon offset knowledge is positively related to attitude toward the environment.

Behavior has been known to stem from consumer attitudes. Bohlen, Schlegelmilch and Diamantopoulos

(1993) found a strong positive relationship between attitudes about the environment and purchasing behavior. Environmental issues cover a wide range of topics and thus environmentally-focused consumers can be motivated based on a range of factors (Stone, Barnes, and Montgomery 1995). However, someone who is active in one set of environmental behaviors may not necessarily be equally activated in others (Kahn 2007). As such we explore whether there are links between general knowledge and actions, as well as specific carbon knowledge and carbon actions using environmental attitude as a mediating variable. However, as was previously mentioned, behavioral intentions may not necessarily result in actual environmental behavior (Davies, Foxall, and Pallister 2002). Based on the TRA, we propose:

- H2a: Attitude toward the environment is positively related to general pro-environment behaviors.
- H2b: Attitude toward the environment is positively related to carbon offset related behaviors.

Method

An online survey was administered to a random sample of Australian grocery shoppers, using a for-profit panel. The target sample was 350 respondents; 395 responses were received of which 352 were deemed usable. An SEM modeling was undertaken to explore the impact of general and carbon offset knowledge through attitudes on general and carbon related behaviors.

Results

The SEM model confirmed the relationships between general environmental knowledge, attitudes and behavior. The links were found to hold between attitudes and both general and specific (i.e., carbon related) behavior. This suggests that the TRA appears to hold in regards to both general and specific environmental knowledge for U.S. consumers. One would therefore anticipate that as consumers become more knowledgeable they in turn will change their attitudes and behaviors. References are available upon request.

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RESOURCE ALLOCATION FOR CORPORATE SOCIAL RESPONSIBILITY IN BUSINESS-TO-BUSINESS MARKETS

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SUMMARY

Companies are increasingly held responsible for their suppliers' impact on society. Whereas the marketing literature has paid substantial attention to the role of CSR on consumer markets, the role of CSR in business-to-business markets has yet to be investigated. The purpose of this paper is to examine the drivers of resource allocation for a CSR issue in business-to-business markets. A focus on resource allocation is essential because once a company on a consumer market decides that the sustainability of its products should be improved, the entire supply chain is likely to be affected. Suppliers should, for example, search for sustainable sources of supply, train employees and suppliers, and assess consequences for delivery, flexibility, and costs.

This study empirically examines the impact of institutional variables along marketing channel and company variables in the resource allocation decisions for CSR in the context of a specific CSR issue (animal welfare in livestock farming). By doing so, it increases the understanding in how pressures put on consumer companies, may ripple down through supply chains thereby increasing the legitimacy of an entire marketing and production system.

Framework

Resource allocation for a CSR issue is seen as the allocation of financial and human resources. The study draws on stakeholder theory, resource-dependence theory, and studies on consumer perceptions of CSR, to include variables that pertain to the institutional, channel (task), and internal environment of the company, i.e., stakeholder pressure on downstream companies (the degree to which secondary stakeholders put pressure on dominant companies in the chain); socially responsible competition (the intensity of competition that is specifically positioned as socially responsible); the strategy of downstream companies (degree to which dominant chain companies focus on short-term transactional gains); investment specificity (degree to which investments in a CSR issue make a supplier more dependent on its customer); and two corporate abilities: innovativeness and channel integration ability. In addition, the study examines whether resource allocation fosters market performance and whether this effect is stronger if CSR is an integrated component of the market offering.

Method

The study focuses on a specific CSR issue, i.e., animal welfare in livestock farming. Because our focus is on the animal welfare issue, we restricted our sample to industry codes on the production, processing, trade, and wholesaling of production animals, meat and fish (not including retailers or primary producers). Companies were contacted to check eligibility and to identify the appropriate respondent. Six hundred eighty companies agreed to cooperate, of which 135 (20%) returned questionnaires or provided answers over the phone. No evidence for nonresponse bias or other systematic biases was found.

Measures were developed using a combination of literature search and in-depth face-to-face interviews. If they were applicable in our research context, existing scale items, or slightly adapted items were used. A data purification procedure was used, including principal component analyses, reliability analysis, and confirmatory factor analyses, to select items that were used in the constructs. Alphas vary between .70 and .89.

Results

Results show that pressure on downstream companies has a positive impact on resource allocation. Socially responsible competition has a negative, marginally significant ($p < .10$) effect, which is explained from the fact that companies may position themselves away from competitors that position themselves as socially responsible. Strategies of downstream companies that focus on short-term transactional gains also lead to lower allocation of resources to CSR. Investment specificity has a positive effect, which is explained from the fact that specific CSR investments may help supplier companies to bond themselves stronger with customer companies. Innovativeness and chain integration ability both have positive effects. Results also show that resource allocation for a CSR issue leads to higher market performance, especially if the company manages to make CSR an integrated component of its market offerings.

Implications

For companies on business markets our study implies that they should consider CSR as a means to improve their performance. When companies on consumer markets are

put under pressure to engage in CSR activities to maintain or restore their legitimacy, this presents opportunities for companies on business-to-business markets to acquire new customers and strengthen their relationships with current customers. For secondary stakeholders like NGOs, that traditionally focus on putting pressure on large and visible consumer companies, our results confirm that such strategies are effective in that they also yield responses in supply chains. Apparently, secondary stakeholder pres-

sure ripples down into the supply chain and releases resources for the CSR issue at hand at different levels of the channel. Secondary stakeholders should, however, be careful in engaging in socially responsible competition through an alliance with a single company in an industry. Such an action may work counter-productive when other players on the market dissociate themselves from the socially responsible competitor.

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EXCESSIVE BUYING: THE CONSTRUCT AND SCALE DEVELOPMENT

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SUMMARY

This research attempts to understand what excessive buying is and how it may affect consumers' behavioral and emotional responses. First, we define excessive buying on the basis of emerging themes from previous research and real world observations. Secondly, we use the time-inconsistent preferences and automaticity theory to construct a conceptual typology of excessive buying. We then describe the development and validation of a psychometric scale that reflects individual differences in excessive buying. During the validation process, we demonstrate that, besides conceptual difference, excessive buying is distinct from impulsive and compulsive buying. The conceptual typology and psychometric scale reveal that excessive buying subsumes five dimensions, to which the current body of literature pays slight attention. Finally, our research addresses the need to assess the relationships between excessive buying and its antecedents and consequences by providing initial evidences of nomological validity of the scale.

Excessive buying is defined as "an individual type of buying behavior whereby consumers repetitively spend more than they deem they should based on financial considerations." We conceptualize excessive buying as an example of time-inconsistent preference and propose that there are five different types of excessive buying: (1) possessive, (2) rewarding, (3) remedial, (4) out-of-control, and (5) habitual excessive buying. Excessive buying is different from impulsive buying in terms of locus, frequency, and magnitude of consequences. We maintain that compulsive buying is a special and extreme case of excessive buying.

Three studies were conducted to develop and validate the excessive buying scale. The first study generated 122 items to reflect the multi-facets of excessive buying. Content validity of the items was evaluated in two phases following Hardesty and Bearden (2004), leaving us with 25 items.

In study two, we reduced and validated the scale by using a student sample (401) and a nonstudent adult

sample (404). Confirmatory factor analyses resulted in a 15-item, five factor scale, corresponding to the five types of excessive buying. The scale exhibits internal consistency, reliability, and discriminant validity. We demonstrated that individuals who tend to shop as an escape from reality, score lower on "consideration for future consequences," or are stressed, are more likely to engage in excessive buying which is associated with negative financial and emotional consequences. Additionally, we found that "common method variance" (CMV) and "socially desirable responding" (SDR) had minimum impacts on the proposed nomological relationships.

A third study was conducted to establish external validity of the new scale. In addition to the adult sample described earlier, we recruited a special sample from the personal bankruptcy court of a big southeast metropolitan area. ANOVA analysis results suggested that the bankruptcy sample scored significantly higher on three out of the five dimensions of excessive buying than the adult sample. External validity of the scale was also tested by examining the impact of external factors (income, gender, and geographic locations) on excessive buying. The results supported that the excessive buying scale was a generalized scale.

This research reports on the development and validation of a multi-item scale to capture individual differences in making purchases relative to one's affordability. First, we use a theory-driven approach to define excessive buying and categorize it into five types, nicely integrating diverse accounts of excessive buying reported in previous studies and media stories. Second, we develop a fifteen-item scale to measure excessive buying that exhibits internal consistency and reliability, discriminant validity, and external validity. Finally, we have shown that neither CMV nor SDR changes the relationships between excessive buying and its antecedents and consequences. This is assuring, since past research fail to address these two important measurement problems and measure their impacts. References are available upon request.

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AFFECT, FRAMING, AND WARRANTY CHOICE: THE MEDIATIONAL ROLE OF PERCEIVED PURCHASE RISK

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SUMMARY

Decision framing, which refers to a variation in the conception of a problem depending on how the problem is formulated, is a topic that has been widely studied by marketers interested in understanding consumer choice. The framing of a message may lead to different consumer choices even when the outcome has equivalent utility value.

A type of framing that has received special attention is choice framing, which is framing in terms of gains and losses (e.g., Kahnemann and Tversky 1979). Choice framing focuses on the outcomes the decision maker will gain (lose) by choosing or not choosing a specific option. Tversky and Kahnemann (1981) showed that individuals are often risk averse when choice outcomes are presented in terms of gains and risk taking when the choice outcomes are presented in term of losses. However, the outcomes framing is only one factor influencing an individual's choice and risk perceptions. There are other factors influencing a risky choice.

Past research has demonstrated that mood influences how people use and process information in decision making. Mood is an affective state often times incidental and diffused (Bagozzi, Gopinath, and Nyer 1999). Recent research by Keller et al. (2003) shows that affect interacts with framing to predict message effectiveness. They found that the framing predictions were reversed depending on the respondents' mood state. However, they tested the joint influence of mood and frame on evaluations of message persuasiveness not choice. Further, although their findings are relevant to the literature, the context where the study was performed framed the choice (i.e., intentions of doing a mammogram) in terms of gains or losses, but it did not frame the alternative (i.e., not doing the mammogram) in terms of gains and losses. We attempt to test the impact of mood and frame voiding these two drawbacks in current studies.

In this study, the authors investigate the mood-frame interaction in cases when an individual may frame choosing an option as a sure gain (loss) and the abstinence of choice as a probable gain (loss). We chose to explore the role of affect and frame in car warranty purchase decisions because warranty decisions involve an assessment of risk (how likely is it that the product will break down) and companies often times use framing (gain/loss) in their

warranty offerings. In addition, we chose this context because warranty choice may be viewed as a gain (i.e., saving money in case repairs are needed), but not choosing a warranty may also be viewed as a probable gain (saving money in case no repairs are needed).

The Mood Management Hypothesis (Isen and Patrick 1983; Isen, Nygren, and Ashby 1988) suggests that people in a positive mood prefer to maintain their positive state, so they consider negative information carefully and make prudent risk-related decisions. As a result, they are risk-averse in their decisions. In contrast, people in a negative affective state are concerned about lifting their mood in order to move themselves away from the negative mood. As a result, they are less risk-averse in their decisions compared to those in a positive mood. Based on this theoretical framework we hypothesized that individuals would be more likely to choose a probable outcome (i.e., not choosing a car warranty) when there was a maximum fit between mood (positive, negative) and frame (gain, loss). In contrary, prudent choice (i.e., choosing a car warranty) should result from mood-frame incongruence. Further we proposed that the effects are due to the perceived risk.

In order to test our predictions, we conducted a 2 (Mood: positive vs. negative) x 2 (Frame: gain vs. loss) between-subjects experimental design. Two hundred twenty-nine students from a Midwestern university in the USA were randomly assigned to one of four experimental conditions where students had to complete the mood manipulation first and then consider a scenario regarding a car purchase involving car warranty choice. The scenario consists of an adaptation of the widely used "Asian disease problem" adapted from Tversky and Kahneman (1981) which manipulates the outcomes resulting from buying or not buying the warranty under the gain and the loss domain.

The results partially supported the hypotheses. It was found that respondents were more likely to purchase the car warranty when: (1) the warranty was framed as a loss, regardless of mood state, and (2) the warranty was framed as a gain and respondents reported a negative mood. In addition, the findings suggest that perceived purchase risk is the mechanism that underlies the joint effects of mood and frame on warranty choice. Theoretical and managerial implications are presented. References are available upon request.

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CONSUMER WORLD-MINDEDNESS AND ATTITUDES TO PRODUCT POSITIONING IN ADVERTISING: AN EXAMINATION OF GLOBAL VS. FOREIGN VS. LOCAL POSITIONING

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SUMMARY

In recent years, increasing interest has emerged in global consumer culture and its impact on product preferences and choices, life-styles, and exposure to mass-media from other countries. This has in turn generated interest in the concepts such as consumer cosmopolitanism and consumer world-mindedness. At the same time, interest has been shown in examining the impact of the growth of a global consumer culture on lifestyles, attitudes, and consumer behavior (Alden et al. 2006)

The present study examines differences in consumer response to ads reflecting a global consumer culture positioning (GCCP) vs. a foreign (FCCP) or local consumer culture positioning (LCCP), and the relation to consumer world-mindedness. Following Alden et al.'s definition (1999) global consumer cultural positioning (GCCP) associates the product with a global consumer culture (e.g., Benneton ads), vs. a local positioning (LCCP), where the product is associated with a local culture (e.g., Budweiser's emphasis on its US origins), or a foreign positioning (FCCP), which emphasizes the product's foreign culture (e.g., Singapore Airline's use of the Singapore girl in its global advertising). Consumer Worldmindedness, on the other hand, is an interest in, openness and the adoption of products from other cultures or parts of the world (Nijssen and Douglas 2008)

Based on a review of the literature, a conceptual framework was developed reflecting the impact of consumer world-mindedness on attitudes toward advertisements with either a LCCP, FCCP, or GCCP. A number of research hypotheses were then developed. Consumer world-mindedness was expected to have a positive effect on attitudes to ads reflecting a GCCP or a FCCP. Conversely, as world-minded consumers have positive attitudes toward the world and a global culture, they were expected to have negative attitudes toward LCCP, which they see as reflecting a parochial view of the world. The extent to which consumer ethnocentrism moderated the relationship between world-mindedness and LCCP, FCCP and GCCP was also examined.

A survey of 90 consumers in The Netherlands was then conducted in which consumers evaluated a set of ads falling into each of the three positioning categories. These data were analyzed using SmartPLS software 2.0, (Ringle, Wende, and Will 2005).

As expected, consumer world-mindedness was positively related to FCCP and GCCP and negatively related to LCCP. Interestingly, the nature of the interaction with consumer ethnocentrism was more complex than expected.

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CULTURAL PERSPECTIVES ON RESISTANCE TO PERSUASION: SOME HOFSTEDIAN PROPOSITIONS

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SUMMARY

Ideas have consequences (Weaver 1948; Clark and Knowles 2003). As academic researchers in psychology, consumer behavior, anthropology, sociology, marketing and political science we examine the impact of ideas, and their communications, on individual and group attitudes and behaviors.

It has been suggested, however, that ideas have consequences only when they are put to work and lead to action (Collier 2009). Applied researchers working with for-profit companies, not-for-profit organizations and political parties seek to persuade publics and the individuals and families that comprise them to change or retain their attitudes toward given products, behaviors or ideas. American automobile manufacturers try to persuade their compatriots to buy the cars their neighbors help to build, while marketing theorists characterize such domestic preference as consumer ethnocentrism (Shimp and Sharma 1987), a value-laden term that may suggest a prejudicial xenophobia to the reader.

At this writing (mid-2010), an international energy company and the current President of the United States both appear to be trying to salvage their public images while struggling to contain a leaking oil well at the bottom of the Gulf of Mexico. The verdict of public opinion – the extent to which voters in the United States and consumers around the world accept the images the parties try to convey – will have an impact on corporate shareholders and pensioners and on the near-term American political landscape.

The importance of public opinion for companies and organizations can hardly be overstated, at least in milieux where targets have choices. The customers of large public utility monopolies often have no alternative suppliers. Single-party states provide few alternatives for citizens who wish to change governments.

The actions taken by governments in response to expressions of public opinion rightly would be considered public policy, and therefore outside the scope of the present paper. Further, decisions made by government to influence public attitudes and behaviors, e.g., toward drunken driving or tobacco use, are public policy. The actual promotion of anti-smoking messages, however, is marketing activity.

A company that wishes to continue growing in the face of domestic and international competition needs one or more competitive advantages that it can keep over a long period of time. Sustainable competitive advantage in business generally and in marketing specifically has become something of a holy grail, an object of continual search always beyond reach, and perhaps not really existing. Many advantages are valuable. Not as many are rare. Fewer still are inimitable outside of government protection, e.g., patents, and in international marketing even government protection may mean little. In international business the difficulties of the pursuit of sustainable competitive advantage is exacerbated by the multiplicity of cultures and subcultures, languages and dialogues, economies and economic systems, histories, and legal systems, in addition to the geographic distances goods must travel to reach overseas customers.

Among those few valuable and rare, inimitable advantages a company may have, even fewer are non-substitutable. There are no goods or services that people in time past have not done without, as the ongoing existence of subcultures such as the Amish in the U.S. and Canada continue to demonstrate.

Most sources of competitive advantage, be they capital, resources or knowledge, can be transferred from place to place fairly easily. A skilled labor force is less mobile and therefore more sustainable (Porter 1980; Barney 1991), but in the medium term training programs can create skilled labor forces wherever suitable educational bases exist. Further, many countries in the developed world “export” significant expertise by hosting international students. The “learning corporation” (Senge 1990; Whyte 1991; Argyris and Schon 1996; Cohen and Sproull 1996) can hope to stay ahead of its competitors if it learns faster than they do, and intellectual property laws provide some measure of protection in some domestic contexts.

For all the money and effort that go into managing public opinion, there often is a great deal of resistance on the part of persuasion’s targets, as demonstrated in public debates over anthropogenic global warming / climate change. Those who are sure the world is on course for catastrophe are “alarmists,” while climate change skeptics are “denying the science” to use the invectives of both camps. For another example, countless thousands continue to believe the relationship between science and religion has been marked by ceaseless warfare between

benighted religionists and the scientists of the Enlightenment, largely because of two thoroughly debunked 19th century tomes purporting to portray history in just that way (Draper 1890; White 1896; Numbers 2009).

Persuading publics is a strategic imperative for organizations, from Mothers Against Drunk Driving to political parties to large multinational enterprises. In this article we examine reasons for resistance to persuasion attempts from an international marketing perspective, using cul-

tural dimensions as a base. We draw from multiple theoretical bases, e.g., education (Bloom 1956; Anderson and Krathwohl 2009), social conformity theory and individualism/collectivism theory (Bond and Smith 1996; Cialdini and Goldstein 2004; Early and Gibson 1998; Triandis, Bontempo, Villareal, Masaaki, and Lucca 1988) to argue for intercultural understanding as a basis for competitive advantage beyond what naked knowledge – collections of facts, can provide.

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SELF-CONSTRUAL, SHOPPING MOTIVE AND AD-MESSAGE FRAMING

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SUMMARY

Consumers' self perception and self-system have always been intriguing topics in consumer research (Kruger, Galak, and Burrus 2007; Dunning 2007). Previous research examined the impact of self-image on possession (Belk 1988), product evaluation (Karunaratna et al. 2000) and purchase intentions (Walsh and Gwinner 2009). Among many self concepts that have been studied, self-evaluative motives are especially important to the regulation and maintenance of the self-system (Taylor, Neter, and Wayment 1995; Cropanzano, Goldman, and Folger 2005). Consumers constantly evaluate themselves to form self-perception (Sedikides and Strube 1995). The present research attempts to examine two self-evaluative motives (i.e., accuracy and improvement) in the context of information processing of advertisement messages and explore the impact of these motives on consumer decision making. Furthermore, this study examines the antecedents of self-evaluative shopping motives, and proposes that consumers' self-construal (interdependent vs. independent) has an impact on their shopping motives.

To test the impact of consumers' self-construal (interdependent vs. independent) on self-evaluative shopping motives, a self-reported survey method was implemented. Accuracy shopping motive is found to be positively related to the interdependent self-construal; while improvement shopping motive is found to be positively related to the independent self-construal. Consumers with an interdependent self-construal seek a feeling of acceptance and belonging among the social groups they interact with. These individuals are inclined to form an accurate evaluation about themselves and are reluctant to appear superior to others. When making purchases, they tend to adopt

the accuracy motive. In contrast, consumers with an independent self-construal are always seeking ways to improve themselves. Their purchase decisions tend to be driven by the improvement motive.

To examine the impact of self-evaluative motives (i.e., accuracy and improvement) on information processing of advertisement messages and decision making, an experiment was conducted. Respondents were randomly assigned to one of the 2 treatments (an ad with accuracy-framed messages and an ad with improvement-framed messages). Their self-evaluative motives, attitude toward the ad, product evaluation and purchase intention were measured. Results reveal that consumers with an accuracy motive respond more favorably to accuracy-framed ads than consumers with an improvement motive. In contrast, consumers holding an improvement motive gave higher evaluations to improvement-framed ads than those with an accuracy motive. This positive attitude toward the ad was also transferred to product evaluation. The product advertised in an accuracy-framed ad received a higher evaluation from consumers with an accuracy motive than those with an improvement motive. Reversely, the product advertised in an improvement-framed ad was evaluated more highly by consumers with an improvement motive than those with an accuracy motive. The same results were found in terms of consumers' purchase intention of the advertised product.

In summary, this study has found a positive relationship between a consumer's self-construal and self-evaluative shopping motive. In addition, we also found that consumers with different shopping motives respond differently to different advertising message-framing.

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CREATIVE TEAM EFFICACY, TEAM PSYCHOLOGICAL FACTORS, AND PRODUCT CONCEPT NOVELTY

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SUMMARY

Research has shown that new products that are innovative or novel tend to be more successful. However, the development of novel products is more the exception than the rule. Thus, despite the emergence of some recent literature, it seems that the process of developing novel new products needs to be understood better.

In this research, we focus on some important team-related variables that play a role in enhancing the novelty of new products. Since novelty is the outcome of a creative process, we draw on concepts in the creativity literature. However, there seem to be two streams of research on what promotes creative outcomes. The first stream draws on the traditional group psychology literature including social identity research to examine the drivers of creativity. The factors studied by this stream of research relate to team composition and team psychological factors. The second stream of research draws on the social cognitive concept of efficacy. Efficacy refers to an individual's belief that he or she can successfully perform a behavior required to obtain a desired reward and is considered a key driver of creative outcomes. The concept of efficacy has also been applied to group settings and is called group efficacy or sometimes group potency. Furthermore, some researchers have focused on a more specific concept of efficacy called creative self-efficacy – which refers to an individual's belief that he or she can produce creative outcomes.

Both research streams have so far, almost moved in parallel with little overlap – as if there is hardly any connection between them. In order to give a further boost to creativity research and provide it a new direction for moving forward, it is important that these two streams of research be integrated.

Drawing on both social psychological and efficacy research, we contend that creative efficacy is the key requirement for the emergence of creative outcomes and traditional group psychological factors mostly influence creative outcomes through creative efficacy. However, this contention needs to be systematically examined. As such, in this research, we study the relationship between various team psychological factors and creative efficacy and also examine if these factors influence novel outcomes through creative efficacy.

We introduce the concept of creative team efficacy. Furthermore, consistent with previous research, we focus on three team psychological factors – team identity, social cohesion, and trust. Research also suggests that, among team psychological variables, team identity is more crucial for creative outcomes and other psychological factors tend to moderate the effectiveness of team identity. Therefore, we also examine if the effect of team identity on creative team efficacy is moderated by other team factors (i.e., social cohesion and trust).

Finally, while a new product's novelty can be influenced at various stages of the product development process, the initial stages of the process, specifically, product idea and concept development, play a major role in determining product novelty. As such, this study focuses on the idea and concept development stage.

Method and Results

Simulated product development teams were created and entrusted with the task of developing a new product concept as per the procedure followed for new product development in industry. The sample comprised of 300 students enrolled in a marketing course at a private university. The students in the sample were traditional juniors and seniors from a wide array of majors, including business, engineering, the sciences, and liberal arts. These students were particularly appropriate as this course had a strong new product orientation and they were involved in the actual development of a new product concept during the course.

The data was collected over the course of five semesters. Individuals were randomly assigned to teams of three people, resulting in data from 100 teams. Teams were asked to develop a new product idea and a concept. They were given 1.5 months to complete the project. At the end of the project, team members were administered a questionnaire. The questionnaire included measure for all the team-specific constructs included in this study. Concept sheets were collected from each team and an independent concept test was conducted. Potential consumers of these products were asked to read the concept sheet and evaluate the novelty of the product. Consumer respondents were screened for familiarity with the type of products they rated. A total of 996 usable responses were collected from 330 respondents (males = 182 and females = 148, ages ranging from 20 to 57 years).

The data was analyzed using regression. Results show that team identity is the most important predictor of creative team efficacy. Both cohesion and trust do not have a direct effect on creative team efficacy. However, social cohesion weakens the positive effect of team identity. On the other hand, trust strengthens the effect of team identity. Creative team efficacy is strongly related to product concept novelty. Finally, creative team efficacy fully mediates the effect of team identity and the joint effect of identity and trust, but partially mediates the joint effect of team identity and cohesion.

Implications

A key contribution of this research lies in integrating the research on creativity in the traditional group psychol-

ogy stream and in the efficacy stream. Creative team efficacy is the key requirement for the emergence of creative outcomes. Team psychological factors to a large extent influence creative outcomes through creative efficacy. By showing this integration, our work opens up new avenues for creativity research. Yet another important contribution of this research is the development of the concept of creative team efficacy and highlighting its role in promoting novel outcomes. This concept is particularly significant because many team psychological factors work through creative team efficacy. By placing this variable in a nomological network of antecedents and a consequence, we have provided evidence of construct validity.

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FACTORS INFLUENCING FIRM SUCCESS WITH OPEN INNOVATION: AN INVESTIGATION OF RELATIONAL PROCLIVITY AND SUPPLIER RELATIONSHIPS

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SUMMARY

Open innovation is an evolution in the market of ideas, where firms must no longer be solely reliant upon their own R&D capabilities to develop all products internally and can utilize both external ideas and paths to markets (Chesbrough 2003). Knowledge outside the firm becomes important for two reasons. First, valuable knowledge may exist that could be useful to incorporate in the development of new products. Second, managers must be willing to acknowledge their firm does not have the necessary knowledge and capabilities to commercialize all of its NPD ideas, and must be able to take these ideas to the market (Chesbrough 2003).

Being able to connect is a critical factor for the success of firms following open innovation (Chesbrough 2003; Huston and Sakkab 2007), as firms must be able to both identify external opportunities and also be able to connect with sources of knowledge and technology to enhance NPD. Important to firms connecting to the inputs needed for innovation is a firm's relational proclivity, which is the tendency of a firm to seek out, engage in, and make close partner-like interfirm relationships (Johnson and Sohi 2001). While firms may differ in the extent to which they seek out and engage in interfirm relationships, those firms with a greater disposition to seek out exchange partners are more likely to be exposed to broad array of inputs to be used in open innovation. This broad base would then help firms pursue open innovation activities (H_1).

Since these interactions involve exchanges between social partners, it is appropriate to apply social network theory to study these exchanges. Here interfirm relationships between innovating firms and their suppliers can be characterized by the ties or bonds between entities. One such characteristic, *network centrality*, is the extent to which an actor is connected to others in a network (Sparrowe, Liden, Wayne, and Kraimer 2001). A member of a network is considered to be the center of it when all relations in a network involve the firm (Burt 1982). Network centrality implies a position of hierarchy and different degrees of access to and control over valued resources (Burt 1982), where network central firms have the ability to regulate the flow of information in a network (Ibarra 1993). While maintaining a central role, network central firms can serve as a conduit of information which is particularly useful in sourcing knowledge.

Firms with a relational proclivity have a willingness to engage in interfirm relationships, and those that are in network central positions with suppliers benefit with greater inflows of information. First, firms can trust in the information they have access to, and then be more readily willing to adopt it in open innovation. Second, by serving as a hub for information coming from suppliers, network central firms are potentially exposed to a wide variety of inputs for innovation. Network centrality positively moderates the effect of relational proclivity on open innovation (H_2).

Another social network characteristic that is important to consider in this context is *network density*, which is an assessment of the average strength of relationships an entity has within a network (Antia and Frazier 2001). Low network density parallels the strength-of-weak ties argument, which suggests firms may benefit by maintaining a number of weak ties, rather than be limited by a few strong ties. Using a strength-of-weak ties argument, Granovetter (1973) found weak ties to be useful in serving as channels for the dissemination ideas and information. Weak ties are useful for search activities (Hansen 1999), where a network member can hold a number of weak ties in lieu of a smaller number of close ties.

Accordingly low density networks, or sparse networks, can provide access to more diverse sources of information (Granovetter 1973). Firms with a relational proclivity would benefit by already being exposed to a number of weak ties (though low network density), and then these ties could be leveraged to source inputs for innovation. Maintaining a number of weak ties to suppliers may actually enhance open innovation outcomes, as the number of weak ties serve as a broad array for conduits of information to the firm (H_3).

In new product development, *financial performance* is the economic effects of pursuing an undertaking (Griffin and Page 1993, 1996). While following open innovation firms are able to bring technologies and ideas inside the firm from the outside world, firms are more likely to be able to bypass some of the earlier steps and take projects toward the implementation phase at a faster rate. Firms following open innovation can improve financial performance through efficient use of firm resources and increased R&D churn. Firms following open innovation have enhanced financial performance (H_4).

Product innovativeness is important in many of today's competitive environments where those firms that perform well typically take on a larger proportion of innovative products than poor performing firms (Cooper, Edgett, and Kleinschmidt 2004; O'Connor 2006). Product *innovativeness* is the degree of perceived newness, novelty, originality, or uniqueness of the product (Henard and Szymanski 2001). As firms are more accepting to bring in the outside world, they increase the number of inputs to the NPD process. This not only increases product activity, but also the uniqueness of products being developed. As product innovativeness is in part dependent upon the amount of technology in the final product (Chandy and Tellis 1998), firms pursuing open innovation are more likely to introduce innovative products (H_3).

Results indicate relational proclivity can enhance open innovation performance. With a relational capabil-

ity, innovating firms seek out potential exchange partners (e.g., suppliers) to source inputs for NPD. When combined with social network characteristics, innovating firms with a relational capability may benefit in open innovation outcomes. While the moderation of social network characteristics to the relational proclivity and open innovation link is unsupported, an evaluation of the interaction shows relational proclivity plays a compensatory role with network centrality. If innovating firms are in peripheral positions with suppliers (low network centrality), they actually benefit by maintaining a relational proclivity. Suggesting that firms do not necessarily have to be at the center of relationship networks to enhance open innovation outcomes, but must be willing to seek out and develop interfirm relationships in order to achieve similar performance with open innovation as network central firms. References, Survey Instrument, Tables, and Figure are available upon request.

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RADICAL INNOVATION AND PERFORMANCE: THE MEDIATING ROLE OF MANUFACTURER-RETAILER RELATIONSHIP CHARACTERISTICS

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SUMMARY

There is a common belief in innovation literature that radical innovations are crucial for a firm's performance (e.g., Sorescu et al. 2003; Sorescu and Spanjol 2008). Yet, research on the performance consequences of radical innovations so far showed mixed results (Sorescu and Spanjol 2008). Despite this ambiguity regarding the performance implications of radical innovations, little is known about mediating factors regarding the effect of radical innovation on performance. In the case of a manufacturer distributing its products via retailers, the manufacturer's performance is largely determined by the relationship with its retailers. In this context, the impact of a manufacturer's radical innovation capability (RIC) on the manufacturer's overall performance might depend on characteristics of the manufacturer-retailer relationship. As such, a manufacturer's RIC might affect the manufacturer's overall performance through affecting manufacturer-retailer relationship characteristics in the first place. This study considers (1) the manufacturer's power position and (2) the retailers' willingness to list to be critical relationship characteristics regarding the manufacturer's overall performance.

Firstly, this study analyzes the effect of a manufacturer's RIC on its overall performance. Radical innovation may provide a considerable value-creating potential. Therefore, we hypothesize that the manufacturer's RIC is positively related to the manufacturer's overall performance.

Secondly, we investigate the effects of a manufacturer's RIC on the aforementioned manufacturer-retailer relationship characteristics. With regard to the impact of a manufacturer's RIC on its power position, we heavily draw on Emerson's concept of dependency (Emerson 1962). The dependency of the retailer upon the manufacturer is reflected in how essential the goods are in order to fulfill the retailer's goals (e.g., business success) and the difficulty the retailer perceives in switching to alternative sources of supply (Brown, Lusch, and Muehling 1983). Due to the value-creating potential of radical innovations they represent essential goods with regard to

the retailer's business success. Furthermore, due to the high degree of novelty, the retailer initially lacks alternative sources of supply for radically new products. Thus, we hypothesize that the manufacturer's RIC is positively related to the retailers' dependency upon the manufacturer. Here, the retailers' dependency serves as a proxy for the manufacturer's power position. Besides, a strong dependency implies that retailers are dependent on the manufacturer's products as they contribute to the retailers' business success. Consequently, they display a greater willingness to list the manufacturer's products. Thus, we hypothesize that the manufacturer's RIC is positively related to the retailers' willingness to list. In this regard, we further hypothesize that the retailers' dependency upon the manufacturer is positively related to the retailers' willingness to list which, in turn, leads to the hypothesis that the positive effect of the manufacturer's RIC on the retailers' willingness to list is mediated by the retailers' dependency upon the manufacturer.

Thirdly, our study examines the mediating effects of the manufacturer-retailer relationship characteristics regarding the positive effect of a manufacturer's RIC on its overall performance. Dominant retailers may use their power position to negotiate favorable supply terms (Gomez 2008; Geylani et al. 2007; Ailawadi 2001; Pauwels and Srinivasan 2004). The established supply terms between retailers and manufacturers determine the manufacturer's profit margins and, in turn, influence the manufacturer's overall performance. Hence, the increase of the manufacturer's power positively influences the manufacturer's overall performance. Therefore, we hypothesize that the retailers' dependency is positively related to the manufacturer's overall performance which, in turn, leads to the hypothesis that the positive effect of a manufacturer's RIC on the manufacturer's overall performance is mediated by the retailers' dependency. Furthermore, the retailers' willingness to list determines the manufacturer sales volume and, therefore, is crucial for the manufacturer's overall performance. Consequently, we hypothesize that the retailers' willingness to list is positively related to the manufacturer's overall performance which, in turn, leads to the hypothesis that the positive effect of a manufacturer's RIC on the

manufacturer's overall performance is mediated by the retailers' willingness to list.

The study uses data from 277 senior marketing managers from consumer goods manufacturers. Established measures of the constructs as well as newly developed measures are used. To ensure that the study measures exhibit acceptable psychometric properties we run exploratory and confirmatory factor analyses. The hypotheses are tested by path analysis using Mplus. We find empirical support for almost all the stated hypotheses, except for the hypothesis, that a manufacturer's RIC directly influences the retailers' willingness to list.

This study makes a first attempt of empirically investigating mediating effects regarding the impact of radical innovations on performance. Thereby, it advances research on the performance implications of radical innovations. Besides, we enrich the academic debate on how manufacturers can establish an advantageous relationship with dominant retailers. Our study suggests that managers from manufacturers should strengthen their RIC in order to improve their power position toward retailers and to increase the retailers' willingness to list. Thereby, manufacturers can enhance their overall performance. References are available upon request.

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CELEBRITY BRANDS: THE MODERATING ROLE OF CELEBRITY WORSHIP ON ATTITUDES AND INTENTIONS

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SUMMARY

Recently, mainstream media has coined the term “celebrity brand,” defined as a celebrity who formulates an enterprise to promote himself/herself and develop branded products (Towle 2003). However, many celebrities have developed products outside their genre, which questions the need for “fit,” an important construct for brand extension success (Aaker and Keller 1990). Consumers’ strong relationships or obsessions with celebrities, known as celebrity worship, may influence how fit is perceived for celebrity branded products (McCutcheon et al. 2002). The purpose of this study is to introduce the topic of celebrity brand extensions and explore the relationship between perceived fit and consumers’ evaluations of celebrity brand extensions based on their level of celebrity worship. The following hypotheses were developed and tested:

Hypothesis 1: Perceived fit is directly related to attitudes toward a celebrity brand extension.

Hypothesis 2: Perceived fit is directly related to purchase intentions for celebrity brand extensions.

Hypothesis 3: Attitudes toward celebrity brand extensions mediates the relationship between perceived fit and purchase intentions.

Hypothesis 4: Celebrity worship moderates the relationship between perceived fit and attitudes toward the celebrity brand extension; such that high levels of celebrity worship weakens the relationship.

Hypothesis 5: Celebrity worship moderates the relationship between perceived fit and purchase intentions; such that high levels of celebrity worship weakens the relationship.

Methodology

The hypotheses were tested with a self-administered survey. First, the respondents were asked to identify their favorite celebrity. Next, they used their celebrity to answer questions about celebrity worship, perceived fit, attitudes and purchase intentions of predetermined general product categories (clothing, automobiles and weight loss products). Lastly, demographic information was gathered. A total of 282 undergraduate business students responded. Existing scales were adapted to ensure valid-

ity and reliability (McCutcheon et al. 2002; Aaker and Keller 1990; Batra and Homer 2004; MacKenzie et al. 1986).

Results and Discussion

Using SPSS, linear regression analysis was completed for the three different product categories to compare their effectiveness.

Clothing. H1 ($\beta = .648, p < .01$) and H2 ($\beta = .487, p < .01$) were supported indicating a significant relationship between perceived fit and attitudes and purchase intentions. Following Baron and Kenny (1986), mediation tests supported H3 with attitudes toward the brand extension fully mediating the relationship between perceived fit and purchase intentions. Moderation tests resulted in support of the moderating role of celebrity worship with perceived fit on attitudes toward celebrity clothing brand extension ($\beta = -.540, p < .01$) and clothing purchase intentions ($\beta = -.370, p < .01$), thus H4 and H5 were supported.

Automobiles. Like clothing, H1 ($\beta = .518, p < .01$) and H2 ($\beta = .359, p < .01$) showed support for a significant relationship between perceived fit and attitudes and purchase intentions. Again following Baron and Kenny (1986), all steps were significant indicating full mediation, thus supporting H3. For moderation, the interaction effect for perceived fit and celebrity worship ($\beta = -.284, p > .10$) was not a significant factor for attitudes toward the automobile brand extension, thus not supporting H4; however, it was significant but negative for purchase intentions ($\beta = -.361, p < .10$), supporting H5. The strength of celebrity worship weakened the relationship of perceived fit with purchase intentions of the automobile celebrity brand extension.

Weight Loss Products. Like clothing and automobiles, H1 ($\beta = .616, p < .01$) and H2 ($\beta = .584, p < .01$) showed support for a significant relationship between perceived fit and attitudes and purchase intentions. Again following Baron and Kenny (1986), partial mediation of perceived fit ($\beta = .247, p < .01$) and attitudes toward weight loss product celebrity brand extension was found ($\beta = .546, p < .01$), thus H3 was not fully supported. For moderation, the interaction effect of perceived fit and celebrity worship for weight loss products had the opposite effect than automobiles. The perceived fit and celebrity interaction ($\beta = -.337, p < .05$) was a significant but a negative factor for attitudes toward the weight loss celeb-

rity brand extension, supporting H4; however, it was not significant for purchase intentions ($\beta = -.253$, $p > .10$), thus not supporting H5.

Conclusion

This research on celebrity brand extensions adds a new element to the academic literature on brand exten-

sions by relating human beings as branded and marketable objects. Marketing is seeing a shift in consumer behavior with more value placed on celebrity opinions and brands. By evaluating celebrity worship based on attitudes toward the brand and purchase intentions, it is questioned whether "fit" needs to exist between celebrity brands and their brand extensions for an extension to be a success. References are available upon request.

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PEOPLE AS VIRTUAL PRODUCTS: ANALYZING HUMAN EXCHANGES ON CRAIGSLIST AND GUMTREE.COM

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SUMMARY

Almost one-half of American Internet users have used an online classified site, such as Craigslist (Jones 2009). Today, Craigslist is the leading online classified site in the United States, having a presence in 500 cities. Other major classified sites include U.K.-based Gumtree.com, which operates in 60 cities across six countries. The Pew Internet & American Life Project also reports that Craigslist's popularity is altering American society. For example, because Craigslist is a free classified site, it is playing a role in eliminating a revenue source for newspapers. In addition, Craigslist facilitates not only typical classified exchanges, such as pets and employment, but also human exchanges, involving parties seeking romance and sex.

To date, marketers have not studied Craigslist's role on societal well-being. Yet the time is opportune for marketers to theoretically understand the extent to which "people are products" on Craigslist and to comprehend the societal implications of the site's role in possibly aiding the transfer of sexually transmitted diseases (STDs).

Hirschman (1987) drew on resource exchange theory (Foa and Foa 1974) to understand how people promote themselves as products in newspaper personal ad. Yet, the emergence of free Internet classified ad sites have altered the way people promote themselves and respond to personal ad. As a result, two shortcomings in Hirschman's research have arisen.

First, newspaper personal ad are space constrained, subject to editorial constraints, formulaic composition, high costs, and limits on what can be posted, such as homosexual personal ads (Coupland 1996). In contrast, Craigslist and Gumtree.com permit their users to freely post anonymous and long descriptions regardless of their sexual orientation and to effortlessly navigate through thousands of virtual ads by using keywords (Dawson and McIntosh 2006). Human connections are further facilitated by the ability of online users to send and receive free and anonymous e-mail messages (Strassberg and Holty 2003).

Other major changes that have transpired in personal advertisements since Hirschman's work is the ability of people to post uncensored, sexually provocative information online, as well as up to four photographs, including

sexually explicit pictures, to each advertisement. Furthermore, online classified users possess nearly complete autonomy in describing any imaginable service sought from another person, such as a desire for a brief sexual encounter.

Second, Hirschman (1987) explored resources exchanged in print advertisements among heterosexuals. Although this sample is valid, it is not entirely representative of the personal ad population. Since the 1960s, gaus, bisexuals, and transsexuals have used newspaper ads to find romantic and sexual partners (Child et al. 1996). Today, lesbians (Burke 2000), gay men (Phua and Kaufman 2003), and bisexual men and women (Bolding et al. 2005) continue to use online classifieds. However, marketers have failed to understand how these groups differ from heterosexuals in terms of their "product" descriptions.

The way online classified sites facilitate sex represents a public health concern. The anonymity of the Internet and the ease in which it permits people to initiate sexual contact without initial face-to-face interaction place societal members at risks for obtaining STDs, including syphilis, herpes, and HIV/AIDS. Indeed, the San Francisco Department of Public Health attributed a staggering 1000% + increase in the number of new syphilis cases among gay and bisexual men between 1999 and 2003 to Craigslist (Klausner, Levine, and Kent 2004).

We collected a month's worth of data from Craigslist and Gumtree.com personal ads. To eliminate any potential bias in data collection, we randomly chose the first three listings of MM, MF, MF, and FF from either Craigslist's or Gumtree.com's personal ads section at various times each day until we accumulated 100 postings from each sexual orientation category. Thus, the final sample included 800 postings, 400 from Craigslist and 400 from Gumtree.com.

Hirschman (1987) drew on Foa's (1971) theory, along with its six resource categories, and expanded the category details to put forth ten resources that men and women exchange in newspaper ads. Our review of the online ads revealed support for Hirschman's framework, with some modifications. First, it was clear that two of the greatest differences between newspaper and online classified personal ads were the sexual content people were providing about themselves. As a result, we created two

new resource categories called “sexual information” and “sexual services.” A second major difference between print and online advertisements was that many descriptions contained verbose and detailed information regarding the person’s past relationships or personal history. This, we created a category called “historic information.”

The results reveal that heterosexual male and female Craigslist users are similar in terms of providing resource information, though heterosexual men are more likely than other groups to promote their financial prowess in ads. Gay men emerge as a unique group in that they are more willing to provide sexual information and details regarding the sexual services they would perform; this is in contrast to heterosexuals, who refrain from providing these resources. Although fewer numbers of lesbians provided sexual information and service details than gay men, their numbers remained considerably higher than those of heterosexuals.

In terms of resource sought, female heterosexual Craigslist users are more likely than other groups to seek interested parties’ educational, financial, intellectual, and occupational status. Gay men and lesbian tend to pursue

sex on Craigslist, while heterosexual men seek entertainment and companionship with women.

The Gumtree.com postings reveal that equal proportions of users, regardless of sexual orientation, seek love online and thus are all equally likely to provide their status and informational resources. Although homosexuals emerge as more likely than heterosexuals to provide sexual information or sexual services, their numbers are much lower than those on Craigslist. Furthermore, in terms of resources sought, although homosexuals are more likely than heterosexuals to request sexual information and sexual services from interested parties, they are also similar to their heterosexual counterparts in seeking long-term relationships through online personal advertisements.

This work expands on Hirschman’s person-as-product framework, provides further support for resource exchange theory for understanding person-to-person exchanges, and offers an expanded framework for exploring human exchanges among heterosexuals and homosexuals. References are available upon request.

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MARKETING PROFESSIONALS' PERCEPTIONS OF PERSONALLY BRANDED WEBSITES.

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SUMMARY

This study explores the perceptions of 20 marketing professionals to websites set up by experts and consultants branding themselves online. Using personal construct theory as a theoretical and methodological framework, the study identifies ten themes and 35 sub categories.

Introduction

Personal Branding has arguably existed longer than conventional branding in and of itself. Only recently has the idea of controlling others' perceptions of oneself become a methodologically-controlled study and science. While extensive commentary exists on the importance of personal branding, including in an online context, the majority of information currently available comes from professional sources seeking to promote consulting services or engage in commercial ends. Though this topic has been examined most extensively in the context of building brands for experts, consultants, and job seekers, there appears to be a gap in academic research examining best practices for creating personally-branded websites. This paper aims to explore individuals' perceptions of personally-branded sites by looking at marketing professionals' personally branded websites through the eyes of other marketing professionals. By extension, this study seeks to fill the gap in academic research and provide a basis for future research endeavors.

Methodology

This study made use of George Kelly's Personal Construct Theory (1955). Originally designed as a psychological instrument for exploring patients' perceptions of interpersonal relationships the approach was quickly adopted by marketers looking to explore consumers' perceptions of market offerings. The methodology is essentially qualitative in nature and teases out consumers' perceptions of products or services through a process of comparisons between objects (in this case personally branded websites). Initially participants are asked to select three sites and note, "how two are immediately similar but different from a third?" The answers to this triadic sorting are noted as a pair of constructs which then forms the basis of a rating scale. Personally branded websites as the objects in this study are then rated against the two

construct poles and the process resumes with a new triadic sort. The process is repeated until saturation is achieved or fatigue on the part of the respondent. Once this is achieved the results are collated and coded drawing out patterns of similarity and difference and the process of 'laddering' (Gutman 1982) can begin. This process involves asking the participants why a particular construct is important to them enabling the researcher to move from attributes of websites, to the consequences it evokes and ultimately the perceived personal value it satisfies. These "chains" of attributes leading to consequences leading to values can then be mapped across participants using frequency counts to show collective perceptions of the phenomena under investigation. A total of 20 respondents participated in interviews each lasting approximately one hour.

Findings

This study found personally branded websites are evaluated by ten key theme areas comprised of thirty-five subcategories. The theme areas include site applicability to visitors, career usefulness, site design and aesthetics, conclusions about the proprietor of the site, site "liveliness" and presence, conclusions relating to the topic of the site, challenges to the visitor during the site visit, visitor comfort and site sales pressure, credibility of the site and its proprietor, and stimulation of visitor interest.

During the study, approximately 1,858 chains were examined. The theme with the most robust data and greatest number of observations by respondents was "Site Design and Aesthetics," which included 331 chains or about 18 percent of all observations. "Visitor perception of the site's credibility" was the second largest theme, at 308 chains or about 16.5 percent of all observations. The third largest was "challenges to the visitor during the site visit," at 297 chains or about 16% of observations. By example, for the largest theme, Site Design and Aesthetics, respondents observed 248 attributes, 499 consequences, and 83 values. These were condensed based on qualitative similarities into 20 attributes, 20 consequences, and 8 values. So as to reduce the data and draw out key findings a cutoff level of 4 was assumed (in that only those relationships with linkages of 4 mentions and above were mapped), the HVM included 3 attributes, 13 consequences, and 3 values.

Conclusion

Though this study focuses specifically on the personally-branded websites of consultants, experts, and marketers, its findings are applicable to anyone engaging in activity on the internet above and beyond simply digesting content. This includes posting anything online which can be associated with the person posting it. Its findings are relevant to those maintaining personal websites, pro-

files on social networking sites, blogs, online journals, photo albums, and instant messaging profiles, among other things. However, its purpose is to serve as a best practices guide for those making a concerted effort to brand themselves around their expertise, interests, or work using a website. It can be readily applied to the sites of those currently using websites to brand themselves. References are available upon request.

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EXPLORING ORGANIZATIONAL AMBIDEXTERITY IN MARKET INFORMATION PROCESSING AND RESEARCH AND DEVELOPMENT

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SUMMARY

Ambidexterity, or the extent to which firms simultaneously focuses on both exploration and exploitation, is the mechanism in which exploration-exploitation interaction creates synergy for improved performance (Tushman and O'Reilly 1996; Smith and Tushman 2005). Being ambidextrous, firms maintain a dual focus and integrate exploration and exploitation to realize the complementarity (Holmqvist 2004; Smith and Tushman 2005; Cao, Gedajlovic, et al. 2009). Although ambidexterity has attracted substantial attention, it is in the early stage of development in that how ambidextrous learning takes place is still unclear (Raisch, Birkinshaw, et al. 2009). It is because organizational learning often involves different roles, organizational levels, and learning processes (1998).

This study examines Simsek's (2009) *realized ambidexterity*, the perceived existence of learning dual focus, in the process of new product development (NPD) in which marketing and R&D functions collaborate. Day (1994) has proposed that this NPD learning occurs in three types of settings: "inside-out," "outside-in," and "spanning," which respectively relate to what firms can do, what the market demands, and the integration of both. The NPD process represents a typical learning system in which researchers cannot overlook the outside-in and the spanning processes that are currently ignored.

Being R&D ambidextrous, firms improve NPD performance through R&D activities. Ambidexterity in R&D activities means improvement in finding technical opportunities, developing R&D human capital, or planning R&D projects. As the integration process, NPD receives these benefits through the interaction between marketing and R&D (P1).

In the area of marketing, market information processing (MIP) is a key learning process to acquire, interpret, disseminate, and store market information for subsequent decision making (Huber 1991; Sinkula 1994; Sinkula, Baker, et al. 1997). Firms should make decisions regarding to what and how these tasks are executed, which relates to market exploration or exploitation, or the extent to which firms learn about their products or markets (P2).

In the NPD process, a sensitive market sensing function and a capable technological competence are conditions for successful NPD performance (Rein 2004). This integration creates the synergy of precision in decision making, in addition to synergy of complementary domains (Gupta, Smith, et al. 2006). An exploration possibility from marketing may trigger an exploratory potential from R&D or vice versa (P3).

Gibson and Birkinshaw (2004) suggest that contextual factors – discipline, stretch, support, and trust – motivate individuals to improve their learning, leading to ambidexterity. However, ambidexterity is a learning strategy rather than just an outcome of organizational environment. These factors make up a facilitating culture associated with ambidextrous behavior (P4abc).

Market and technological turbulences are key factors affecting the NPD process (Han, Kim et al. 1998). Technological turbulence determines the need to absorb new technological development from different sources, affecting the extent to which firms demand their learning capacity from R&D activities (Cohen and Levinthal 1989; Cohen and Levinthal 1990). Similarly, responding to market turbulence requires a strong capability of MIP. With respect to the NPD process, the influences from market and technological turbulence also require more synergy from ambidexterity to help NPD teams control environmental complexity (P5ab).

Overall, the study proposes that:

- P1,2: The greater the extent to which individually (1) R&D activities, (2) MIP are ambidextrous, the greater the NPD performance.
- P3: The greater the extent to which both MIP and R&D activities are ambidextrous, the greater the NPD performance.
- P4a,b,c: The greater the degree to which (a) R&D's, (b) Marketing's, and (c) NPD's cultures are ambidextrous, the stronger the relationships between the extent(s) to which (a) R&D activities, (b) MIP, and (c) both MIP and R&D activities are ambidextrous and NPD performance.

P5a: The greater the technological turbulence, the stronger the relationship between the extent to which R&D activities are ambidextrous and NPD performance.

P5b: The greater the market turbulence, the stronger the relationship between the extent to which MIP is ambidextrous and NPD performance. References are available upon request.

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FROM ORGANIZATIONS' STRATEGIC ORIENTATIONS THROUGH INNOVATIVENESS TO PERFORMANCES

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SUMMARY

The extent of firms' innovativeness has been regarded one of the most critical components for the success of firms (Hult, Hurley, and Knight 2004). It means organization's capacity to innovate, such as introduction of new products or ideas in the organization, and it has been proven to have a positive effect on various dimensions of firm performance (e.g., Burns and Stalker 1961; Hurley and Hult 1998; Porter 1990). While it is generally agreed that innovation contributes positively to firms, relatively little effort has been done to examine the drivers of innovativeness and how those drivers operate via innovativeness to influence firm performance except for a few studies (Hult et al. 2004; Hurley and Hult 1998).

The roles of organizations' key strategic orientations, i.e., customer orientation, competitor orientation, technology orientation, and internal/cost orientation, were examined as antecedents of innovativeness. Additionally, the relationships from innovativeness to firm performances were systematically investigated in order to clarify the conflicts of previous studies: from firms' innovativeness through customer satisfaction and market adaptability to firms' profitability.

We used LISREL 8.50 to test the estimated measurement model. A test of reliability, using Cronbach's coefficient alpha, showed that the measures for customer satisfaction, adaptability and firm profitability exceeded Nunnally's (1978) standard of 0.70 (0.947, 0.902, and 0.919 in order) as well as other focal variables (innovativeness: 0.767; customer orientation: 0.890; competitor orientation: 0.813; technology orientation: 0.888; and internal/cost orientation: 0.822). The overall fit of the model was good. The χ^2 ($\chi^2 = 616.01$ with 336 degrees of freedom) and the CFI was 0.923. In addition, other goodness of fit indexes were also acceptable (GFI = 0.800; NFI = 0.850; RMR = 0.120; RMSEA = 0.069).

The study findings showed the positive relationships between customer orientation and innovativeness ($\beta = 0.38$, $t = 4.83$), competitor orientation and innovativeness ($\beta = 0.35$, $t = 3.64$), and technology orientation and innovativeness ($\beta = 0.28$, $t = 3.32$) were identified. However, the relationship between internal/cost orientation and innovativeness failed to be proven with the effect of 0.01 ($t = 0.09$).

To provide further understanding of the relationships among the constructs, we report on the total (standardized) effects of all the antecedent constructs on each of performance consequences: customer satisfaction, adaptability and firm profitability. This additional analysis provides some interesting results, which suggest multiple roles of strategic orientations on organizational innovativeness and on each of three of performances. Consistent with the analysis of hypotheses, the respective effects of customer orientation, competitor orientation, and technology orientation on customer satisfaction are significant, but that of internal/cost orientation on customer satisfaction is insignificant. With market adaptability as a consequence variable, only competitor orientation and technology orientation show significant direct relationships with adaptability yet the effect of customer orientation on adaptability is not shown to be statistically supported. Thus, customer orientation may be mediated by some other construct, such as innovativeness, in order to have an effect on adaptability. With firm profitability as a consequence variable, only customer orientation and technology orientation are related to firm profitability in a positive way, indicating that competitor orientation needs innovativeness to stretch to firm profitability. This analysis implies that each of strategic orientations has very different paths and mechanisms to reach each of three consequences.

This study delivers several meaningful substantive contributions academically as well as a few insights to marketing and/management. Limitations and some future research directions were also presented.

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MANAGING THE PERIPHERY: AN EMERGING CAPABILITY OF THE MARKETING ORGANIZATION

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SUMMARY

A focus on external customers is a fundamental element of the marketing concept and an important driver of firm performance. However, in this paper I argue that increasingly, firms are having to manage a portfolio of commercial (i.e., consumer, customer and shopper) and non-commercial (NGOs, consumer advocacy groups, etc.) constituents as part of their marketing activities. This is a non-trivial development which on the one hand creates opportunities for greater value but at the same time can heighten organizational complexity. Therefore, I propose

that the ability to understand and configure marketing strategies that are able to address the needs of multiple constituents at the same time is an emerging imperative for the marketing function. I call this the capability to Manage the Periphery (MTP). In this paper I introduce the construct, MTP, and the specific organizational behaviors that comprise it, along with initial evidence for its relationship to firm performance. Specifically, the empirical test suggests that the presence of MTP can help the firm not only drive customer value, but also create concurrent value by growing simultaneously across multiple performance goals.

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THE IMPACT OF MARKET DRIVING STRATEGIES ON FIRM PERFORMANCE

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SUMMARY

Numerous examples of companies that have achieved exceptional success by changing consumer preferences rather than just responding to them indicate an important area for deeper theoretical understanding. For example, Durex has engaged in consumer education getting them motivated to address their health issues rather than just promoting the brand. MTV, Consumer Digest, and Cosmopolitan have developed their business precisely based on consumer education on how to make choices, i.e., what is important to consider, and consumers voluntarily turn to them for advice when needing to make choices.

In our contribution we focus on understanding aspects which firms can influence in order to alter consumers' decision making processes. We ground on market driving ideas of Jaworski et al (2000) and see market driving as an important strategy for achieving competitive advantage, complementing the existing predominant view that firms should be responsive to existing market preferences (Jaworski, Kohli, and Sahay 2000; Carpenter and Nakamoto 1994). It is defined as *the extent to which a firm invests resources (time, money, effort) in changing the consumer mindset in a way that enhances the benefit consumer perceives from the focal product.*

Besides providing an aggregate perspective on market driving, by following generic decision-making model (Kotler and Armstrong 2009) complemented with research on categorization (Viswanathan and Childers 1999; Alba and Hutchinson 1987), we also provide an analytical approach by differentiating between three levels at which market driving can affect consumers: need, category and attribute. Need driving is defined as *the extent to which a firm invests resources in enhancing consumers' motivation to satisfy needs that can be addressed by the firm's products.* Category driving is defined as *the extent to which a firm invests resources in enhancing consumer's perceived opportunity to satisfy a particular need by using the focal category as compared to any alternative category.* Attribute driving which is defined as *the extent to which a firm invests resources in enhancing the relative weights that consumers give to attributes on which the firm's product outperforms its competitors (i.e., other products in the category).*

Results from the data on marketing managers participating in executive education programs in two European countries indicate that market driving should be actively pursued as a strategy. However, it is not a simple strategy but rather a highly complex endeavor. Although when using aggregate market driving construct, there is a significant impact on sales growth, taking the analytical perspective shows that less abstract market driving approaches (i.e., needs and category driving) have yielded stronger results. Needs driving, as a more abstract market driving approach, requires high expertise and longer time horizons for expected returns. Our results are robust when controlling for firm's growth strategy, market focus, competitive intensity, firms market driven orientation, and radicality of product innovations.

Market driving holds a promise of growth for companies but requires well planned and executed educational campaigns altering consumer preferences. Firms have a possibility (and even responsibility) to educate consumers on how to make the best choices, regardless of how one defines "the best."

Our research contributes existing literature in several ways. First, we have provided clear definition of market driving and discussed market driving in an analytical manner. Market driving is not just a response to latent customer needs but a daring strategy of altering consumer decision making by modifying their needs and preferences. We test the theoretical relationship between market driving and performance and provide evidence that market driving and driven strategies should be used simultaneously since they enable firms to compete on consumer preferences in short-term while competing over consumer preferences in the long run. Well planned and executed market driving activities hold a promise of creating a "perceptual monopoly" where consumers put the greatest weight on focal aspects thus making competitors relatively less important. Such approach enables the firms to be active leaders on the market rather than just a follower who responds to market conditions. It is important to recognize the risks that market driving bears, especially since its effects are expected to surface after the effects of being market driven. In that sense, firms should be willing to accept these postponed rewards for their efforts.

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COUNTRY IMAGE AND PRODUCT IMAGE: DECOMPOSING THE COUNTRY-OF-ORIGIN EFFECT

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SUMMARY

The extant literature of country of origin studies shows a definition confusion, whereby the term country image is often used interchangeably as (i) the general country image – which mainly focuses on economical, technological, social, and political variables; (ii) the product image of a country, measured by product attribute; and (iii) the product-country image, which is a combination of country and product image. The lack of a clear and coherent definition could explain for example why contradicting findings have emerged from different studies regarding the relationship between country image and purchase intention (cf., Peterson and Jolibert 1995; Verlegh and Steenkamp 1999). As different operational definitions and measurements have been used in the area, it is often difficult to directly compare such empirical findings. While country image and product image may influence each other, they are likely to have a different impact on the evaluation of product quality and the ultimate purchase intention among consumers.

Moreover, much of the mainstream research surrounding the country-of-origin theme has tended to focus on the consumer cognitive aspects of country image and particularly how country image influences consumer evaluations of product quality. Despite some recognition that general cognitive image comprises of both cognitive and affective components, there is a lack of empirical studies that have explicitly identified the distinct influences of cognitive and affective components of country image on product image, product quality judgment and the intention to purchase – bearing in mind that perceived quality and purchase intention have been found to be independent of one another (Klein et al. 1998).

In light of the above discussion, this study aims to further advance our understanding of the subject in two ways: First, it attempts to distinguish and delineate between the key constructs of country image (CI) and product image (PI), as well as cognitive CI and affective CI. Second, it examines the different impacts of cognitive CI and affective CI on product image and purchase intention. More specifically, at the country image level, we argue that cognitive CI may not always be consistent with affective CI and that they influence purchase intention through different pathways. Such a decomposing effect will have important theoretical and managerial implications that will contribute to a better understanding

surrounding the mechanics of country image and their impact on consumer purchase intention.

A large scale of consumer survey was conducted in four major cities in China to test the hypothesized model. The findings indicate that cognitive and affective CI may not necessarily be consistent for a given country. Our results also demonstrate that cognitive and affective CI have a different impact on purchase intention, with the former influencing purchase intention through product image, and the latter having a direct influence, independent of product image.

First, this study extends the traditional country of origin effect research on country image by explicitly distinguishing between country image and product image. On the one hand, when consumers have a clear product image, then this serves as an information cue to infer product quality and facilitate purchasing decisions. On the other hand, and in contrast, when consumers do not have a clear product image, they tend to use country image (such as a country's level of economic development) to infer product quality, which subsequently influences purchasing intention. As such, cognitive country image influences purchase intention through product image.

Second, our empirical findings successfully demonstrate the different impact of country image on product quality perceptions and purchasing intention. We found from this study that although industrialized countries may enjoy high cognitive CI, this did not generate high affective CI among Chinese consumers. Importantly, affective country image directly and significantly influences purchase intention (independently from the effect of cognitive country image, as well as product image).

The finding that affective CI has a direct and independent influence on purchase intention is comparable with results from consumer animosity research (Klein et al. 1998). The affective CI dimension used in this study differs from the animosity construct in two ways. First, whilst animosity focuses purely on negative emotions towards a particular country, affective CI captures both positive and negative feelings. Second, whereas animosity reflects a somewhat relatively stronger emotion and tends to be stable and long lasting, affective CI is relatively more subtle, situational or transitional and can often change based on the relationship between two countries. References are available upon request.

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DO THEY MAKE OR SELL BAD PRODUCTS? THE INFLUENCE OF THINKING STYLE ON CONSUMER BLAME ATTRIBUTIONS AND PURCHASE INTENTION

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ABSTRACT

Negative consumption experiences adversely influence consumer perceptions of manufacturers and retailers. The authors theorize and find that analytical thinkers are more likely than holistic thinkers to attribute the cause of the negative consumption experience to the manufacturer, resulting in lower repurchase intention of the manufacturer brand. In contrast, holistic thinkers are more likely than analytical thinkers to attribute the cause of the negative consumption experience to the retailer, resulting in lower repurchase intention at the retailer. These findings are important to marketing managers at both ends of the marketing supply chain – manufacturers and retailers – who deal with consumers with diverse cultural backgrounds.

If anything can possibly go wrong, it will.
Murphy's Law

Suppose that you buy a digital camera at a major electronics store and, as Murphy's law predicts, experience a series of unfortunate incidents. After consulting with your friends and sales representatives at the store, you select and purchase a model, only to have the product break down after a short period. The malfunction prevents you from taking any pictures at all and, even worse, you cannot return the product to the store, as its warranty has already expired. Moreover, you learn that the cost of repair is unreasonably high. Which party in the supply chain – the manufacturer or the retailer – is more responsible, and thus to blame, for this frustrating situation? Did it happen because the manufacturer *made* the bad product, or because the retailer *sold* you the bad product? To avoid a similar mishap in the future, should you avoid a product of the same brand or should you avoid a store of the same brand? The responses to these questions may vary, we argue, depending on the reasoning style you employ: analytical versus holistic reasoning (Nisbett et al. 2001; Zhu and Meyers-Levy 2009).

Unfortunately, the above scenario is not unfamiliar to many consumers – products and services often do not live up to their expectations, and the consequences can be quite costly, causing irreparable damage to the various parties in the marketing supply chain. As research has

revealed, negative consumption experiences can lead to complaining behaviors, customer loss, and bad word of mouth (e.g., Grewal, Rggeveen, and Tsiros 2008). Accordingly, it is of practical value to managers in a position to address the issue effectively to know conditions under which consumers blame the *maker* or *seller* of the product – the central theme of this paper.

Understanding when and toward whom consumers express their frustration and anger has been a topic of interest in the marketing literature (e.g., Brown and Dant 2009). Few, however, have explored what determines the who-is-to-blame question, with most studies focusing on whether the blame is attributed to the self or others (i.e., internal vs. external attribution; e.g., Grewal, Rggeveen, and Tsiros 2008). For example, Laufer and Gillespie (2004) investigated blame attribution toward the manufacturer and found that women tend to blame the company (e.g., orange juice manufacturer) more than men. However, no prior study, to our knowledge, has directly compared blame attributions toward arguably the two most salient parties in the marketing supply chain: the manufacturer and the retailer. This research aims to fill this gap.

With these issues in mind, we attempt to answer an important practical and theoretical question not addressed in the literature: how consumers with different reasoning styles (analytical versus holistic thinkers) (1) differentially make causal judgments for undesirable consumption outcomes, and (2) differentially adjust their subsequent purchasing behaviors after those negative experiences. To triangulate the validity of our key concept – analytic and holistic cognitions, a construct that can be chronically accessed or contextually activated through one's cultural orientation and self-view – in the current research we use multiple operationalizations. Specifically, differences in participants' cultural orientation (chronic self-views) are precisely measured at the individual level (Study 1), temporarily induced by priming (Study 2), and collectively observed at the national level (Study 3). By presenting convergent evidence across three studies, we eliminate potential confounding explanations, thereby providing a clearer picture of the role of reasoning style in causal attributions and repurchase intention.

We begin by looking at different types of causal attributions in negative consumption situations: manufacturer-focused or retailer-focused attributions. Then we discuss how these causal attributions are likely to be triggered by the different modes of reasoning style: analytic and holistic thinking.

CONCEPTUAL BACKGROUND

Causal Attributions in Negative Consumption Situations

When consumption experiences do not live up to expectations, consumers spontaneously infer or attribute blame. That is, attributional search is more likely following failure than success (e.g., Weiner 2000) – people do not ask why their cars run over 200,000 miles or why the apples they purchase are extra fresh, but rather why their cars break down at 50,000 miles or there are spots on the apples.¹ It is essential to understand how consumers explain such negative experiences, because they can be damaging to the maker and seller of the product as they often result in consumer avoidance (Weiner 2000). Moreover, dissatisfied consumers might not merely avoid the same manufacturer or retailer in the future, but take action against them (e.g., negative word-of-mouth). Given that negative events are more likely than positive events to generate attributions on the part of the consumer, Smith et al. (1999) called for studies examining the causal locus of blame attributions. To address this question, we introduce a useful distinction between two types of causal attributions of particular concern to marketing managers: manufacturer-focused and retailer-focused attributions.

This distinction is not only theoretically important, but also practically relevant in that these two types of attributions become the basis of consumers' future buying decisions – what *not* to shop for and where *not* to shop. Considerable research has been devoted to internal versus external attributions (e.g., Grewal, Roggeveen, and Tsiros 2008), but rather less attention has been paid to the distinct types of external attributions we propose in the present paper.

In many consumer occasions, though, pinpointing the responsible party is, because of the ambiguity of the situation, subjective; that is, a consumer cannot easily tell whether a product falls short of expectations due to inappropriate usage (the user is responsible), an innate defect (the manufacturer is responsible), negligent service (the retailer is responsible), a mixture of these (all parties are responsible to some extent), or just bad luck (nobody is responsible). However, the ambiguity does not mean that consumers will not make causal attributions; they will base their attributions on contextual cues that are chronically or momentarily salient.

To illustrate, the consumer in the introductory scenario might be inclined to blame and thus avoid the manufacturer if she is brand-loyal to the competitor brand, but to blame and avoid the retailer if she is aware that the store rewards salespeople on commission basis for selling that particular brand (thus they are more likely to recommend the purchased brand). In this sense, understanding what factors determine the direction of such (mis)attributions is vital to marketers who need to address the problem effectively. The present research identifies one such factor that systematically shapes the direction of attributions – namely, the consumer reasoning style.

Culture, Self-Construal, and Reasoning Style

Research on culture and self-construal suggests that multiple self-views – independent and interdependent – coexist within every nation and every individual (Lee, Aaker, and Gardner 2000). Put differently, one's chronically accessible self-construal is mirrored in both one's national culture and one's individual cultural orientation. Thus, previous studies have collectively observed culture and self-views at the national level (e.g., Gardner, Gabriel, and Lee 1999) or measured them independently at the individual level (e.g., Lee, Aaker, and Gardner 2000). At the national level, studies document that people living in Western cultures (e.g., the United States) tend to consider themselves as unique and autonomous entities, whereas people living in Eastern cultures (e.g., Korea) tend to consider themselves as fundamentally connected to a larger social network (e.g., Chung, Sternquist, and Chen 2006). The same concept applies to individual differences. Even within the same national boundary, individuals' tendency toward different cultural orientations and self-views vary. In other words, it is not that individualism or independent self-view do not exist in Korea, nor that collectivism or interdependent self-view do not exist in the United States, but both exist to different extents in each nation. We examine individual differences in Study 1 and cross-cultural differences in Study 3.

Taking this notion of chronic self-view one step further, some researcher demonstrated that such different self-views can be temporarily activated by a priming procedure (e.g., Gardner, Gabriel, and Lee 1999; Zhu and Meyers-Levy 2009). Gardner, Gabriel, and Lee (1999), for example, randomly assigned participants to read an independent or an interdependent version of the stimulus paragraph, circling the independent pronouns (e.g., I, mine) or interdependent pronouns (e.g., we, ours) they encountered. Those who were primed with an independent self-view displayed shifts toward more individualistic social judgments, whereas those who were primed with an interdependent self-view displayed shifts toward more collectivistic social judgments. We adopt Gardner et al.'s (1999) priming technique in Study 2.

How are the concept of culture and self-construal relevant to our current research? Culture and self-construal are deeply linked with people's reasoning style, and many researchers operationalized the latter by measuring or inducing the former (e.g., Nisbett et al. 2001; Zhu and Meyers-Levy 2009). People from Western cultures and people with an independent self-view, whether chronic or temporary, tend to be analytic in their reasoning; that is, they believe the world is discrete and discontinuous and an object's behavior can be predicted using rules and properties (Monga and John 2008; Nisbett et al. 2001). Processing information, analytic thinkers tend to detach the object from its context, focus on its attributes to assign it to a category, and use category rules to explain and predict the objects' behavior (Nisbett et al. 2001). On the other hand, people from Eastern cultures and people with an interdependent self-view tend to be holistic in their reasoning, focusing on relationships between objects. Holistic thinkers tend to be oriented to the context or field as a whole, pay attention to relationships between a focal object and the field, and explain events based on such relationships (Nisbett et al. 2001).

We question whether these reasoning styles could influence people's causal attribution and repurchase intention after they experience a negative consumer episode. If it makes sense to analytical thinkers to view an object as having attributes that are independent of circumstances, Westerners with an independent self-view are likely to pay attention to the focal product – usually the main object in a product consumption episode – when making causal attributions. Diagnostic of analytic reasoning, in this sense, is a product attribute-based categorization process, which will lead to an attributional belief that the product has an intrinsic problem, and thus other products of the same brand may have the same problems.² This form of explanation in itself is analytic, because it uses the disposition of the product (e.g., low quality) as an overall explanation mechanism that can be generalized to other products with that particular brand (i.e., categorization). From a functionalist standpoint, this kind of product-focused attribution will allow analytical thinkers to predict the world with relative ease and certainty; to avoid recurrence of this negative event, the consumer must stick to one simple rule: not buying a product of the same brand again. In contrast, holistic thinkers, because of their heightened perception that the surrounding context influences focal events, are likely to be conscious of contextual factors such as the service function of the store – its role in lubricating the smooth transaction between end consumers and other parties in the supply chain. That is, in the eyes of holistic thinkers, a retailer may be more than a middleman who simply resells the product it bought from the manufacturer, but rather a proactive player in achieving collective ends (e.g., consumer satisfaction). In a great web of relationships, a retailer may be expected to play a

role of liaison, responsible for helping customers make informed decisions at the pre-purchase stage, and further ensuring customer satisfaction even at the post-purchase stage. By fulfilling its obligations to consumers, a conscientious retailer thus contributes to maintaining communal harmony.

Indeed, there is evidence that Westerners make relatively narrower, object-centered attributions whereas Easterners tend to make broad, relationship-centered attributions (e.g., Maddux and Yuki 2006). In line with this notion, analytical thinkers – Westerners and people with an independent self-view – are inclined to explain events in terms of an actor's personal characteristics (i.e., fundamental attribution error, see Ross 1977; correspondence bias, see Gilbert and Malone 1995), whereas holistic thinkers – Easterners and people with an interdependent self-view – are inclined to explain events in terms of situational factors (Morris and Peng 1994). For example, in describing object's physical movements (e.g., a ball floating on the water), Peng and Knowles (2003) observed that participants with the analytic reasoning style tend to attribute the object's movements more to dispositional factors (e.g., shape, weight) than their holistic counterparts, while participants with the holistic reasoning style more often endorsed contextual explanations (e.g., gravity, friction). Such differences between two distinct reasoning styles are reflected as well in the size (number) of causal agents responsible for a focal event: Evidence suggests that analytic thinkers are likely to indicate that single individuals cause events, whereas holistic thinkers are likely to hold many people accountable for a given event (Maddux and Yuki 2006). For example, Choi, Dalal, Kim-Prieto, and Park (2003) reported that when presented with a list of 100 possible contributing factors for an event, Koreans indicated a larger number of potential causes could plausibly have contributed to the event than Americans. Overall, these findings support our idea that analytic thinkers, during product consumption, are relatively more likely than holistic thinkers to focus on the maker of the product (a main actor), whereas holistic thinkers are more likely than analytical thinkers to perceive a more situational connection to the seller of the product (a supporting actor).

Taking these factors together, we hypothesize that after experiencing a negative consumption episode, analytical thinkers (vs. holistic thinkers) are more likely to make product-based, manufacturer-focused attributions than are holistic thinkers; holistic consumers (vs. analytic thinkers) are more likely to make relationship-based, retailer-focused attributions than are analytic consumers.

H1a: Analytic thinkers are more likely than are holistic thinkers to ascribe a negative consumption experience to the manufacturer.

H1b: Holistic thinkers are more likely than are analytic thinkers to ascribe a negative consumption experience to the retailer.

In addition, we expect the same pattern to emerge on a related variable: repurchase intention for the same manufacturer product versus at the same retailing store.

H2a: Following a negative consumption episode, analytic thinkers are less likely than are holistic thinkers to repurchase from a manufacturer of the same brand.

H2b: Following a negative consumption episode, holistic thinkers are less likely than are analytic thinkers to repurchase at a retailer of the same brand.

To explore this possibility, we informally observed and interviewed, at a major electronics store chain in a northwestern city, five customers (families) who were returning or replacing the defective computers they recently purchased. In line with our speculation, three American customers blamed the manufacturer and all switched to another brand, one of whom had contacted the manufacturer before they came to the store for the exchange. In contrast, one customer from the Dominican Republic blamed, though indirectly, the retailer and asked for a complete return, rather than an exchange. Somewhat similarly, a couple from Portugal was looking to buy a new computer after a bad experience with a laptop purchased at another retailer in town. They were visibly upset at the retailer, not the manufacturer, for their defective computer, which led them to shop at the competing retailer where the observation took place.

Although insightful, these observations do not provide definite answers to our questions. In the three studies that follow, we test these hypotheses in more controlled settings. Study 1 tests H1 with an individually measured cultural orientation/chronic self-view, Study 2 tests H2 with a contextually activated self-view, and Study 3 tests H1 and H2 with two different populations. Study 3 also extends our conceptualization examining an additional set of variables (i.e., blame assignment and attitude toward the manufacturer and retailer).

STUDY 1

The objective of Study 1 was to compare how analytical thinkers and holistic thinkers make causal attributions of a negative consumption experience. We test H1a and H1b based on individual differences in cultural orientation (chronic self-construal).

Method

Participants and Design. Participants were 249 undergraduates at a large midwestern U.S. university. The

study employed a 2 x 2 mixed design, with individual cultural orientation (chronic self-construal) serving as a between-subjects factor, and causal attribution of a negative consumption outcome to the manufacturer versus the retailer as a within-subjects factor.

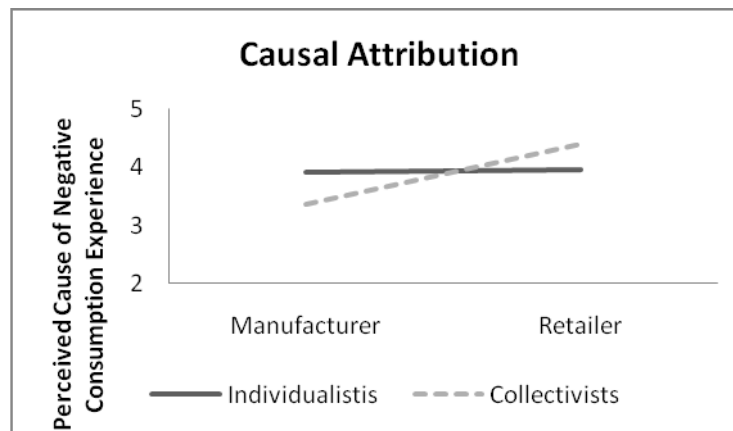
Stimuli and Procedure. Participants read a vignette describing a negative consumption episode similar to the introductory scenario (Appendix A). In brief, participants were asked to imagine buying a digital camera at a major electronics store in town, and as the story unfolds they learn that they had overpaid for the camera, which turns out to be low-quality and malfunctioning yet nonreturnable. The scenario was constructed in such a way that the whole series of events can be attributed to multiple sources (e.g., manufacturer and retailer).

Measures. To measure the direction of causal attributions, participants indicated on an 8-point scale from 0 (a very small extent) to 7 (a very great extent) to what extent the manufacturer and retailer caused the event ("To what extent did the manufacturer/retailer cause the event?"). In addition, a 10-item INDICOL/Concern for Ingroup Harmony scale (an example item: "People should not be expected to do anything for the community unless they are paid for it"; Triandis, Bontempo, and Villareal 1988; Triandis, Bontempo, Leung, and Hui 1990), from "strongly agree" (7) to "strongly disagree" (1), was administered to measure participants' cultural orientation (chronic self-construal), where higher scores indicate orientation toward individualism (independent self-view) and lower scores indicate orientation toward collectivism (interdependent self-view; $\alpha = 0.84$).

Results

As shown in Figure 1, a 2 x 2 ANOVA with the attributions to the manufacturer and the retailer entered as repeated measures and individual cultural orientation (chronic self-construal) entered as a between-subjects variable, revealed a significant interaction ($F(1, 247) = 30.58, p < .01$). The latter variable was bifurcated into two groups of participants – those who scored high and low on the scale via a median split. Contrasts indicated that individualistic participants ($M = 3.92$) are more likely than collectivistic participants ($M = 3.37$) to believe that the manufacturer caused the negative product experience ($t(247) = 2.17, p < .05$), but individualistic participants ($M = 3.95$) are less likely than collectivistic participants ($M = 4.39$) to believe that the retailer caused the event ($t(247) = 2.14, p < .05$).³ Furthermore, consistent with our predictions, results from a correlational analysis revealed that cultural orientation toward individualism (vs. collectivism) was positively correlated with the manufacturer-focused attribution ($r = 0.14, p < 0.05$), but negatively correlated with the retailer-focused attribution ($r = -0.14, p < 0.05$).

FIGURE 1



Discussion

Study 1 examined how people's use of analytic versus holistic reasoning styles, mirrored in their cultural orientation (chronic self-view), shaped the direction of causal attributions, after they experienced a series of negative product consumption incidents. Analytic thinkers (i.e., individualistic participants with a low level of concern for in-group harmony) were more likely than holistic thinkers (i.e., collectivist participants with a high level of concern for in-group harmony) to believe that the manufacturer caused the undesirable event. Conversely, holistic thinkers were more likely than analytic thinkers to believe that the retailer caused the event.

The findings have straightforward implications for marketers — when redressing product/service failure issues, managers can improve on how to handle the situation if they have consumer psychographic data available, namely, individual cultural orientation. Nevertheless, this study did not examine how these reasoning styles could influence the variable that is of more direct relevance to marketing managers — repurchase intention (H2a and H2b). Will consumers avoid the same manufacturer or retailer following an unpleasant experience? In addition, our theorizing would be bolstered further if the same pattern of data can be obtained under operationally different, but conceptually identical, conditions of reasoning style. Study 2 addresses both points.

STUDY 2

To strengthen the validity of our theoretical framework, Study 2 examined a different but related variable — consumer repurchase intention. Specifically, following a negative consumption experience, we anticipated that analytic thinkers are more likely than are holistic thinkers

to avoid the same manufacturer (H2a), whereas holistic thinkers are more likely than are analytic thinkers to avoid the same retailer (H2b). In addition, we differentially operationalized the independent variable by temporarily inducing (priming) an independent and an interdependent self-view.

Method

Thirty-eight students were recruited from a large university in the United States. The study employed a 2 x 2 mixed design, with self-construal priming (independent vs. interdependent self-construal) serving as a between-subjects factor, and the intention to repurchase the same manufacturer product versus the intention to shop at the same retailer as a within-subjects factor.

To begin, participants completed an ostensibly warm-up, but actually priming task that was intended to prompt analytic or holistic reasoning. In the current study, we adopted the word task used by Gardner, Gabriel, and Lee (1999). Participants were instructed to read the paragraph carefully and circle all the pronouns found within the paragraph. To induce analytic reasoning, participants in the independent-self condition read the following paragraph, circling the independent pronouns (e.g., I, my, myself):

I go to the city often. My anticipation fills me as I see the skyscrapers come into view. I allow myself to explore every corner, never letting an attraction escape me. My voice fills the air and street. I see all the sights, I window shop, and everywhere I go I see my reflection looking back at me in the glass of a hundred windows. At nightfall I linger, my time in the city almost over. When finally I must leave, I do so knowing that I will soon return. The city belongs to me.

On the other hand, to induce holistic processing, participants in the interdependent-self condition read the same paragraph except that all the singular pronouns (e.g., I, my, myself) are replaced with the plural pronouns (e.g., we, our, ourselves):

We go to the city often. Our anticipation fills us as we see the skyscrapers come into view. We allow ourselves to explore every corner, never letting an attraction escape us. Our voices fill the air and street. We see all the sights, we window shop, and everywhere we go we see our reflections looking back at us in the glass of a hundred windows. At nightfall we linger, our time in the city almost over. When finally we must leave, we do so knowing that we will soon return. The city belongs to us.

After completing the word search task, participants completed measures of brand- and store-repurchase intentions. Two items were used to measure each variable. Specifically, participants responded to the following sets of questions on a 9-point scale from -4 (not at all interested /extremely unlikely) to 4 (extremely interested/extremely likely): “How interested would you be in purchasing the same brand (shopping at the same store) next time?” and “What’s the likelihood of your purchasing the same brand (shopping at the same store) next time?” The two items for each variable, respectively, were averaged to form composite measures with higher scores indicating higher levels of purchase intention.

Results

A 2 x 2 ANOVA with the purchase intention for the manufacturer brand and the purchase intention at the retailer brand entered as repeated measures and self-construal priming entered as a between-subjects variable revealed a significant interaction ($F(1, 36) = 6.81, p < .05$).

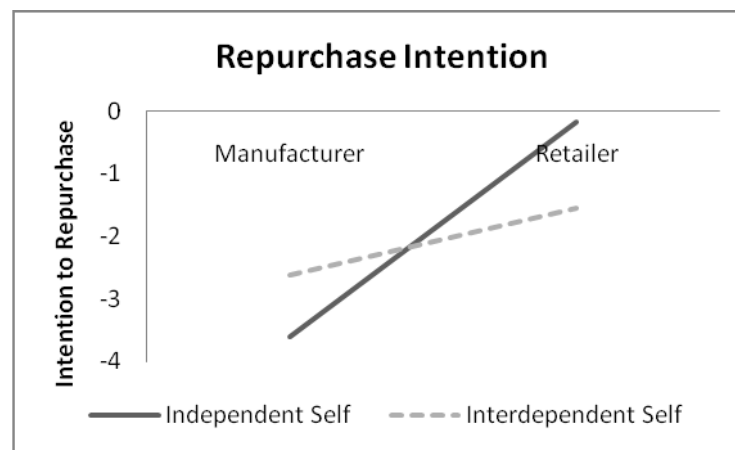
As shown in Figure 2, contrasts indicated that participants primed with independent self-construal (i.e., analytical thinkers) reported that they have lower likelihood of and lower interest in purchasing the same manufacturer brand next time ($M = -3.61$) than participants primed with interdependent self-construal (i.e., holistic thinkers; $M = -2.61$), but higher likelihood of and higher interest in shopping at the same retailer brand next time ($M = -0.18$) than participants primed with interdependent self-construal ($M = -1.55$). Both differences were marginally significant ($t(36) = -1.88, p = 0.07$ and $t(36) = 1.77, p = 0.09$, respectively).

Discussion

Study 2 conceptually replicated the findings from Study 1 in a substantially different setting. Specifically, contextually activated self-construal influenced repurchase intention of the manufacturer brand and repurchase intention at the retailer. Although marginally significant, participants primed with an independent self-view were less likely than participants primed with an interdependent self-view to buy the same manufacturer brand in the future. In contrast, participants primed with an interdependent self-view were less likely than participants primed with an independent self-view to shop at the same retailer. These findings support our idea that analytical thinkers (vs. holistic thinkers) are more likely to avoid the manufacturer, whereas holistic thinkers (vs. analytic thinkers) are more likely to avoid the retailer, after an adverse consumption experience.

Extending Study 1, the results from Study 2 offer a straightforward insight to marketers who communicate with consumers with diverse self-views. When dealing with dissatisfied customers with an independent self-view, the problem might be tackled more effectively by the manufacturer (e.g., an extended warranty), while or customers with an interdependent self-view might be

FIGURE 2



more receptive to a personalized approach from the retailer (e.g., a follow-up phone call). Nonetheless, Study 2 did not provide a complete picture of whether our conceptualization is applicable to the global marketplace, where managers at various ends of the supply chain interact with international customers on a daily basis. Study 3 was designed to address this point.

STUDY 3

The objectives of Study 3 were twofold. First, we tested H1 and H2 with two culturally distinct populations: Americans and Koreans. Second, we generalized the conceptualization to key variables that are important to marketing managers: blame assignment to and attitude toward the manufacturer versus retailer.

Method

Participants, Design, Procedure, and Measures. Participants were 177 undergraduates at a large midwestern U.S. university, and 114 undergraduates at a large Korean university. The study used a 2 x 2 mixed design, with nation as a between-subjects factor, and causal attribution, blame assignment, repurchase intention, and attitude, as within-subjects factors. The procedure was the same as in Study 1.

Measures. Attribution and purchase intention measures were identical to those used in Studies 1 and 2. In addition, we included measures of blame assignment and attitude. For blame assignment, participants were asked to distribute 100 points among the five possible parties to blame: manufacturer, retailer, consumer, salespeople, and nobody (i.e., situation). Attitudes toward the manufacturer brand (Brand B) and the retailer brand (Brand A) were measured using a 5-item semantic differentials (unfavorable-favorable; bad-good; harmful-beneficial; unattractive-attractive; poor-excellent) on a 9-point scale (from -4 to 4; α 's = 0.93 and 0.94 for the manufacturer and the retailer brands, respectively).

Results

Figure 3 shows a 2 x 2 mixed ANOVA, with the causal attribution toward the manufacturer and the retailer entered as repeated measures versus nation entered as a between-subjects variable, which revealed a significant interaction ($F(1, 289) = 20.53, p < 0.01$). Contrasts indicated that American participants ($M = 4.11$) are more likely than are Korean participants ($M = 3.46$) to believe that the manufacturer caused the negative product experience ($t(289) = 2.73, p < 0.01$), but American participants ($M = 4.53$) are less likely than are Korean participants ($M = 4.99$) to believe that the retailer caused the event ($t(289) = -2.46, p < 0.05$). Similarly, as shown in Figure 4, a 2 x 2 ANOVA with the blame assignment to the

manufacturer brand and the retailer brand entered as repeated measures and nation entered as a between-subjects variable revealed a significant interaction ($F(1, 281) = 24.05, p < 0.01$). Contrasts indicated that American participants ($M = 14.43$) are more likely than Korean participants ($M = 8.55$) to blame the manufacturer for the negative product experience [$t(282) = 2.24, p < .05$], but American participants ($M = 10.71$) are less likely than Korean participants ($M = 13.10$) to believe that the retailer caused the event ($t(284) = -4.88, p < .01$).

Turning to the attitude and purchase intention variables (Figure 5), a 2 x 2 ANOVA with the attitude toward the manufacturer brand and the retailer brand entered as repeated measures and nation entered as a between-subjects variable reveals a significant interaction ($F(1, 290) = 24.33, p < 0.01$). Contrasts indicate that American participants ($M = -2.87$) and Korean participants ($M = -3.03$) had equally negative attitude toward the manufacturer brand ($t(290) = .94, p = n.s.$), but American participants ($M = -1.50$) had significantly less negative attitude (relatively more positive) toward the retailer brand ($t(290) = 6.70, p < 0.01$) than did Korean participants ($M = -2.61$). Similarly, as shown in Figure 6, a 2 x 2 ANOVA with the purchase intention for the manufacturer brand and at the retailer brand entered as repeated measures and nation entered as a between-subjects variable reveals a significant interaction ($F(1, 290) = 35.21, p < 0.01$). Contrasts indicate that American participants ($M = -3.10$) and Korean participants ($M = -3.15$) were equally unlikely to purchase the manufacturer brand ($t(290) = .27, p = n.s.$), but American participants ($M = -1.23$) were significantly less unlikely (relatively more likely) to shop at the retailer brand ($t(290) = 7.50, p < 0.01$) than were Korean participants ($M = -2.86$).

Discussion

Study 3 expanded on the findings from Studies 1 and 2 in two important ways. First, we tested our conceptualization using data collected from two populations: the United States and Korea. Second, we extended the applicability of our framework to include other key variables: blame assignments to, and attitude toward, the manufacturer versus retailer brands. The results supported the effects on causal attribution and blame assignment. American participants were more likely than Korean participants to ascribe the negative event to, and assign more blame to, the manufacturer, whereas Korean participants were more likely than American participants to ascribe the event to, and assign more blame to, the retailer. On the other hand, the results partially supported the effects on attitude and purchase intention. As predicted, Korean (vs. American) participants exhibited more negative attitude toward, and were less likely to revisit, the same retailer, but such cross-cultural difference did not emerge on the attitude toward and purchase intention for

FIGURE 3

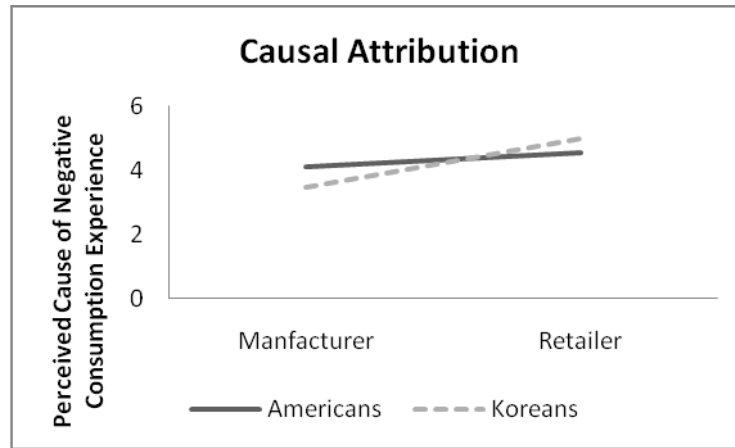


FIGURE 4

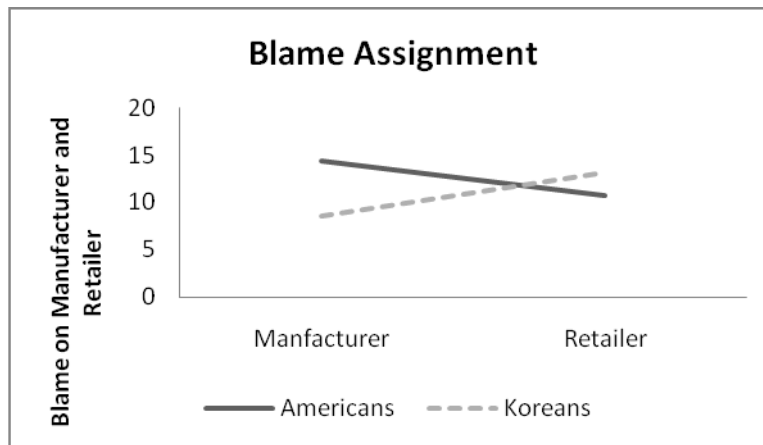


FIGURE 5

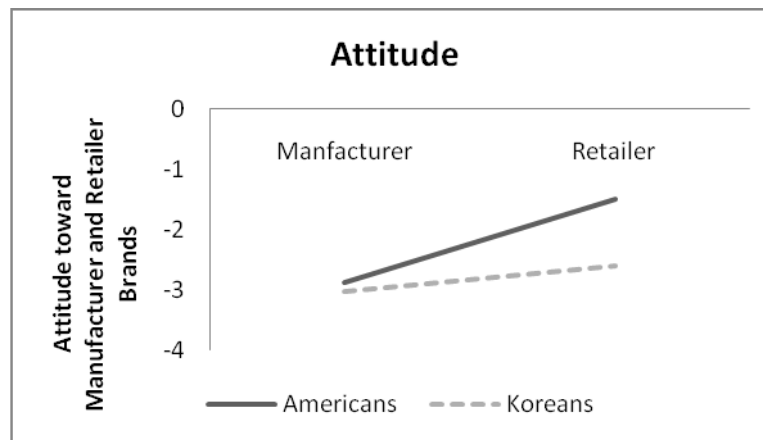
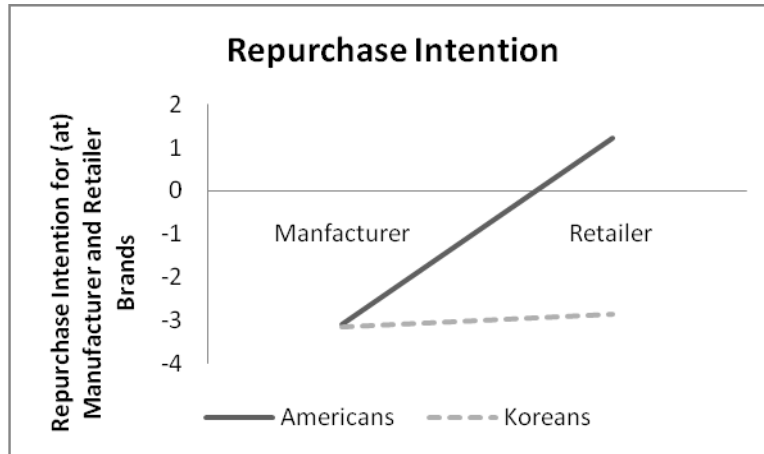


FIGURE 6



the manufacturer: Participants from both nations showed equally negative attitude toward, and were equally likely to avoid, the manufacturer brand. We suspect that this might possibly be due to a floor effect, where Americans and Koreans alike became extremely skeptical (i.e., hitting the floor) about the manufacturer brand. In a related vein, strong main effects for culture on both variables (both p 's < 0.01) are consistent with previous findings that Easterners are more likely than Westerners to be prevention- (vs. promotion-) focused (Lee, Aaker, and Gardner 2000): Koreans appeared to be extra cautious in repurchasing a product of or revisiting a store of the same brand, after an unpleasant experience.

The findings from Study 3 shed light on which party in the supply chain should deal with unpleasant customers in a global context. Our findings suggest that international customers from Eastern nations might expect higher-level services from a retailer than customers from Western nations. Therefore, a more person-to-person, relationship-based marketing approach (e.g., "we care for you") might prevent disappointed holistic consumers from leaving for another store.

GENERAL DISCUSSION

This research investigates consumer reactions to negative consumption experiences. We examined various constructs – causal attributions (Studies 1 and 3), repurchase intention (Studies 2 and 3), blame assignments (Study 2) and attitude (Study 3) – and found that the directions of these judgments are influenced by consumers' particular reasoning style. Specifically, when the manufacturer was the target of judgment, a higher degree of blame (a more negative judgment) was more likely among participants with the analytical reasoning style than among partici-

pants with the holistic reasoning style. Conversely, when the retailer was the target of judgment, a higher degree of blame (a more negative judgment) was more likely among participants with the holistic reasoning style than among participants with the analytic reasoning style. We measured, prompted, and observed these two styles of reasoning, correspondingly, through individual cultural orientation (individualism vs. collectivism) in Study 1, self-construal (independent vs. interdependent self-view) in Study 2, and nationality (U.S. vs. Korean) in Study 3.

This work makes an important theoretical contribution. Broadly, it adds to the attribution literature by clarifying how the direction of attributional blame depends on people's reasoning styles. Specifically for marketing and consumer researchers, the present research offers an alternative approach to that of traditional internal versus external causal attribution. The distinction we make in this paper (i.e., manufacturer-focused vs. retailer-focused attribution) is a framework that is arguably more appropriate for those who study consumer behavior in the context of supply chain management. It also adds to extant work on cross-cultural research by identifying a unique, nonhuman context in which cross-cultural differences in an actor-observer bias can be manifest. It may be that the product in a consumption episode and an actor in a social situation are processed in a roughly equivalent manner, and thus similar direction of correspondence bias (or fundamental attribution error).

Managerial implications of our research are clear. Occasionally, a situation arises where manufacturers and retailers both engage in addressing negative events. For example, Icon Health & Fitness, Wal-Mart, and Sam's Club – the manufacturer and the retailer of exercise equipment – recently experienced consumer complaints

and litigations for a product defect (e.g., *U.S. v. Wal-Mart, Sam's, and Icon Health & Fitness* 2001). In crisis management situations like this, a timely, effective resource allocation among various communication channels is vital for both ends of the supply chain. Although preventing such an undesirable outcome would be ideal, once it happens, marketers should be able to use our findings to their advantage to minimize further damages (e.g., negative word-of-mouth). Our findings suggest that a relatively higher level of attention allocated to the retailer's (manufacturer's) end may increase the overall effectiveness of the crisis communication, if a majority of the target audience is composed of holistic (analytic) consumers. Furthermore, if holistic consumers value service as an essential part of retailing, as we argue, marketing strategies proven to be effective for an analytic population might not work as well as for a holistic population. Wal-Mart's failure in Korea illustrates this point. Wal-Mart's highly successful, EDLP ("Everyday Low Price") strategy in the United States turned out to be a poor fit for the Korean market, because unlike American consumers, Korean consumers are unwilling to compromise the customer service for the low price, and expect to see salespeople in each aisle of the retail stores.

For policy makers, the present research adds insights into the understanding of how the general public perceives public policy issues, and to whom it attributes responsibility for undesirable states. For example, while many people agree that the current U.S. health care system

is severely flawed, opinions vary on who is to blame for this crisis. Due to the high complexity and the frustrating nature of the problem, the public is unsure of which party in the health care supply chain is most responsible – the government, health care providers, private insurance firms. While it remains to be tested, analytic consumers may put relatively more blame on the parties at the furthest end of the supply chain – that is, the starting point of the perceived causal chain (e.g., the federal government) – whereas holistic consumers may hold accountable the close parties in the chain (e.g., health care provider), with whom they have face-to-face interactions. Moreover, since Americans in southern states tend to be collectivistic and those in the mountain west and great plains regions tend to be individualistic (Vandello and Cohen 1999), policy makers may find it useful to take into account such cross-regional differences.

Many questions remain unanswered. It may be that holistic thinkers are more responsive to personal apologies from the seller (e.g., "we sincerely apologize for what happened") and analytic thinkers pay more attention to logical explanations from the manufacturer (e.g., "here is why/how it happened"). It is also plausible that certain products associated with private consumption (e.g., deodorant) may contextually trigger analytic reasoning, while products associated with group consumption (e.g., minivan) may trigger holistic reasoning, which in turn would affect causal attributions and purchase intention. Future research might clarify these points.

ENDNOTES

- 1 Prospect theory offers insight into this negativity bias in attribution formation, as people are more attuned to losses than to gains (Kahneman and Tversky 1979).
- 2 Arguably, this can be considered as a variation of fundamental attribution error or correspondent bias, although in this case the target of the dispositional (vs. situational)

attribution is nonhuman (i.e., the product).

- 3 Data were also analyzed using a regression approach that included participants' actual cultural orientation score as a continuous variable. This analysis yielded a significant interaction comparable to those reported in the text. We present the median-split analysis because it allows for a comparison of means across Study 1 and Study 3.

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LOOKING BEYOND IMPULSE BUYING: A CROSS-CULTURAL AND MULTI-DOMAIN INVESTIGATION OF CONSUMER IMPULSIVENESS

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SUMMARY

Background and Motivation

Consumer impulsiveness (CI) is a relatively stable trait associated mostly with impulse buying (e.g., Beatty and Ferrell 1998; Kacen and Lee 2002; Rook and Fisher 1995), with few studies exploring its influence on self-regulatory failure in other consumer behaviors such as compulsive shopping (Mowen and Spears 1999; O'Guinn and Faber 1989), binge eating (Ramanathan and Williams 2007; Sengupta and Zhou 2007), food choices (Shiv and Fedorikhin 1999), and beer consumption (Zhang and Shrum 2009).

Due to their focus on the shopping context, most scales to measure CI were developed to explore its association with impulse buying, such as buying impulsiveness (Rook and Fisher 1995), impulse buying tendency (Verplanken and Herabadi 2001; Weun, Jones, and Beatty 1998), consumer impulsiveness (Puri 1996), and consumer buying impulsivity (Youn and Faber 2002). Hence, there are no scales that operationalize CI as a global rather than context-specific trait, to explore its influence on self-regulatory failure in other consumer behaviors.

Recent studies investigate impulsive behaviors in countries outside the US and Europe, such as Australia, Singapore, Singapore and Malaysia (Kacen and Lee 2002), China (Zhou and Wong 2003), Vietnam (Nguyen, Jung, Lantz, and Loeb 2003), and Taiwan (Lin and Lin 2005). However, many of these do not include the CI trait (e.g., Lee and Kacen 2008; Lin and Lin 2005; Zhou and Wong 2003); others use scales developed in the US and hence either could not establish their cross-cultural measurement invariance (e.g., Kacen and Lee 2002), or did not attempt to do so (e.g., Nguyen et al. 2003), or explore the influence of culture on impulsive consumption without even accounting for cultural differences in the meaning and operationalization of consumer impulsiveness (e.g., Zhang and Shrum 2009).

Recently, Sharma et al. (2009) introduced a modified CI scale with a three-factor structure (prudence, self-indulgence, and self-control) for the collectivists and a

two-factor structure (prudence and hedonism) for the individualists, based on the notion that collectivistic consumers are more likely to distinguish between deliberate self-indulgence and involuntary loss of self-control compared to individualists. However, they found no evidence for the cross-cultural measurement invariance for their scale with samples from Singapore and USA. Hence, it is still not clear if the meaning of CI is similar or different across different cultures.

In this paper, we conceptualize CI as a global rather than a context-specific trait to broaden the scope of this construct and study its influence on a wider range of consumer behaviors. We also extend Sharma et al.'s (2009) work to develop a more robust scale and establish its cross-cultural measure invariance to measure CI reliably across diverse cultures. Specifically, we hypothesize that compared to consumers with independent self-concepts, those with interdependent self-concepts, are more likely to be watchful of their behavior in different situations because of their external frame of reference (Heine, Lehman, Markus, and Kitayama 1999; Markus and Kitayama 1991), and to distinguish between deliberate acts of self-indulgence and involuntary loss of self-control due to higher cross-situational variability in their self-descriptions (Suh 2002). We also expect a similar difference between consumers from collectivistic and individualistic cultures because of the predominance of interdependent and independent self-concepts respectively in their cultures (Hofstede and McCrae 2004).

Scale Development and Assessment

We first reviewed the relevant literature to generate an initial pool of 33 items reflecting the conceptual definition of CI, using well-established scale-development procedure (e.g., Churchill 1979). Next, we used four independent judges to evaluate the face and content validity of these items by giving the conceptual definitions of CI and its three dimensions (imprudence, self-indulgence, and lack of self-control), which resulted in the retention of six items for each dimension. We further refined these items to develop our new scale and assessed its psychometric properties using best practices in scale development.

In study 1 we used a sample of undergraduate students at a major Singaporean university to assess the initial pool of 18 items and reduced it to 12 items (four for each dimension) using Exploratory Factor Analysis. In study 2, we confirmed the three-dimensional structure of the new CI scale and established its convergent, discriminant, nomological, and predictive validity, with a fresh sample of undergraduate business students, similar in gender and age profile to the first study at the same university in Singapore.

Finally, in study 3 we tested the cross-cultural measurement invariance of our new scale using data at collected a large university in Chicago and the one in Singapore, with a similar age and gender profile as the previous two studies. We also collected data on past impulsive behavior across five behavioral domains (driving, eating, entertainment, shopping, and substance use) to test the predictive validity of our new scale.

Discussion and Contribution

In this research, we demonstrate cross-cultural difference in the meaning of CI in a series of studies with

undergraduate student participants in Singapore and the U.S. We show that a three-factor structure provides the best fit for the participants in both countries, however the factors corresponding to the self-indulgence and lack of self-control dimensions correlate positively with each other for people with independent self-construals and those from individualistic (e.g., USA) cultures; and do not correlate for people with interdependent self-construals and those from collectivistic (e.g., Singapore) cultures. We also extend the scope of the CI construct beyond impulse buying into a wider range of self-regulatory failures such as eating, entertainment, drinking, shopping, and substance abuse. Thus, our new scale improves Puri's (1996) two-dimensional CI scale by including a third-dimension (behavioral) and with only 12 items it is simpler than Youn and Faber' (2002) 24-item consumer buying impulsivity scale. Finally, although similar to Sharma et al.'s (2009) scale, it is more robust and invariant across different cultures; hence it would help future research on self-regulatory failure across diverse cultures and impulsive consumer behaviors. References are available upon request.

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DO FOREIGN BRAND PREFERENCES LEAD TO COUNTERFEITING? CROSS-COUNTRY INSIGHTS

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SUMMARY

Since “Louis Vuitton” handbags are sold for ten dollars at the wayside, the unique brand’s style appears on thousands of consumers undermining the foreign brand’s exclusiveness. Counterfeits are a cheap way to embellish oneself with admired symbols. However, consumer’s illicit behaviors driven by foreign brand preferences are unclear. The purpose of this paper is to analyze the relation between foreign brand preferences (FBP) and purchase intention toward counterfeits (PltC). Such a cross-country investigation amplifies the understanding of consumer behavior and gives insights for internationally implemented actions that are aimed to tackle companies’ losses caused by counterfeits. We examine whether or not FBP indirectly impacts PltC over attitude toward counterfeits (AtC) and attitude toward originals (AtO). While being the most curial antecedents for purchasing and against purchasing counterfeits, price consciousness and integrity are tested as moderators. In detail we examine the following research questions:

1. Do FBP indirectly impact PltC?
2. Does the impact differ among developing and developed countries?
3. Is the impact moderated by price consciousness (PC) and integrity (IN)?
4. Are there different strengths among developed and developing countries for those moderating effects?

The conceptual model is based on the theory of reasoned action (Ajzen and Fishbein 1980) whereupon a person’s attitude predicts behavioral intention.

Since brands offer an identity, consuming brands is motivated by achieving status and social prestige (Eastman, Goldsmith, and Flynn 1999). Foreign brands carry symbolic meanings of quality and social status which has widely acknowledged for developing countries (Batra et al. 2000). “Counterfeiting unbundles the status and quality aspects of a product” (Grossman and Shapiro 1988, p. 82) and thus consumers holding FBP are supposed to favor genius brands on one side or counterfeits on the other side. Summing up, we hypothesize: that FBP

indirectly impact PltC over AtC and AtO. This basic model is moderated by countries’ level of development, consumers’ price consciousness, and integrity.

Bilkey and Nes (1982) extracted from prior research several differences between developed and developing countries and suggest a positive relationship between the level of economic development and product evaluations. In developing countries foreign brands are used to display status whereas in western developed countries foreign brands were favored only when their product quality is perceived superior (Gürhan-Canli and Maneswaran 2000).

Counterfeits are alternatives for consumers with limited purchasing power. According to Bloch et al. (1993, p. 31) “people buy counterfeits because they are getting prestige without paying for it.” According to the economic disparity of the countries of investigation, consumer’s price consciousness might be influenced by the home country’s level of economic development (Fan and Xiao 1998).

According to Kohlberg’s (1976) moral competence theory, individuals’ intentions are affected by their personal sense of justice. Cordell, Wongtada, and Kieschnick (1996) show that lawful guided consumers are less likely to purchase counterfeits. With regard to country differences developed countries such as Germany have a long established trademark legislation. Since law and social norms are related, that norms can be a source of or a substitute for law (Posner 1977), the moderating effect of integrity might differ between developed and developing countries.

A sample of 700 face-to-face interviews per country were included in the analysis. Enhancing the generalizability of the study (Alden, Steenkamp, and Batra 1999), we choose the countries of investigation regarding their difference in economic development. In addition to the classic tests for checking validity and reliability verification of measurement invariance are especially important in international studies and can be confirmed.

The analysis is based on multi-group structural equation modeling. Three moderating factors are tested within the basic model: (1) country, (2) price consciousness (and

country), and (3) integrity (and country). The first moderator includes China and Romania as developing countries and Germany as developed country. The two latter moderators were conducted splitting every country sample into two groups according to their mean. The moderating factors price consciousness and integrity are compared using the model fit to access which moderator is most crucial. Absolute fit measures judge a model per se without any alternative and are no sufficient criterion in our case. Akaike Information Criterion (AIC) (Akaike 1987) and Maximum Likelihood ECVI (Browne and Cudeck 1989, 1993) are grounded upon information theory and used when choosing among different models based on non-nested data as in our case.

Huang et al. (2004) called for further research investigating the relationship between price consciousness and attitude toward gray market goods. Pursuing this call the present study reveals insights in the importance of price consciousness and integrity as moderating factors combining two streams of research: FBP and counterfeits. After the evaluation of the competing models that differ regarding their moderator, the results indicate the best model fit for the model incorporating country and price consciousness. These results go in line with Bloch et al.

(1993) who found that people purchasing counterfeits heavily rely on price. Especially in Romania as a developing country price consciousness plays a crucial role. The impact of FBP on AtC was not only moderated in strength but also in direction. For individuals that score low in price consciousness, FBP impact negatively AtC whereas for their peers that score low in price consciousness FBP positively impact AtC. For China the moderating effect can be confirmed just for one path, and in Germany for none path. We conclude that price consciousness in such developing countries much more influences consumer behavior than values and norms like integrity. In Romania people scoring high or low on integrity did not significantly differ from each other in the proposed relationships. This cannot be stated for developed countries such as Germany, where for consumers that score high in integrity, their FBP lead less to a positive AtC than for consumers scoring high in integrity. Thus, integrity in developed countries serves as a inner state that averts a positive AtC which we cannot state for developing countries. Moreover, the findings show that the moderators differ in their strength between the countries, but these differences are not only due to their economic development. References are available upon request.

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VALUES AND ETHICAL PERCEPTIONS BETWEEN ENTREPRENEURS AND MANAGERS

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SUMMER

Are entrepreneurs more ethical or unethical than managers? Although there have been many studies that compare entrepreneurs and managers, relatively little attention has been given to examine differences in their ethical orientation. This study aims to examine whether entrepreneurs are indeed more or less ethical in their business practices as opposed to managers who are operating in a more structured organizational system, and, if so, what are the factors that drive the difference. Since entrepreneurs are found to possess unique set of values such as achievement, personal values are identified as the factor to drive the difference between the two groups in this study. Rather than focusing on a limited set of values that have been identified in the past, a more comprehensive value framework of Schwartz (1992) is used to analyze a link between personal values and ethical orientation exhibited by the two groups. The search for unique values shared by entrepreneurs and managers from a comprehensive value framework would be helpful in understanding the patterns of general behavior exhibited by the two groups, in addition to their ethical orientation.

A total of 286 responses are collected using a mail survey. The results indicate systematic differences in values and ethical perceptions between entrepreneurs and managers. The analysis on Schwartz value system reveals that entrepreneurs and managers seem to possess somewhat different value structures. Although it is not strong, entrepreneurs tend to show higher levels of value on achievement, hedonism, stimulation and self-direction. On the other hand, managers tend to show higher levels of value on conformity and security. Core manager group showed higher level of value on power. These findings are in general consistent with past research findings.

Entrepreneurs and managers also show different ethical perceptions across various business activities. While entrepreneurs tend to be stricter on the misuses of company asset aspect, they seem to approve more on the questionable business conduct to secure deals than managers. This pattern is consistent with past findings (Bucar and Hisrich, 2001) and can be explained by the theory of property or the agency theory framework, where we would expect someone to be more ethical in dealing with his/her own property.

The correlation analysis between the values and the ethical perception found interesting relationships that help us to have better understanding on the phenomenon. In general, we find a pattern that individualistic values are negatively related to the misuse of company asset factor, whereas collectivistic values are positively related to it. But, the same individual values are positively related to more serious questionable business conducts while the collectivistic values are negatively related to them. From this result, we can infer that individual values generally support ethical behaviors. But, when some kind of important success is at stake, they may run the risk of not functioning well. They could approve rather serious questionable business conducts for bigger personal gains. Collectivistic values, on the other hand, may tolerate unethical behaviors under the limit of collectivistic harmony or welfare. But, when it passes the limit, unethical behaviors may not be tolerated by the collectivistic values.

The findings of this study should be interpreted with the following limitations in mind. Although we try to use culture invariant measurement scales such as Schwartz Value Survey, the findings may be subject to culture specific problem because the data was collected from an Asian country. Future studies should be conducted in various cultures to validate the generalizability of the findings.

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AN ETHICAL ASSESSMENT OF NEUROSCIENCE IN MARKETING

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ABSTRACT

With the increasing prevalence of neuroscience use in marketing research, it is hard to ignore how consumers may be affected by this practice. Accordingly, the potential ramifications of neuromarketing are enough to prompt an ethical evaluation of this new method of gathering information while considering the underlying risk of consumer manipulation.

INTRODUCTION

There is a relatively new phenomenon in the application of science to business practice termed “neuromarketing.” With greater recognition after the turn of the century, the process of examining the brain for market research purposes has opened the door to many new possibilities. For example, state-of-the-art technology advances in neuroscience have enabled advertisers to gather useful data that change the course of marketing campaigns (see Rapp et al. 2009). While this application has many positive implications for businesses, the impact of neuromarketing on consumers may be a cause for concern. From an ethical point of view, neuromarketing often is associated with abuse of neuroscience technologies to manipulate consumers’ deepest thoughts and actions (Hubert and Kenning 2008). This common perception represents the foundations for our paper, which examines closely the work of market researchers and assesses their motives in order to provide a thoughtful ethical evaluation of neuroscience applications.

Neuro- and neuromarketing ethics have arisen as fields of study unto themselves. Using neuroscientific findings and methodologies to inform business practice continues to increase (Hubert and Kenning 2008). Much of this application comes at a time when organizations are struggling to gain or maintain a competitive advantage, seeking increasingly more efficient and effective ways to be competitive (Wilson et al. 2008). Yet, introduction of new developments such as neuromarketing make it imperative that marketers consider the current and future ethical implications that may accompany implementation of resulting findings. Although a great deal is already known about the current state of neuromarketing, much is left to be explored about what neuroscience might eventually be able to accomplish. Marketing is an ever-evolving profession, and it is important for researchers to understand how consumers are and may be impacted over time. However,

before ethical concerns can be evaluated, it is essential to understand the science behind the practice and compare applications to traditional research methods.

SCIENCE OF NEUROMARKETING

There are a number of techniques that neuromarketers utilize in order to derive relevant information. Four recognized tests for measuring the brain are: Electroencephalography (EEG), Magnet-encephalography (MEG), Positron-emission-tomography (PET), Functional magnetic resonance imaging (fMRI). The latter, which measures metabolic activity using the magnetic properties of blood, is the most innovative and relevant for current marketing research (Kenning, Plassmann, and Ahlert 2007). Therefore, fMRI is the most frequently applied functional brain imaging technique. The state-of-the-art practice of functional magnetic resonance imaging has experienced rapid growth as its capabilities have been realized. Functional magnetic resonance imaging allows researchers to pinpoint systems of neurons associated with certain functions of the brain. For example, light activates some of the 125 million visual neural receptors, rods, and cones in each eye when a person looks at print advertisements. Nerve signals then travel to the midbrain, which controls eye movement over the advertisement and focuses the pupils. In this scenario, researchers are able to construct an image of the neural activity associated with vision and both cognitive and affective responses to particular ads (Wilson et al. 2008).

After movement of nerve signals to the midbrain, energy released following a radio wave pulse to match the oscillation of protons in the nuclei of hydrogen atoms creates the measured magnetic resonance signal. Information provided in this signal is converted into a picture of the brain showing contrasts among different tissues based on density of the hydrogen protons and nature of the tissue containing the protons (Wilson et al. 2008). Researchers use this end result to analyze and interpret the output. The core of the fMRI process compares two three-dimensional pictures: one is of the brain at rest and the other is of the brain performing a specific function. This method of comparison is called the blood oxygenation level dependent, or BOLD. It is BOLD that allows researchers to draw conclusions about changes a specific stimulus prompts in an individual’s brain. Focused on increased levels of hydrogen protons, BOLD locates newly-oxygenated blood and highlights the areas of the brain activated by the

stimulus (Wilson et al. 2008). It is this comparison that neuromarketers use to see if a certain product impacts neural activity and how profoundly each sector of the brain is affected.

The process consumers undergo in order to generate brain scan results using fMRI is painless and simple. To produce the desired image, one must lie inside an MRI machine, where the brain is subjected to strong magnetic force that is at least 30,000 times the force of gravity. While inside, participants perform whatever task has been requested by the researcher. Usually, subjects are asked to respond to certain images by pressing various buttons relating to different criteria (Kenning, Plassmann, and Ahlert 2007). At the same time, the machine is recording the activity in the brain and producing scientific results. The entire process is non-invasive and does not require much exertion from participants. The ability to produce rapid results without much human effort makes fMRI a desirable alternative for both researchers and subjects alike.

Although development of functional magnetic resonance imaging has allowed for an expansive look into the human brain, it is not perfect and there are some disadvantages to the method. One drawback is its poor temporal resolution compared to electrical activity imaging methods of EEG and MEG (Kenning et al. 2007). Another negative is its relatively complex requirements for data analysis. Analyzing resulting pictures is not an exact science, and images must be interpreted carefully in order to avoid drawing improper inferences. These disadvantages notwithstanding, functional magnetic resonance imaging still provides potentially valuable insights into the cognitive and affective responses to marketing stimuli, and it is employed in approximately 50 percent of all neuroimaging studies (Kenning et al. 2007).

Marketing and Neuroscience

Prior to their ability to conduct brain scans, marketers relied primarily on “paper and pencil” as well as a few simple physiological measures. Most of the resulting data are heavily dependent on the accuracy of human cognitions, such as verbal replies to a core set of questions. Although these methods produce emotional responses to specific products, it was never certain whether subjects were communicating their true feelings (Hubert and Kenning 2008). Further, it often was difficult to pinpoint exactly what aspect of marketing stimuli elicited positive emotions and subjects were relied on to articulate the connection. As a consequence, researchers implicitly or explicitly were required to trust that consumers could and would accurately reveal such data. Market researchers also utilized results to generalize to the larger target population. However, inherent flaws left room for the

development of more objective marketing research techniques (Wilson et al. 2008).

As noted previously, such inaccurate results that plagued traditional methods led some researchers to experiment with neuromarketing in an attempt to remedy problems. Traditional research methods that portrayed humans as willing and able subjects could be replaced by new techniques that give insights into the unconscious mind that previously were unavailable (Hubert and Kenning 2008). Moreover, once it was established that linking a good/brand to unconscious primary choice cues stimulated positive responses, neuromarketing became even more appealing to practitioners (Walvis 2008). This realization lends credence to the belief that unconscious reactions by consumers to marketing stimuli are an important driver of consumption behavior. Thus, neuromarketing is able to uncover valuable information not accessible by other means (Grose 2006), revealing an alternative and complementary strategy for research and practice.

Despite the potential upside, neuromarketing methods have not been disseminated as widely as might be predicted. Almost 20 years ago, consumer scholars determined the potential of brain waves in study of buyer behavior (Wilson et al. 2008). Yet it was not until years after this “call-to-arms” that neuromarketing gained attention, and today the practice is still not universally accepted as a primary research tool. In order to adopt the much more expensive alternative of neuromarketing techniques, its benefits must be worth the considerable added cost it brings. When traditional methods are deemed sufficient for producing results, such costs incurred from this adaptation of science to marketing may be viewed as unnecessary. Thus, marketers “warm” to the idea of neuromarketing as its ability to provide deeper and novel insights about markets increases, but it continues to remain far from standard practice in consumer research.

NEUROMARKETING IN PRACTICE

As presented, neuromarketing is in its infancy and has yet to challenge traditional practices within the consumer-research field (Hubert and Kenning 2008). On the other hand, this does not mean that associated technology is ignored by high-profile firms. Companies such as Nike, Wrigley, and Colgate have experimented with neuroscience methods to gain a competitive advantage (Haq 2007). By utilizing neuromarketing, companies hope they can more effectively allocate their promotional dollars through a better understanding of how and why consumers respond to various aspects of communications designed to enhance sales (Hubert and Kenning 2008). Their interest level has prompted expansion of the neuromarketing field. Currently, over 90 private neuromarketing firms exist in the United States alone, with an increasing number of

overseas agencies (Reid 2006). This expansion has led to the rise of concerns about the potential impact on consumer decision making, with a focus on free will (see Wilson et al. 2008).

For centuries, businesses have used advertisements to gain attention from target markets and to induce purchase behavior. Using classical methods of persuasion, possible impact upon the exercise of free will, or the ability to control an event's outcome, was viewed as irrelevant given the public and external nature of marketing stimuli (Wilson et al. 2008). Neuromarketing, on the other hand, poses different ethical concerns because of its potential in the future to move beyond mere measurement to actual manipulation of neuronal brain functioning and its resulting impact on consumers' expressions of free will (Rapp et al. 2009). Therefore, new ethical questions are raised that supersede issues associated with previous marketing practices. One's approach to this issue depends, in part, upon their beliefs about the ability of neuroscience developments to allow marketers to find and to trigger the proverbial "buy button" in the brain without consumer awareness or permission.

Specifically, without the capacity to influence our personal marketplace preferences, the knowledge acquired via neuroscience techniques is only a refinement or complement to current research methods and provide an objective check on subjective data rather than present a novel form of invasive manipulation (Murphy, Illes, and Reiner 2008). Nevertheless, limited history of its application suggests that it may be too early in the development of neuromarketing to predict all potential uses (Miley 2008). Therefore, the debate over whether free will could be impeded is in the realm of conjecture rather than hard scientific evidence. If consumers will have ability to easily ignore or avoid marketer attempts to guide their thinking and behavior through changes in brain functioning, then possible ethical issues are less important. However, if the opposite is true and consumers can be influenced without warning and permission, marketers may have opened a proverbial Pandora's Box of moral concerns that need our attention prior to any potential advances in practice.

Even if marketers cannot find a "brain trigger," they still have a considerable influence on the thought process of consumers. Due to conditioning, it is possible for someone to desire to both associate and disassociate with an object. An example representative of this phenomenon is addiction, which is characteristic of legal goods and services such as cigarettes, coffee, alcohol, and gambling. By desiring to overcome the addiction, an individual has recognized the negative implications of possible abuse. Still, an individual's body or mind has been trained to crave the product, eliciting strong approach motivation. In this situation, whichever desire is stronger at a particu-

lar point in time should prevail (Watson 1982). This poses more substantive issues if or when consumers are unable to separate personal preferences from external influences that seek to manipulate brain functioning without awareness because of technological advances, inhibiting our ability to exercise free will and changing the ethical implications of marketing practice.

Some Potential Ethical Concerns

There are a variety of ethical concerns that have been raised over the current or future application of neuromarketing on modern business practices (Wilson et al. 2008). Advertisers already have engaged in actions that are deemed deceptive, suggesting a willingness to employ neuroscience methods in a similar fashion. As with any new approach, marketers should assess the marginal cost of implementation. For example, neuroscience can provide an invaluable look into the human mind, but there is the potential for backlash due to worries about the invasion of privacy and other targeted applications (Rapp et al. 2009). The introduction of this practice also has fueled beliefs that there is a slippery slope toward future inhibition of our ability to express free will. Experts speculate that fMRI is on the verge of creating ad campaigns consumers are unable to resist that will be employed by corporations and even governments to influence decisions and actions regarding various preferences (Murphy, Illes, and Reiner 2008).

Stealth marketing tactics may provide a current model to aid our understanding of these future concerns. As a result of our early experiences and acculturation into the marketplace, most consumers develop a metaphorical wall that protects them from being manipulated by marketing. Due to this conditioning, it is natural for consumers to discount marketing claims that are posed to them over time. To counter this shield, companies have developed innovative approaches to gain customers' attention using less obvious approaches, some of which fall under the rubric of stealth marketing. Under these circumstances promotional messages pass under the radar screen as these persuasion attempts fail to reveal the relationship between marketing practices and the company that sponsors the message (Martin and Smith 2008). Consequently, consumers do not realize that they are being marketed to and there is a greater likelihood that they will take in the information without using the natural "sieve" that captures and filters out persuasion attempts from other forms of less biased information or entertainment.

In addition to these ethical quandaries and possible manipulations of the free will, there are concerns that future advancements will allow for the monitoring of consumers without their knowledge (Wilson et al. 2008). Although there is no current legislation that would specifically outlaw this practice, there is bound to be a debate

over whether this would violate basic privacy laws that are currently in place. If possible, such applications may garner quintessential candid reactions sought by marketers, but the acceptability of these practices to the larger society and to specific constituencies has yet to be determined. These concerns about neuromarketing likely will face even greater ethical scrutiny if typically more vulnerable populations are subject to invasive procedures, including the elderly and especially children (Acuff 2005), who have received special emphases with regard to government-sponsored protection.

The industries that may adopt neuromarketing practices could also be of importance. One school of thought expresses concern that neuromarketing could damage public health if adopted by tobacco or food vendors, or even political consultants (MacKlem 2005). The manipulation of potential consumers in these areas would occur under circumstances that most members of our society would deem harmful to the individual as well as the larger collective. While current practices already receive greater public scrutiny than most other exchange relationships, the application of neuroscientific methods in these cases may be the tipping point that results in backlash that could be damning for some products and practices. Many of these uses are not technically considered against the law, but there are ethical responsibilities companies must adhere to unless they want government intervention (Murphy, Illes, and Reiner 2008).

Skeptics of the ethical acceptability of neuroscience applications have prevented its proponents from enthusiastically embracing their involvement with this new marketing form. Top companies – such as Nike, Wrigley, and Colgate – have experimented with various uses for neuromarketing, yet many prefer to stay unnoticed because of the potential backlash (Haq 2007). It is, therefore, difficult to calculate how widespread neuromarketing is due to this unwillingness to openly admit involvement. The fear of society's reaction could potentially prevent the practice from ever evolving into more intrusive measures due to its feared ramifications, causing future usage to be limited to societal issues that appear to benefit society such as law enforcement (see Olson 2005). In such circumstances, neuroscience could actually provide the added security of ensuring the safety of the general public, eventually allowing for other practices that clearly are for individual or organizational gains.

To some observers, neuromarketing is contrary to serving people in their best interests (Arussy 2009), turning buyer behavior into something with instrumental value for providers not consumers. If marketers hope to apply this technology to understand and inform their markets, they will likely receive some support along with some resistance no matter how their usage proceeds. Regardless, privacy associated with most research studies

have and will continue to allow firms the ability to mask or hide their applications and avoid public knowledge and possible censure. It only takes a relative handful of willing individuals to agree to a study in order to reveal precious information about a marketplace or consumer segment; so no matter what the general consensus is among the population regarding the ethicality of neuromarketing, much of its employ now can occur without public knowledge or acceptance. By failing to admit their involvement, it is clear that companies already fear public action. Fortunately there is still time for marketers to examine their true motives and future opportunities before any concerted efforts to monitor new possibilities arise that might become public relations nightmares.

CLOSING REMARKS

It is difficult to determine if there is anything immoral in the way neuromarketing is currently used. By shifting to new scientific research methods of collecting consumer data, companies have not all of a sudden changed their approaches but instead are seeking more accurate results. Advertisers have been attempting to persuade consumers for ages and previous issues of deception and manipulation are not adequate grounds in and of themselves to abandon novel ways of learning about and communicating with consumers. Our prior discussion of how neuroscience has carved a noteworthy niche for itself in marketing research reveals a different set of possible tactics that could find their way into communications and promotions. Thus, it is not unreasonable to expect that at some point neuroscience and marketing will be combined in a manner that may offend some consumers, advocacy groups, and/or policy makers.

Of course, marketers continue to portray products in a good light, and their tactics often try to connect them with positive emotions that consumers' desire. Yet it is important that these same consumers opt to purchase through unimpeded decision processes that are informed, but not impinged upon, by marketers and their communications. While it is clear that marketers seek a competitive advantage by proactively reaching out to their target markets, the final decision to buy or not buy and the basis for this decision must remain the domain of consumers if they are to express the freedom of their will. Thus, insights gained by marketers into the inner workings of the brains of their consumers are "fair game" as long as they are employed equitably and without an attempt to use individual data to influence a particular consumer. Otherwise, persuasion turns into coercion that violates the very principles of a democratic society.

If at any point companies are found to engage in neuromarketing activities that fail to serve the consumer interest, they risk not only their bottom lines but also their very existences. Given consumers eventually may demand accountability for neuroscience applications as they

have for social media and privacy, it would be foolish for marketers to continue practices that might alienate their customers. However, just because consumers may have power in numbers does not mean that they should disapprove of research methods because of unsubstantiated fears or a lack of understanding. Incorporating fMRI

scans into their portfolio of techniques may allow firms to better target consumer segments and increase overall satisfaction. Simply stated, the real ethical dilemma is not inherent in the technology but in the application, and the only possible transgression is consumer manipulation that violates their sovereignty over decision making.

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AN EMPIRICAL STUDY OF THE EFFECTIVENESS OF CHARITY ADVERTISING APPEALS IN THE CONTEXT OF VOLUNTEERISM

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SUMMARY

Two popular charity advertising appeals have been the help-self and help-others appeal. The help-self appeal has a message referent of the *self* and highlights behavior consequences for the *self* who provides help; whereas the help-others appeal has a message referent of the *others* and highlights behavior consequences for the *others* who are being helped. Previous research has mainly examined the moderating role of various factors such as the message emotional valence, nature of advertised charity organizations, viewers' gender and culture orientation, and viewers' public self-image concerns (Brunel and Nelson 2000; Nelson et al. 2006; Fisher, Vandenbosch, and Antia 2008; White and Peloza 2009).

Nevertheless, previous research has largely ignored a significant message-related factor that characterizes many charity ads: outcome type of helping (attain benefits versus avoid costs) highlighted in the ads. Some charity ads highlight the pleasures of helping (e.g., happy, healthier) and motivate people to attain benefits through helping, whereas other charity ads emphasize the pains of not helping (e.g., poverty, guilt) and motivate people to reduce or avoid costs through helping. Such different types of outcomes of helping highlighted in charity ads represent two fundamental motivation orientations that govern individual behavior and have the potential to alter the effectiveness of charity ad appeals, but have received scarce attention in charity advertising research (Bendapudi et al. 1996; Cunningham et al. 1980).

In this research, we focus on the cognitive process and study how the persuasiveness of charity advertising appeals might be moderated by the outcome type of helping (namely, attain benefits versus avoid costs). Our reasoning is that a help-self appeal will activate a self-centered cognitive mentality, whereas a help-others appeal will activate an others-centered cognitive mentality within the viewers. A large body of research has shown a discrepancy or asymmetry between self-focused and others-focused judgments and decisions. For example, research on the above-average-effect has shown that individuals rate themselves higher on positive traits and others higher on negative traits (Kruger 1999). Additionally, research on unrealistic optimism suggests that individuals believe their own chances of success or attaining desirable out-

comes are higher than others'; on the other hand, others' chances of experiencing negative or undesirable outcomes are higher than their own. Taken together, these lines of research suggest that individuals tend to value or weight more of positive and benefit-related outcomes when they think of themselves (i.e., in a self-centered mentality), whereas they tend to value or weight more of negative and costs-related outcomes when they think of others (i.e., in an others-centered mentality).

Thus, we hypothesize that a help-self charity ad will be more effective when it highlights benefits-related (vs. costs-related) outcomes of helping; whereas a help-others charity ad will be more effective when it highlights costs-related (vs. benefits-related) outcomes of helping. The enhanced persuasion of these messages is due to (i.e., mediated by) higher evaluation of the corresponding outcomes of helping highlighted in the message.

We tested our hypothesis with three experiments in the context of volunteerism advertising. In study 1, participants were randomly assigned to an experiment with a 2 (help-self appeal vs. help-others appeal) x 2 (attain benefits of helping vs. avoid costs of helping) between subjects factorial design. Participants read a letter from the *Corporation for National and Community Service*. The letter provides some general information about college students' volunteering activities in the U.S. and more importantly, encourages college students to actively involve in volunteering with the corporation using one of the four messages. Thereafter, subjects' likelihoods to sign up for volunteering, intentions to learn about the charity, and intentions to volunteer in future were measured as main dependent variables, together with mediation, manipulation check, and other covariate measures. A two-way ANOVA and mediation analysis provide strong support for our hypothesis.

In Study 2, we further explored the discrepancy between self-centered and others-centered cognitive mentality with a thought-listing task. Subjects were instructed to focus either on themselves or on other people who receive help and then list their reasons to volunteer. We found that self-focused subjects had more access to and listed disproportionately more benefit-related reasons to volunteer than others-focused subjects; whereas others-focused individuals had more access to and listed

disproportionally more cost-related reasons to volunteer than self-focused subjects. In Study 3, we replicated the findings in Study 1 with an independent sample. More importantly, we identified a boundary condition of the effects and further illustrated the role of cognitive process in influencing charity ad efficacy. We found the persuasion advantages of a help-self-attaining-benefits message

and a help-others-avoiding-costs message were significant only for subjects who were low in perspective-taking (i.e., low tendency to spontaneously adopt the psychological point of view of others), but became nonsignificant for subjects who were high in perspective-taking. References are available upon request.

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THE INFLUENCE OF PARENTAL STYLE ON RESPONSE TO ADVERTISING: AN EXPERIMENT

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ABSTRACT

An experiment was conducted by exposing parents to two commercials designed to attack parents' maladaptive responses. Promoting more active parenting, specifically talking to teens about sex and abstinence, the ads were executed such that barriers to such parenting were addressed directly. Using the Viewer Response Profile (Schlinger 1979), parents' response to the ads was counter to expectations, yet still very positive regarding intentions to adopt the recommended behavior. One possible explanation is that resource matching yielded the desired response only for parents for whom maladaptive responses were more likely.

INTRODUCTION

Parents are an important influence in their children's lives. In fact, teens rate parents as the most important influence in determining their values and making choices to avoid risky behaviors (Moore et al. 2002). Yet research indicates that parents vary greatly in the degree to which they choose to influence their adolescents' decisions, including their children's decisions to engage in sexual activity (e.g., Carlson and Tanner 2006).

Teens in the United States are particularly at risk for negative consequences from sexual activity. These consequences include pregnancy and sexually transmitted diseases (STDs), as the U.S. leads all industrialized nations in rates for both categories (Jayson 2009). Additionally, U.S. teen pregnancies increased in 2006 and 2007 (Centers for Disease Control 2009), and the most at-risk group for unwanted pregnancies and STDs is adolescents (Allen 2005).

STDs are especially dangerous for adolescents. Approximately one-third of teenagers aged 13 to 16 years engage in intercourse and one-fourth of all teens have oral sex (Gardner 2005). Given that these two groups do not completely overlap, a significant proportion of America's teenagers are placing themselves at risk for an STD. These activity rates have led to STD infection rates of over three million teenage aged girls in the U.S. At any given time, 40 percent of sexually active girls aged 14 to 19 have or have had at least one STD (Tanner 2008). Approximately 13 percent of U.S. adolescents become infected with an STD every year (Centers for Disease Control 2009). Among people 24 years of age and younger, AIDS is one of the leading causes of death, with early adolescence

being the time when many teens with AIDS acquired HIV (human immunodeficiency virus) (Priedt 2009).

Because of the importance of parents in influencing children's choices including decisions to engage in sexual activity, one strategy of the federal government has been to reach parents through advertising. The federal government funded over \$1.3 billion for abstinence education initiatives over the last decade (Jayson 2009), including the *Parents Speak Up* national advertising campaign designed to reach parents. This campaign has been found to influence parents to talk to their children about sex (Evans et al. 2009). Yet, the study did not consider factors that might influence effectiveness of the campaign, whether those factors lay in the audience or in the design and execution of the commercial. This study compares both audience and commercial factors to consider parental response to advertising promoting parent/teen communication regarding delaying sexual activity.

PARENTAL STYLE AND ADOPTION OF ACTIVE PARENTING

Parental style (e.g., Baumrind 1991) influences parenting behaviors and attitudes about teen sex (Carlson and Tanner 2006). Parental style has been conceived as two-dimensional, reflecting the degree of warmth or nurturing and the degree of restrictiveness or control (e.g., Arredondo et al. 2006).

Researchers have examined parental style to consider parental influence on childhood eating behaviors (e.g., Berge et al. 2009), smoking (e.g., Simons-Morton 2004), and even tooth brushing (e.g., Levin and Currie 2009). In the area of abstinence from teen sexual activity, parental style research has been limited, but early findings are that parents that are high in both warmth and control are more likely to affiliate with an abstinence approach (Carlson and Tanner 2006). Parents who are low in control are more likely to allow their teens to explore their sexuality actively and to consider such exploration a normal and expected part of adolescence.

A recent study focused on the dimension of warmth and how that dimension may influence response to a threat appeal, finding that parents are more likely to respond positively to a threat appeal promoting sexual abstinence for teens as warmth increases (Tanner, Carlson, Hopkins, and Raymond 2008). That study, however, did not examine control. In addition, the overall intentions to adopt the

coping response (communicate with teens) was rather low, suggesting that a threat, or fear, appeal was not likely to be effective. This study examines how both dimensions may influence response to a commercial promoting more active parenting.

The two dimensions of warmth and control are often arranged orthogonally to create a two by two-matrix of four parental styles. These styles are Authoritarian (low warmth, high control), Authoritative (high control, high warmth), Indulgent (high warmth, low control), and Neglecting (low warmth, low control).

Authoritatives (high warmth and high control) seek to balance children's rights and responsibilities through a delicate dance of autonomy for some decisions and adherence to family rules for others (Gardner 1982). Goals for children are one-tool for encouraging autonomy while following rules (Carlson and Grossbart 1988).

Authoritarian parents (low warmth, high control) attempt to exert maximum control over children, allowing them few family rights (Baumrind 1980). Standards set by authority figures and/or religious leaders are treated as immutable and children are expected to adhere to those standards (Baumrind 1968). Authoritarians minimize verbal contacts with children and expect unquestioned obedience (Crosby and Grossbart 1984).

Like Authoritarians, Neglecting parents (low warmth but low control) also minimize verbal contact with children (Carlson, Lacznia, and Walsh 2001) but couple that lack of contact with little attempt to maintain control over children (Carlson and Grossbart 1988). Neglecting parents refrain from overt attempts to interject themselves into children's development and their children are perceived by these parents as autonomous and capable of meeting most, if not all, of their own needs (Carlson and Grossbart 1988).

Indulgent parents are warm but lack control. Their children enjoy permissive and even limitless standards of conduct (Walsh, Lacznia, and Carlson 1998). Children of Indulgent parents are granted the rights of adults but not the concomitant adult responsibilities (Carlson, Lacznia, and Walsh 2001).

RESPONSE TO ADVERTISING AND PARENTAL STYLE

As mentioned earlier, the only study of advertising and parental style focused on the warmth dimension and found that a threat appeal was not particularly effective (Tanner et al. 2008). In this study, a different appeal was created and tested prior to its broadcasting. The appeal focuses on attacking maladaptive responses, or those

responses that reduce fear without actually reducing the threat (e.g., Milne, Labrecque, and Cromer 2009; Tanner, Hunt, and Eppright 1991). In this particular ad, the theme is that parents should remove the blindfolds and talk to their children about sex. Parents are shown stating maladaptive responses such as "my child is too young to hear about sex."

While advertising is clearly designed to encourage specific behaviors, advertising generates responses along many dimensions. The Viewer Response Profile (VRP), an approach to understanding responses to advertising, identifies seven dimensions including confusion, relevance, empathy, familiarity, alienation, entertainment, and brand reinforcement (Schlinger 1979). The VRP was originally developed by the Leo Burnett Agency through data collected to evaluate over 500 commercials. The dimensions are affective dimensions and not related directly to learning or comprehension (Schlinger 1979).

A research question guiding this preliminary research concerns the influence of parental style on response to the ad. In general, parental style is expected to influence how a parent feels about an ad, and that response is then likely to influence intentions. By using a multi-dimensional approach to viewer response, as opposed to only a global attitude toward the ad approach (e.g., Zinkhan and Burton 1989), we hope to tease out effects for factors with the potential to influence execution strategies in the future. Yet, since there has been no research conducted regarding parental style and viewer response, we offer only research questions for this exploratory study.

For example, confusion can be thought of as an outcome associated with execution. If the advertisement was executed well, then actual confusion should be low. At the same time, however, perceived confusion requires the viewer to recognize that the ad was confusing (Schlinger 1979). If new information is held up against current beliefs and values and found too foreign, it may result in confusion. From a parental style perspective, a parent low on control (e.g., neglecting or authoritarian) may find commercials promoting active parenting confusing as the message contrary to their beliefs that children develop best by muddling through on their own. Thus, parental style may influence perceived confusion.

Familiarity concerns the degree to which the commercial presented is perceived as new or as familiar. Parents high in control and warmth may be more likely to recognize a commercial promoting active parenting as familiar, as they may consider it similar to other commercials aimed at parents.

The empathy dimension reflects the viewer's empathy toward characters and the situation presented in the ad.

The ad campaign in this instance portrays parents as questioning their role and ability to influence their teens. Parents high in control might be likely to express less empathy as they are likely to believe they are in control of their teens, while parents high in warmth may express greater empathy. Thus, we might expect neglecting parents to express the least empathy, while authoritative the most.

Relevancy is another dimension of response. This dimension considers the viewer's perception that the commercial contains information relevant to his or her situation. This particular parenting ad campaign challenges parents' assumptions that their child is a good child and doesn't need more active parenting in the area of sexuality. Parents who believe their child to be too young or naïve to require education and monitoring regarding sexuality may believe commercials on this topic to be irrelevant. Thus, those parents low in control but high in warmth may be more likely to perceive an active parenting commercial as irrelevant.

Alienation reflects the degree to which the commercial puts the viewer off. Schlinger (1979) describes the dimension as "yokes negative judgments about the message with rejection of the execution" (p. 42) This dimension could be considered as the degree to which the ad is not only rejected, but found to be "unrealistic, farfetched, and irritating" (Schlinger p. 42). As with other dimensions, there is no prior research or theory to suggest that any particular parental style combination might report greater or lesser alienation, but one might suggest that a parent low in control would be more likely to be put off by an ad promoting active parenting.

In this instance, entertainment and brand reinforcement were considered unimportant for the topic at hand (no particular brand was presented nor is the topic intended to be entertaining) and only the other five were considered.

VIEWER RESPONSE AND INTENTIONS

The second research question concerns how these various responses and parental style dimensions then influence intentions. For example, greater confusion should yield lower intentions to adopt the desired behaviors, while greater empathy should yield higher intentions. The viewer response model has never been used in scientific research in connection with social advertising before, though the wide use of the VRP in testing commercials may have been done and not reported; therefore, the interaction of response with parental style and intentions may yield greater insight. Further, since attitude toward the ad is already known to be an important influencer of a commercial's effectiveness, this study offers the opportunity to consider the role of response style and attitude toward the ad.

Procedure

Subjects were presented with commercials in random order using an online survey tool. The VRP for the five dimensions (confusion, alienation, empathy, relevance, and familiarity) was completed immediately following each ad, along with an attitude toward the ad measure (Tanner et al. 2008). After both ads were shown and the VRP and attitude measures completed, subjects completed a survey instrument including warmth and control scales, and intentions measures. The intentions to communication measure consisted of a four-item scale reflecting the likelihood of communicating to the teen about sex and abstinence.

Parental style was measured using four items for warmth and four items for control. These items were taken from Carlson and Tanner (2006), based on work by Berge et al. (2009) and others that suggest such shorter scales can provide acceptable measurement of warmth and control. Then, as with Levin and Currie (2008), the sample was divided into four groups using median splits for each dimension and re-coding accordingly.

Impression management was measured in the event that intentions measures were influenced by social desirability bias (Crowne and Marlowe 1961). A set of six items were presented representing various risky behaviors teens might engage in. Of these, three were real and three were not. The purpose was to identify parents who may exaggerate by claiming knowledge that they could not possibly have, and then to claim having talked to their child or children about this threat that does not exist. Parents who would claim to have knowledge were coded as a 1 for each false item, and to then claim to have talked about these non-existent threats to their children were coded as a 2. Higher scores represent greater impression management for intentions to communicate. This false-claim measurement process is based on Paulhus' work on impression management (1984). The scale ranges from 0 to 6 (claimed to have talked to teen about all three false threats).

All of the Likert-type scales were subjected to confirmatory factor analysis and reliability tests. The VRP responded as expected, with Cronbach alphas ranging from .64 (familiarity) to .87 (relevance), indicating adequate reliability (for a detailed examination of the VRP, see Strasheim, Pitt, and Caruana 2007). The warmth and control measures (four items each) were selected from the larger scale used by Carlson and Tanner (2006). Exploratory factor analysis loaded as expected, with two dimensions explaining 74% of the variance. Cronbach alphas indicated adequate reliability, with .89 for warmth and .84 for control (see Table 1 for a list of items).

Sample

A convenience sample was recruited through a snow-ball method from parents in the local schools. Participants were offered a choice of three incentives for participating. The first was a \$10 Wal-Mart gift card, the second was a \$10 donation to Avance (a local parent assistance program), and the third was a \$10 donation to the school of their choice. All but 17 of the parents chose to donate to a charity. No records were kept to determine donation preference and survey responses.

The sample represents a more upper income population in comparison to the local population. Over 76 percent report being married and 80% report living in a 2 adult household. Over 40% report earning \$80,000 per year or more, the most frequent response, and 70 percent are white with 10% Hispanic. There were no African-Americans in the sample, in spite of the sample frame being about 30 percent African-American. The remainder reported being Asian or Other. Thus, the achieved sample represents a racially divergent and higher socio-economic achieved sample than the sample frame. The incentive may have been too low.

The sample was 65 percent mothers, 30 percent fathers, and 5 percent grandparents. This gender breakdown is consistent with prior parent-directed advertising studies (e.g., Tanner et al. 2008). Mothers are much more willing to participate, which is no surprise as studies indicate mothers being the parent more involved in their children's health.

Research Question Results

The first analysis consisted of the General Linear Model (GLM) procedure in SAS, with parental style as a

categorical variable, with the VRP as dependent variables. The GLM procedure is less sensitive to variances in cell size than ANOVA procedures, as the median split procedure yielded one cell significantly smaller than the other three. In our study, there were 64 Neglecting parents, 48 Authoritarians, 48 Authoritatives, and 24 Indulgents. This frequency distribution is very similar to that reported by Carlson and Tanner (2006).

While VRP scores were gathered on both commercials individually, there were no differences across the two commercials either overall or by parental style; therefore, scores were averaged for this analysis. Post-hoc Bonferroni tests were conducted to examine differences between parental styles. Neglecting parents were significantly lower than all other parents for relevance and empathy ($p = .01$). Table 1 presents means by parenting style. Authoritative parents were lowest in confusion ($p < .0001$). Indulgent parents were put off the most by the ads, scoring significantly higher in alienation, but only if significance is relaxed ($p = .08$). Indulgent parents were also the least familiar with the ads ($p < .0001$). Note, these particular ads were never shown anywhere prior to the study; therefore, familiarity would have to be with the concept and the general style of execution, perhaps.

Scale is 1 to 5, with 5 representing higher values (greater relevance, greater confusion, etc.), except for Intentions to Communicate, which was a 7-point scale.

Authoritative and Neglecting parents did not like the ad. Attitude toward the ad scores were significantly lower for these two groups in comparison to the other two ($p < .0001$).

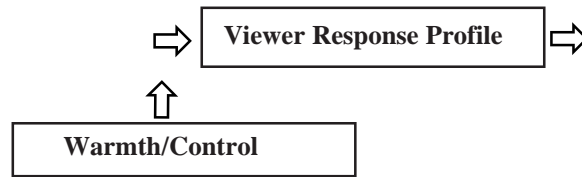
GLM was then run with intentions to communicate as the dependent variable and VRP dimensions and parental

TABLE 1
Means by Parental Style

Style (warmth/control)	Intentions to Communicate	Relevance*	Confusion*	Empathy*	Alienation	Familiarity*	Attitude To Ad*
Neglecting (low/low)	7.00	2.18	2.67	2.67	3.52	1.25	3.26
Indulgent (high/low)	4.00	2.83	2.56	3.38	3.58	1.65	2.36
Authoritarian (low/high)	6.65	2.68	2.74	3.22	3.82	1.72	2.32
Authoritative (high/high)	5.00	2.65	2.36	2.83	3.64	1.72	3.20

*Significant, $p < .05$

FIGURE



style as independent variables. The impression management measure was also included in the model as a control but was not significant. Note that attitude toward the ad was also not significant. Parental style ($p < .0001$), confusion ($p < .0001$), relevant ($p = .0055$), and alienation ($p = .04$) were significant predictors of intentions; however, there is a significant interaction among the VRP dimensions and parental style. Both relevancy and alienation are not significant with parental style in the model.

Post-hoc Bonferroni tests indicate that Neglecting and Authoritarian parents are similar, but different from Indulgent and Authoritative. Both groups reporting being are more likely to communicate than the Indulgent or Authoritative groups.

Confusion and relevancy were negatively associated with intentions to communicate. Alienation, however, was positively associated with intentions to communicate. The findings are the opposite for relevancy and alienation than would be expected.

DISCUSSION

The findings here are the opposite of those reported by Tanner et al. (2008), in that the styles higher on warmth report lower intentions to communicate with their children. The lowest intentions to communicate were Indulgents while the highest were Neglecting. In the previous study, Tanner and his colleagues examined a fear appeal and noted that, while higher levels of warmth were associated with greater intentions to communicate, the intentions of all parents in that study were not very high. This study, using a different appeal and one not based on fear, also finds that attitudes toward the ad were not very high (around the midpoint) but intentions were influenced, and more for the lower warmth parents.

What is also odd is that when we consider the VRP dimensions, Indulgents tend to respond unfavorably to the ad. They report the lowest familiarity, the lowest relevancy, the lowest empathy, and almost the highest confusion. Similarly, when the model for intentions to communicate is created, relevancy and alienation operate in

the opposite direction. So while Indulgent parents may not like the ad, feel alienated by it and consider it less relevant, they do respond favorably to the call to action. That may be because they may already be under-communicating with their children due to their style, and the ad may have served as a wake-up call.

This study raises more questions than it answers. First, qualitative research is needed to determine what the dimensions of the appeal were to parents. As mentioned, the ad is not a fear appeal. The ad is aimed directly at maladaptive coping behaviors (e.g., Milne, Labrecque, and Cromer 2009; Tanner, Hunt, and Eppright 1991), those behaviors that reduce the perceptions of threat in order to reduce fear, rather than at the threat itself. Qualitative research, though, could confirm that the maladaptive attack approach is the received approach, and then further research could be conducted to determine the viability of such an approach.

In addition, the VRP was originally created for testing the efficacy of advertising (Schlinger 1979). In this instance, however, a conclusion based solely on the VRP would yield an incorrect decision. The answer may lie in the mental processing and resource matching work of Keller and Block (1997). Does parental style influence mental processing and subsequent resource matching? An ad consistent with a parent's style appears to yield lower intentions than if inconsistent with the style, suggesting that perhaps resource matching requirements were different. Further work should explore this possibility.

Finally, the centrality of attitude toward the ad should be questioned. Advertising research has almost reached an unquestioned tenet that attitude toward the ad should be favorable, but that is clearly not the case here. The lack of predictive power could be a function of the measure, but in consideration of the other findings, it seems more likely that the reaction was negative but still led to desired changes. In either event, the issue of attitude toward the ad warrants additional study.

Among the limitations of this study, one was already noted. There should be qualitative research concerning

the execution of the ads to verify that the maladaptive theme was indeed operating or if another dimension or dimensions influenced the results. In addition, a randomized control trial should be conducted to manipulate the

dimension or dimensions and provide a clearer explanation of the effect of the ad. The findings suggest that such efforts are warranted, as the possibility of reaching those least likely to parent is exciting.

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EAGER VIGILANCE IN CONSUMER RESPONSE TO NEGATIVE INFORMATION: THE ROLE OF REGULATORY FOCUS AND INFORMATION AMBIGUITY

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SUMMARY

Research on negative information (e.g., Herr et al. 1991) has well documented that negative information compared to positive information of equal extremity can exert greater influence on consumption related beliefs and attitudes. Although considerable research has studied the impact of negative information, little attention has been paid to the information characteristics of negative information, especially ambiguity or certainty of the information. Nowadays, consumers have access to a wide variety of outlets for negative product information, including traditional media and new media, such as online news forums, webcasts, and podcasts. The negative information consumers encounter in their everyday consumption setting is not always certain and clear-cut. For example, one cannot be certain whether the review for a restaurant from a stranger on internet forum is reliable; one cannot be sure whether to blame the company, the consumer or the situation for a product failure reported by another consumer. When consumers encounter such ambiguous negative information about a brand toward which they have an initially positive attitude, how will they react? Whether will they accept this information and downgrade their attitude toward the brand accordingly, or will they disregard it and maintain their initial attitude? Previous research on boundary conditions of negativity effect (Ahluwalia 2002; Ahluwalia et al. 2000) suggests that committed and non-committed consumers differ in their receptibility of the same piece of negative information. Committed consumers tend to counterargue the negative information concerning their beloved brand rather than passively accept it as non-committed consumers do. However, question still remains in the situation of early process of attitude formation, where consumers are not committed to the brand and are often actively referring to a variety of sources for product information of various qualities. Will they all be affected to the same extent by negative information? In this research, we draw on the literature from regulatory-focus theory (Higgins 1997), negativity effect (Ahluwalia 2002; Herr et al. 1991) and information ambiguity (Chaiken and Maheswaran 1994; Ratneshwar 1993) to provide evidence for the interaction effect of consumers' regulatory focus and information ambiguity on the persuasiveness of negative information.

Regulatory focus theory proposes that promotion focus and prevention focus differ in their strategic inclina-

tions for attaining desired end-state or avoiding undesired end-state. Whereas the promotion focus is concerned with nurturance and advancement and is characterized by a strategic preference for eagerness means, the prevention focus is concerned with security and safety and is characterized by a strategic preference for vigilant means. In a series of signal detection studies where negative words were used as stimuli, Scholer et al. (2008) has found that prevention-focused individual as compared to promotion-focused individual exhibit a riskier bias of saying "yes" to ensure that negative stimuli are correctly identified, which was a reversal of traditional finding with no-words or neutral words used as stimuli. Building on the result of this research, we propose that when exposed to negative information about a product toward which consumers hold an initial favorable attitude, prevention-focused consumers are more eager to ensure the detection of the negativity in order to avoid the potential unpleasant outcome the product might bring about. This strategic inclination of eager vigilance is more likely to manifest when the situation is ambiguous. As indicated in the signal detection study (Scholer et al. 2008) that prevention-focused individuals show amplified risky bias when they are not sure whether the negative word is "old" or "new" (i.e., whether the negative word has been shown before). It is the uncertainty involved in the process of word recognition that triggers the prevention-focused individual to make a risky guess that the negative stimulus is an old one. They would rather err on the side of "false alarm" (i.e., wrongly accept the negative information) than on the side of "miss" (i.e., miss to take into account the negative information). Thus, we predicted that when confronted with ambiguous negative information (i.e., when there is doubt in the veracity of information or when the arguments are ambiguous), prevention-focused consumers are more likely to downgrade their attitudes and purchase intention toward the product to a greater extent than promotion-focused consumers; when confronted with unambiguous negative information, prevention and promotion-focus consumers should be both persuaded and largely downgrade their attitude and purchase intention, mainly due to the high diagnosticity of the unambiguous negative information.

Using experimental studies with a 2 (regulatory focus: promotion vs. prevention) \times 2 (information ambiguity: ambiguous vs. unambiguous) between subject design, we tested our propositions across two different ambiguity

scenarios: (a) negative information from uncertain credibility source; (b) ambiguous product failure in which the culpability is unclear. We also examined the underlying process which leads to the differential impact of ambiguous negative information as a function of regulatory-focus. For both studies, MSI netbook was used as the target product due to its low level of familiarity among the participants based on the results of a pretest. Various versions of negative messages pertaining to an overheating problem of MSI netbook were developed according to experimental conditions. Both studies followed the same procedure. Participants were first provided with a booklet of information about a new MSI netbook, which includes background information about the company, an advertisement of the laptop, and a positive review article from a PC magazine "PC World." The information of the MSI netbook was specially designed to induce an initial favorable attitude toward the product. After reading product information, participants were asked to indicate their attitude toward the brand and their purchase intentions. They were then asked to complete two separate tasks, which were used to prime participants into either promotion- or prevention-focus. The first task asked them to write an essay about their dreams, hopes and aspirations (vs. duties, obligations and responsibilities); the second one reinforced the regulatory focus manipulation by requiring participants to play a memory game that was either promotion framed or prevention framed. After the regulatory focus manipulation, participants were provided with the updating negative message, followed with measures of attitude, purchase intention, process variables and manipulation check.

For each study, different methods were used to manipulate information ambiguity. Operationalizations of information ambiguity were construed on the basis of conceptions of ambiguity (Chaiken and Maheswaran 1994; Norton 1975), where ambiguous information is defined as "information that is amenable to differential interpretation and evaluation." In Study 1, Information ambiguity was manipulated by varying the credibility of message source. For the unambiguous condition, the source was identified as an

excerpt of an article in Consumer Reports. For the ambiguous condition, the source was identified as a message from the internet (based on the results from pretests). In study 2, Information ambiguity was manipulated by varying the message content. For the unambiguous condition, the message clearly and precisely indicated that the overheating problem was caused by the design of the computer. For the ambiguous condition, no clear indication was given concerning the cause of problem. Instead, various possible causes (such as consumers' misuse of computer, dust build-up in the cooling system, and design fault, etc.) were listed.

Results of the two studies provide convergent support for our hypothesis that prevention-focused participants are more likely than promotion-focused participants to be influenced by ambiguous negative information. For both studies, there was a significant interaction effect of information ambiguity and regulatory focus on both attitude change and change in purchase intention. In the first ambiguity scenario, mediation analysis indicated that the treatment effect was mediated by the perceived diagnosticity of negative information. More specifically, prevention-focused participants rated the negative information from the internet as more helpful and diagnostic than promotion-focused participants. It suggests that prevention-focused participants adopt more lenient criteria in accepting negative information. For the second ambiguity scenario, the effect was mediated by the causal inferences participants draw from negative information. When the culpability of the overheating problem is ambiguous, prevention-focused participants are more likely to attribute the cause of the problem to the company whereas promotion-focused participants tend to take into account all the possible causes (both internal and situational). To summarize, our results suggest that the impact of negative information on brand evaluations is not homogenous. Rather, it depends on information ambiguity and consumers' regulatory focus. The detrimental impact of ambiguous negative information is amplified among prevention-focused consumers compared to promotion-focused consumers.

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GOAL FOCUS AND SELF-ATTENTION'S INFLUENCE ON CONSUMER SHOPPING INTENTIONS

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SUMMARY

Consumer's goal focus has been used to explain satisfaction, evaluative judgments, advertisement appeals and consumption purchases (Aaker and Lee 2006). In particular, consumer goals, expressed in terms of gains and losses has been well researched in terms of regulatory focus (Higgins 1997), which can serve as an important tool for understanding the underlying mechanism through which consumers' address their goals (Keller 2006; Kim 2006) and evaluate their purchase options and frames (Jain, Agrawal, and Maheswaran 2006; Lee and Aaker 2004). While many studies have investigated how consumers orient their decisions in light of their goals, there are relatively few that integrate goal focus with self-attention and goal attainment. The interaction between self-attentive thinking and goal focus can serve as unique indicators toward satisfaction and purchase communication. This paper begins to address the relationship between goal focus and recurrent thinking; where consumer's thoughts focus on the incongruity between the goal focus and goal attainment (Martin and Tesser 1996b).

Regulatory focus explains how consumers engage in their motivational approach beyond the pleasure seeking and pain avoidance. This is done in terms of hedonic measures; either promotion focused or prevention focused. Promotion focused individuals are more sensitive to the presence or absence of positive outcomes (gains and non-gains). They strive to accomplish and learn new things, exceed in goal expectations and find fulfillment or dissatisfaction upon achieving or failing at a goal. Prevention focused consumers are more sensitive to the presence or absence of negative outcomes (losses and non-losses). They are more concerned with avoiding failures, enhancing safety and ensuring success and are more likely to experience anxiety and frustration as a result of not achieving a goal (Higgins 1997; Avnent and Higgins 2006). Promotion focused individuals are more eager, searching for successes and marks of achievement. Conversely prevention focused individuals strive to avoid these losses and are vigilant in their guarding against failing in order to ensure success (Aaker and Lee 2006).

Recurrent thoughts are a general class of thoughts directed at past, present or future goals, which may be focused toward discrepancies or attainments of these goals in either a positive or a negative manner (Martin and

Tesser, 1996a). These thoughts revolve around a common theme that does not progress toward a goal (Martin and Tesser, 1996b). Instead, they focus on the incongruity between the goal and its attainment. Trapnell and Campbell (1999) differentiate two types of recurrent thought states. The first, rumination, is neurotic self-attentiveness, motivated by perceived threats, losses, or injuries of the self. This is characterized by recurrent past oriented, negative thinking. The second, reflection, is intellectual self-attentiveness, referring to self-focus motivated by curiosity or interest in the self. Reflection explains traits relating to self-knowledge and openness to ideas, experiences and increased elaboration.

When there is a fit between the goal focus and self-reflective thoughts (rumination/reflection) in face of goal blockages, it is expected that consumer evaluation and goal attainment would move toward the extreme with reflective thinking and promotion focused being more positive and prevention focused and ruminative thinking producing negative associations and dissatisfaction. When there is a disconnect, the inconsistency between regulatory focus and recurrent thought produces conflicting consumer responses. Goals are built up, but decision mechanisms are regretted and vice-versa. Preventive focused self-reflectors are more likely to engage in downward counterfactual thinking, where thoughts are focused on alternatives that are worse than the actual situation (Roese 1994), but consumers are optimistic and open to new solutions to avoid similar results. Here, consumers may exhibit higher satisfaction, associations and intentions, than promotion focused ruminative thinkers, but lower than promotion-focused reflectors. Conversely, prevention-focused self-ruminators would be more likely to engage in upward counterfactual thinking, where alternative thoughts are better than current situations (Roese 1994), and they are regretful at failing to achieve goals (McMullen and Markman 2000).

Utilizing shopping scenarios we evaluated how consumer goals (either promotion or prevention focused) along with self-attentive thoughts (either ruminative or reflective) relate to consumer evaluations of shopping experiences and purchase intentions. In general we find the promotion focused reflectors have higher purchase intentions and better moods than prevention focused ruminators based upon positive or negative shopping experiences.

Results indicate that congruence in goal focus and self-attentive thoughts tend to drive consumers toward extreme evaluations. In particular, recurrent thinking, toward the incongruence of goal focus as in ruminative thoughts, or toward solutions in reflective thoughts can be utilized with regulatory focus toward purchase evaluations. Against initial expectations, prevention focused – ruminators, while exhibiting congruence of goals and thoughts, exhibited higher purchase intentions rather than

lower in good experiences. This initial result implies that congruence of goals and self-attentive thoughts drives consumers toward positive evaluations and better ability to cope with shopping experiences. When negative experiences occur, prevention focused goals enables customers to more positively explain and increase purchase intentions in light of the experience. References are available upon request.

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WHAT TO ACQUIRE AND WHAT TO FORFEIT: THE EFFECT OF DECISION TASK, NEED FOR TOUCH, AND PRODUCT TYPE ON CONSUMERS' CHOICE BETWEEN PROMOTION AND PREVENTION APPEALS

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SUMMARY

Consider Nina and Kaitlin, who need to replace their current DVD players. The two girls face different decision choices: Nina got a gift card from her relatives that she decided to use toward the purchase of a new DVD player (acquisition task), whereas Kaitlin got two DVD players from her relatives as a gift and she needs to decide which she will return (forfeiture task). In this decision task, they are both seriously considering two brands whose advertisements emphasize different strengths. One claim reflects a promotion-based message (Higgins 1997), involving a strategy that maximizes presence of a positive outcome, whereas the other claim reflects a prevention-based message, involving a strategy that maximizes avoidance of a negative outcome. Considering the hedonic (and not utilitarian) nature of DVD players and the different nature of their decision tasks, which brand message would each prefer?

In the current research, we bring together multiple theoretical perspectives to investigate how individual consumers' relative preferences for promotion (vs. prevention) messages change based on the decision task (acquisition vs. forfeiture) and product type (hedonic vs. functional) via two experimental studies. In Study 1, we present consumers with a decision task (either acquisition or forfeiture) scenario, in which they have to choose between two brands (both hedonic or both functional), one promoted with a prevention-focus message and the other one with a promotion-focus message. In Study 2, we diminish the risk associated with keeping (or forfeiting) the "wrong" brand by exposing consumers to trial of the two brands and also examine the role of individuals' need for touch (NFT, Peck and Childers 2003; Study 2) on choice.

Regulatory focus theory (Higgins 1997), proceeding from the fundamental principle that people approach pleasure and avoid pain, distinguishes between two modes of motivation and self-regulation termed as promotion and prevention goals or foci (Higgins 1997, 1998). According to Aaker and Lee (2001), when individuals' regulatory goals match the advertising message frames in terms of regulatory orientation, more positive persuasive effects result. Research extended the notion of compatibility to

the context of purchasing hedonic versus utilitarian products. Chernev (2004) suggests that hedonic products may help individuals attain promotion goals, whereas utilitarian products help them attain prevention goals. Building on these findings, Micu and Chowdhury (2010) show that prevention (vs. promotion) focus messages are more preferred for utilitarian products, whereas for hedonic products, the reversed effect is true. We expect these findings to be differentially affected by the *decision task* and provide our rationale below.

Our focus on differences between acquisition and forfeiture choices is motivated by research on loss aversion that demonstrates an asymmetry in evaluations depending on the direction of the proposed trade, that is, whether a good is acquired or forfeited relative to the consumer's current state (Kahneman, Knetsch, and Thaler 1990); indicating consumers are likely to experience more risk aversion in the forfeiture than in the acquisition condition. Further, according to Sanna (1996), consumers are more likely to engage in upward prefactual thinking when they have to forfeit (vs. acquire) an item. Also, upward prefactual thinking induces negative emotions because one is about to be worse off than before (Roese 1997; Sanna 1999). To the extent that forfeiture situations spontaneously trigger upward comparisons that highlight negative affective consequences, consumers are motivated to minimize the anticipated negative emotions.

Specifically, for hedonic products, the negative emotions experienced in forfeiture conditions are amplified by the feelings of guilt associated with the purchase of hedonic products, which is perceived as being decadent and involving self-gratification (Khan, Dhar, and Wertenbroch 2005). Further, research on regulatory focus indicates that a promotion focus prompts the use of relatively risky strategies, whereas a prevention focus is associated with the use of more conservative strategies. Thus, to minimize the perception of risk, as well as the negative emotions spontaneously triggered in a forfeiture (vs. acquisition) condition, we propose that consumers will choose a prevention (vs. promotion) – oriented message. In contrast, we assume that utilitarian products relative to hedonic products do not evoke much hedonic thoughts irrespective of whether the consumer is acquir-

ing or forfeiting; instead it should primarily evoke more utilitarian thoughts focused toward the product quality/value etc. Also, utilitarian products are not associated with guilt and consequently individuals buying utilitarian products should be relatively less risk averse, irrespective of whether they are forfeiting or acquiring the product; hence, we propose that they should not differ significantly in their message preferences.

Furthermore, when consumers experience the products, we expect the risk associated with product choice to be diminished, in particular for individuals high in need for touch (Peck and Childers 2003) for whom touching the products provides meaningful information. However, low NFT consumers should continue to experience risk aversion with regard to choice. Thus, for forfeiture conditions, low (vs. high) NFT individuals will prefer more preven-

tion-oriented messages, specifically for hedonic products. However, for acquisition conditions, there will be no significant differences in message preference for varying levels of need for touch. Further, in case of functional products, individual need for touch will not interact with decision task.

Results from Study 1 confirm that individuals in the forfeiture (vs. acquisition) condition are more likely to choose a prevention (versus promotion) – oriented message for hedonic products. However, in the case of functional products, there were no significant differences in between acquisition and forfeiture conditions with regard to choice. Also, results from Study 2 provide support that an individual's need for touch attenuate the effects of decision task on relative brand message preferences, only in case of hedonic (not, functional) products.

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THE MODERATING ROLE OF GOAL ORIENTATION ON THE SATISFACTION – WILLINGNESS TO PAY RELATIONSHIP

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SUMMARY

Though their importance is generally acknowledged, price-related outcomes of consumer satisfaction have received notably less attention than alternative outcomes (Anderson 1996; Homburg et al. 2005). In consumption contexts, a consumer's satisfaction can be viewed as a reflection of his perception of a given experience as generating a relatively positive or negative outcome. Thus, a consumer's price-related response to a satisfying or unsatisfying experience can be seen as one way of capturing the consumer's value for the outcome of that experience. This raises a question: do all consumers take the same approach to valuing satisfying experiences? This study investigates this question by investigating whether a consumer's willingness to pay (WTP) is influenced not only by the level of satisfaction, but also by the consumer's chronic orientation toward relevant outcome-related goals.

Regulatory focus theory identifies two distinct self-regulatory systems: a promotion-focused system and a prevention-focused system, both of which describe a person's orientation toward relevant goals (Higgins 1997). Specifically, individuals with a promotion focus are oriented to the presence or absence of positive outcomes, whereas individuals with a prevention focus are oriented to the presence or absence of negative outcomes. A consumer's goal orientation can thus be classified as either promotion-focused or prevention-focused. We argue that this goal orientation influences how a consumer determines the value of a consumption experience.

Initial evidence suggests that the functional form of the satisfaction-WTP relationship is best described as an inverted-S, which is first concave and then convex. At mean levels of satisfaction there tends to be a notable zone of indifference, with more rapid changes in WTP at extreme levels of satisfaction and dissatisfaction (Homburg et al. 2005). We propose that, for satisfying experiences, the relationship between satisfaction and WTP is steeper for promotion-oriented consumers. Conversely, we propose that for dissatisfying experiences, the relationship between satisfaction and WTP is steeper for prevention-oriented consumers

We assert that the moderating process is informed by two perspectives: the principle of loss aversion (Kahneman and Tversky 1979) and the goal gradient hypothesis (Kivitz, Urminsky, and Zheng 2006). The principle of loss aversion states that individuals are likely to be more sensitive to losses than to gains. We posit that prevention-oriented individuals will overweight negative consequences more heavily than promotion-focused individuals. Thus, prevention-oriented consumers should show greater increases in WTP as satisfaction increases at lower levels of satisfaction. Alternatively, the goal gradient hypotheses asserts that the more positive an experience a person has, as reflected in an evaluation of that experience, the more likely it is that person will feel closer to some desired end-state and the more highly the person will value the experience. Thus, promotion-focused consumers should exhibit greater increases in WTP as satisfaction increases at higher levels of satisfaction.

We test these expectations in a 2 (good/bad quality of food) x 2 (good/bad ambience) x 2 (good/bad service) between-subjects experiment. To increase external validity of the results, we employ a field experiment using a large, adult-only sample, and 1,054 respondents were included in the final analysis. WTP was measured with an open-ended question. After reading a restaurant scenario, subjects responded to the WTP question, followed by four 11-point items measuring overall satisfaction. Goal orientation measures were also taken. Similar to other research using these measurement scales, responses were used to create a dummy variable, which was coded as "1" if the consumer was classified as prevention-oriented. We also controlled for other consumer characteristics.

Analysis of regression results indicates that the functional form of the satisfaction-WTP relationship was nonlinear, and resembling an inverted-S form, as expected. Statistical evidence further suggests that promotion-focused consumers showed a greater rate of increase in WTP at levels of satisfaction above the mean, and prevention-focused consumers showed a greater rate of increase in WTP at levels of satisfaction below the mean. Thus, the results provide evidence supporting our proposed moderating effects of goal orientation on the satisfaction-WTP relationship. Additional analysis further suggests that the

difference in WTP between the two groups is most noticeable at higher levels of satisfaction.

These results indicate that individual factors can lead to meaningful differences in price-related outcomes of satisfaction. It appears that a consumer's goal orientation influences the manner in which he or she values satisfying experiences. This study expands our understanding of the impact of chronic goal orientation in a consumption

context. Future research should further investigate the nature of the influence of a consumer's goal orientation in determining WTP and other outcomes of satisfaction. Additionally, from a practitioner's perspective, the current study indicates that firms investing in "top box" satisfaction may benefit from tactical decisions which attempt to induce a promotion-focus. References are available upon request.

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AN EXPLORATORY STUDY OF FAILED RELATIONSHIP TRANSITIONS IN NONPROFIT SERVICE PATRONS

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SUMMARY

The ability to manage patron relationships is an important strategic capability for nonprofit service organizations. Maximum organizational performance occurs when nonprofits are not only able to acquire new members, but also build and strengthen existing patron relationships (Rentschler et al. 2002). Especially during these unstable economic times, nonprofits must increasingly rely on their existing patrons because support from government and foundations is declining (Hume et al. 2007; Rosenbaum 2009; Smith 2008). As a result, the issue of patron relationships is becoming increasingly important for nonprofit service organizations.

Considerable marketing research has examined relationships between nonprofit organizations and their patrons. Scholars have explored patron motivations for initially becoming members, examining the effects of special annual programs or exhibits offered by the organization, patrons' lifestyle changes allowing for more time and money, and patrons' motivation to join a nonprofit based on their value sets (Garbarino and Johnson 1999; Hume et al. 2007; Johnson and Garbarino 2001; Thyne 2001). For example, the characteristics of mature patron-nonprofit relationships, such as long-term membership tenure, gift frequency, membership to a special sub-group with the focal nonprofit, and an increase in the inter-renewal times are each associated with strong nonprofit service relationships (Arnett et al. 2003; Bhattacharya 1998; Bhattacharya et al. 1995; Garbarino and Johnson 1999). However, little attention has been given to the intermediate transitional stages of these relationships. If nonprofit organizations are to successfully maintain a base of loyal, long-term patrons, it is important to understand the intermediate relational steps in patron-nonprofit relationships. More specifically, scholars and practitioners need to know why some memberships do not transition into more mature, productive relationships.

In an effort to understand what generates these intermediate relational steps, we explored failed relationship transitions in a nonprofit services context through two

studies. Our sample consisted of patrons who joined an art museum for one year but failed to transition to a stronger relationship at the time of membership renewal. The first study consisted of two focus groups where we found high satisfaction ratings and a mismatch between members' reasons for joining the museum and their membership experience, which ultimately led to the failed transition toward an ongoing membership. While these patrons acknowledged their regret over the situation, "*I didn't take advantage of the museum and I didn't make use of all the benefits the museum offers. I don't know why this happened* [Resp. #4]," the consistent theme from these interviews was that this mismatch lay at the heart of the failed transitions. In Study 2, we explored the relationship between motivations for joining and the failure to transition in qualitative telephone interviews among 264 lapsed members.

Our findings in Study 2 lead us to believe that most reasons for members failing to transition are *beyond the museum's control*. This finding might explain the high satisfaction levels among Study 1 and Study 2 patrons who failed to transition and in previous research studies (Bhattacharya 1998; Garbarino and Johnson 1999; Johnson and Garbarino 2001). We used Correspondence Analysis to examine (1) the relationships between patrons' reasons for initiating museum membership and patrons' reasons for not renewing and (2) the relationship between the "membership experience" and patrons' reasons not renewing (Greenacre 2007).

We found in both correspondence analyses that there are two consistent dimensions that museum managers should pay particular attention to regarding failed transitions: Control and Engagement. Moreover, we found that patrons who have *stalled* relationships with the museum cease the behavioral relationship while maintaining a psychological connection. Our research suggests that the engagement construct may have theoretical utility in explaining why some memberships do not transition into more mature, productive relationships. References are available upon request.

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SERVICE PROVIDER'S BABYFACES AND CUSTOMER SATISFACTION IN SERVICE FAILURE SITUATIONS

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SUMMARY

The nature of most service products requires customers to directly interact with service providers; therefore, the behavior and performance of service workers influences tremendously the overall evaluation of the customers. Some recent studies provide initial support to the proposition that a service employee's physical appearance has great effects on customer service experience evaluation. While prior researches have examined the relationship between the service of the provider's physical appearance and customer evaluation, their efforts were confined to the impact of service provider's physical attractiveness, neglecting other possible facial characteristics. However, literature in social psychology have indicated that making personality inference of others from their facial cues is our natural response and is practiced by us subconsciously in daily life. To the authors' best knowledge, only very limited studies have ever examined the influences of such inferences in the context of services marketing. In the present work, the authors try to contribute to services marketing literature by understanding the impact of service employee's babyfacedness on customer satisfaction in service failure conditions.

The phenomenon that an individual's appearance could bias impressions is robust. Countless empirical evidences have suggested that a person's physical appearance has impacts on trait inferences and other downstream responses. According to the relevant literature, the author of current study argued that customers constantly prefer the employee with baby-faced service in service failure condition. However, this positive effect will diminish when service failure severity goes high. Moreover, the authors also proposed that customer's perceived warmth toward the service provider will mediate the relationship between employee's babyfacedness and customer satisfaction. Experiment 1 tested the hypotheses. The design was a 2 (Service Failure Severity: Low vs. High) \times 3 (Service Provider's Babyfacedness: Baby-faced vs. Maturefaced vs. No Photo) between-subject design. The **stimuli** consist of a fictitious service failure story about the mistake that a restaurant waitress made. Undergraduate students (N = 115) at two local universities in Taiwan and China participated in the experiment for course requirements. The results of two-way ANOVA indicated two significant main effects of employee's babyfacedness; service failure

severity and a significant interaction effect between two independent variables on customer satisfaction. In *Low-Severity* conditions, service provider's babyfacedness had a positive effect on the satisfaction of customers but no significant difference was found in *High-Severity* conditions. Results of regressive analyses supported the mediating effects of perceived warmth on the babyfacedness satisfaction.

The empirical evidences obtained from Experiment 1 seem to suggest that hiring baby-faced employees is a better recruitment policy for service organizations. However, the authors of current research argued that service employee's babyfacedness would backfire and negatively affect customer satisfaction under some specific conditions. Baby-faced people are usually expected to be warm, empathetic, and friendly. When a service organization possesses a positive image on the *Empathy* service quality dimension, a baby-faced employee failing to deliver high-quality service (i.e., violating customer expectation) would induce a contrast effect and hence lead to even lower satisfaction. The same contrast effect should be found for a maturefaced employee when a service organization has a strong image on the *Reliability* service quality dimension.

Experiment 2 tested the authors' hypotheses by conducting a 2 (SERVQUAL Dimension: Empathy vs. Reliability) \times 2 (Service Provider's Babyfacedness: Baby-faced vs. Maturefaced) between-subject design. Undergraduate students (N = 83) at a local university in Taiwan participated in the experiment voluntarily and were randomly assigned to one of four scenarios. The results indicated that the positive effect of employee babyfacedness was reversed when customers expected the organization has high performance on the *Empathy* service quality dimension. The protecting effect of employee babyfacedness only existed in *Reliability* condition, in which participants reported higher satisfaction evaluation toward the baby-faced employee. This experiment also replicated the mediating role of perceived warmth which was found in Experiment 1.

Based on the empirical evidences, the authors also provide theoretical and managerial implications. The directions of limitations and future researches are also as mentioned. References are available upon request.

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UNDERSTANDING THE INFLUENCE OF NATIONAL CULTURE ON SERVICE RECOVERY EXPECTATIONS

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SUMMARY

Service providers are frequently exhorted to strive toward a “zero defects” service because the ability to “do it right the first time” offers significant benefits in terms of positive customer evaluations and lower costs of delivery (Zeithaml, Bitner, and Gremler 2006). However, it is unrealistic to assume that such a goal can always be attained (Schoefer and Diamantopoulos 2008), due to the inherent heterogeneity in service provision and limitations on the extent to which a provider can control the range of different interactions with customers (Zeithaml et al. 2006). Moreover, real or perceived failures in the service system are inevitable because most services are characterized by simultaneous production and consumption as well as involvement by customers in the service production (Hart, Heskett, and Sasser 1990). An important gap in the services marketing literature is its applicability in cross-national settings (Mattila and Patterson 2004a). It is noted that most research in consumer behavior relies on theoretical frameworks developed in Western societies (Mattila and Patterson 2004b). Hence, relatively little is known about the cross-cultural generalizability of service recovery strategies (Mattila and Patterson 2004a). A service industry that can greatly benefit from the application of marketing principles in the area of service recovery is higher education (Iyer and Muncy 2008). This is because research indicates that service failures are common in academic settings (Iyer and Muncy 2008) and it would be beneficial for educational institutions and particularly professors to understand how they can effectively recover from such failures (Swanson and Davis 2000). The internationalization of higher education has also led to a greater number of professors engaging in cross-national careers and there is an increasing number of students from different cultures studying in higher education institutions (Frankel, Swanson, and Sagan 2006). It is therefore important to understand how culture influences service recovery expectations so that recovery strategies can be tailored accordingly.

The Study

In light of the limited knowledge in the area of cross-cultural service recovery in higher education, the current research attempts to study students from two culturally diverse countries (U.K. and Bangladesh). A greater understanding of how cultural differences affect service recovery

expectations of students would allow faculty to identify appropriate practices to deal with service failures (Frankel et al. 2006). In particular, this study aims to identify how students want to be treated by professors during face-to-face service recovery encounters. Second, we link the professors’ qualities and behaviors in service recovery encounters to the underlying needs of students. Thirdly, we aim at identifying the benefits that students seek and fourthly, we want to explore the similarities and differences in service recovery expectations of students from different national cultures. For this purpose, an exploratory qualitative research study was conducted using the well established laddering interviewing technique that allows researchers to gain deep insights into under-researched topics. A total of 40 interviews were conducted with British and Bangladeshi students. Students were aged between 21 and 29 years ($X = 23.5$ for the U.K. and $X = 24.7$ for Bangladesh) with genders being almost evenly represented. All students were asked which qualities professors should possess and which behaviors they should exhibit during service recovery encounters. The responses acted then as the starting point for the laddering probes.

Results and Further Research

Overall, the study results corroborate previous research which conclude that national culture plays a significant role in shaping customer expectations during service recovery encounters (Kanousi 2005). The findings indicate that British students seem to be concerned with attributes and consequences related more to the task of service recovery, while Bangladeshis seem to prioritize attributes and consequences related to the interaction between the professor and the student. The study provides a first insight into the expectations of students concerning professors’ attributes during service recovery and identifies the existence of preferences among students for certain attributes and benefits based on national cultural differences. Although earlier service recovery research in other service industries have arrived at similar findings, few have attempted to examine what lies behind desired employee attributes such as “Empathy,” “Explanation,” and “Friendliness.” In the context of higher education, professors can leverage this information to enhance the professor-student relationship, foster positive student outcomes and increase student satisfaction and perceptions of service quality. These benefits, among others, have been discovered from students’ perspective in this

exploratory study. For professors who teach abroad or teach classes attended by international students, this study holds the important implication that students from different national cultures expect them to behave and react in different ways in service recovery cases. By identifying how British and Bangladeshi students show a preference for task and relationship attributes of service recovery respectively, the research highlights the importance of taking into account national cultural differences to ensure satisfaction with service recovery. The research findings suggest that professors' actions during service recovery need to be customized to better meet expectations of student belonging to different national cultures.

The use of a convenience sample of students limits the generalizability of the findings; however, this is offset to an extent by drawing participants from various institutions studying in a wide range of areas including business, law, engineering and medicine. Furthermore, as Greenberg (1987) points out, the potential for generalizability is not something that can be achieved in any one study, but is an empirical question that requires comparisons over different studies. Further research could also look beyond Hofstede's national culture dimensions and examine the relevance of other cultural values e.g., horizontal vs. vertical. References are available upon request.

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CONSUMER FORGIVENESS OF SERVICE FAILURE IN FINANCIAL SERVICES INDUSTRY

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ABSTRACT

Research on service failure and recovery has investigated multiple aspects of consumer-service provider relations, managerial actions and outcomes; however, the role and place of consumer forgiveness in this process have not been addressed. Findings demonstrate that some consumers considered their relationships with service providers as purely transactional without creating space for forgiveness, while others strongly acknowledged the positive role of forgiveness on their well-being.

INTRODUCTION

Research on service failure and recovery has investigated multiple aspects of consumer-service provider relations, managerial actions and outcomes; however, the role and place of consumer forgiveness in this process have not been addressed. Transgressions have a pervasive nature in all human interactions, and the relationships between customer and business are even more susceptible to failures than interpersonal ones due to the more elusive nature of these relationships. As such, transgressions are identified as the main factor impacting upon relationship strength (Aaker et al. 2004). Therefore, the way(s) in which business parties respond to a transgression, and how they transform the wrong-doing, is an issue that deserves research attention. Previous research devoted significant attention to the conceptualization (Hart et al. 1990; Davidow 2003) and operationalization (Smith and Bolton 1998; Smith and Bolton 2002; Wirtz and Mattila 2004) of managerial responses to service failures. These repertoires of strategies were interpreted in the light of customers' emotional and cognitive reactions, while the inner psychological processes experienced by customers, such as forgiveness, remained unexplored.

Psychologists, psychotherapists and theologians strongly advocate the essential role of forgiveness in the process of restoring damaged relationships (Enright and The Human Development Study Group 1991; Andrews 2000). It is widely acknowledged that forgiveness entails a healing power that not only changes personal outcomes, such as appraisal or rumination, but also impacts upon the relationships between parties. For example, psychological research (McCullough et al. 1997) reveals that forgiveness as a coping strategy helps to reduce stressful reactions to a transgression, leading to generally higher levels of physiological and psychological well-being, and

increase the motivation to pursue relationship-constructive actions toward an offending partner. Although forgiveness is not equivalent to reconciliation between parties, it can promote it in some instances (Worthington 2006).

Despite significant advances in explicating the concept of forgiveness in interpersonal relationships, there is scant research on forgiveness in the business domain. The goal of the present study is to understand the role of consumer forgiveness and its underlying mechanisms in situations of financial service failures. Specifically, (1) we investigate the meaning that customers attach to their relationship with financial service providers; and (2) we examine customers' forgiveness as a process when the transgressor is the financial service provider.

THEORETICAL PERSPECTIVES

Customers have diverse types and forms of business relationships that are associated with a varying degree and strength of emotional and cognitive attachment. At the same time, the existence of relationships sets the stage for unavoidable mistakes that customers and providers need to resolve to their mutual best interests. These failures provide grounds for experiencing forgiveness between parties. While consumer forgiveness is still not a well-researched concept in marketing, we borrow two main theories from psychology which assist in establishing the theoretical background in order to understand the place and role of this concept in the domain of service encounters. On the one hand, the attachment theory (Bowlby 1978) explains the effects of relationship strength and dependence on consumer responses to incurred injuries, such as consumer likelihood of forgiving a mistake. On the other hand, the emotional and decisional process model of forgiveness explains its underlying mechanisms and effects on individual well-being (Worthington 2006). We proceed to review two theoretical approaches with a focus on their application to the financial industry.

Attachment Theory and Forgiveness

The origins of emotional attachment are rooted in the evolutionary theory where the affection and attachment bonding is formed between infants and their caregivers (Bowlby 1977). Subsequently, the attachment theory has been applied to new contexts, such as adult relationships, work relationships, and larger-scale social relationships

(Mikulincer and Shaver 2007). Attachment is associated with a state in which individuals feel that their relationship partner will be responsive to their needs when they arise (Ainsworth et al. 1978; Bowlby 1978). According to Bowlby (1978), the attachment behavioral system is activated when there is some threat or appearance of danger accompanied by a lack of access to the protective others. Individuals appraise threat, which inevitably has an impact upon their emotional state. If the attachment figure is not available when the threat is experienced, the coping process is undermined, the emotional equilibrium is affected, and negative emotions are amplified (Mikulincer and Shaver 2007).

According to the attachment theory, security and dependence are the core components that manifest relationship bonding. This bonding is based on a complex psychological and physiological interdependence and, hence, has an impact on psychological well-being (Hazan and Zeifman 1999, p. 351). Bonding also facilitates personal growth and social virtues, among which forgiveness occupies a central place. One important and recently discovered facet of the attachment theory is attachment injury (Johnson et al. 2001). Attachment injury occurs when there is betrayal, perceived abandonment, or breach of trust at a critical moment when support is required from the attachment figure (Makinen and Johnson 2006; Johnson et al. 2001). Attachment injury is not about trust between parties but rather “it concerns a specific incidence in which one partner is inaccessible and unresponsive in the face of the other partner’s urgent need for the kind of support and caring that we expect of attachment figures” (Johnson et al. 2001, p. 149).

The concept of emotional attachment and its theoretical background have received some applicability in marketing research. Elaborating on the concept of emotional attachment as an emotion-laden target-specific bond between a person and a specific object, consumer researchers approached attachment from the perspective of customer relationships with the brand as an attachment object (e.g., Fournier 1998; Park et al. 2008). They defined attachment as the strength of a cognitive and affective link between a consumer and a brand that was distinguished from brand attitude, satisfaction and involvement. Although the attachment between customers and service provider has not been explored in great detail (Thomson et al. 2005), Coulter and Ligas (2004) studied four relationship profiles as a proxy of attachment. These relationships were positioned on a continuum from pure professional relationships to friendships that, in turn, determined the level of emotional attachment, information sharing, advice seeking and spending time together outside of the service settings. Regardless of the relationship type, customers reported a strong emotional attachment to their service provider across four service industries, i.e., healthcare,

hair care, financial and auto-repair services. Similarly, examining customer interest in establishing relationships with service providers, Danaher, Conroy, and McColl-Kennedy (2008) found that one third of the customers sought deeper relationships in the banking industry. This finding was particularly surprising given that consumers do not show much respect and express their affection for this specific service industry. However, it is apparent from these diverse studies that most customers are prone to have an emotional attachment with their service providers, including banking and financial services.

Forgiveness Process Model

The concept of forgiveness emerged in theology but in recent decades, it has received significant attention from researchers in different disciplines, such as interpersonal relationships (Worthington 2006) and political studies (Mellor et al. 2007; Rosser 2008; Shriver 1995). Theoretical and empirical advances that have been made brought some conceptual clarity to what this concept entails. There is a general consensus that forgiveness is a process rather than an act that evolves over time; most importantly, forgiveness is regarded as an intended, deliberate activity and not merely as dissipation of negative emotions and feelings (McCullough et al. 2003; Karremans and Aarts 2007). Furthermore, McCullough et al. (1998) suggest two main transformations within a person who is attempting to forgive: she/he is lessening the motivation to avoid the offender and to seek revenge. Forgiveness is delineated from related constructs and, specifically, it is differentiated from reconciliation, forgetting, condoning and excusing offences.

The main component that underlies forgiveness is the transformation of negative emotions. What is still debated is whether negative emotions should be replaced with positive emotions or whether a reduction of tension in negative emotions is sufficient for forgiveness to take place (Exline et al. 2003). Although, theoretically, forgiveness is portrayed as a virtue that can repair damaged relationships (Exline et al. 2003) and results in numerous physiological, psychological and mental benefits (Kearns and Fincham 2004), in real life, there are many controversies that surround the issue of individual forgiveness. There are some instances when victims feel that it is immoral to forgive their offenders because it may be seen and interpreted as acceptance or even encouragement to continue offences (Mullet et al. 2004).

All these fundamental issues bring us to the next level of complexity in the forgiveness process, namely the role of transgressor. Two approaches have been identified that are pertinent to communication flows between the offender and the victim. The first is the unilateral, or intrapsychic notion of forgiveness (Andrews 2000; Baumeister

et al. 1998). This notion relates to the predisposition of a person toward “unconditional forgiveness” that is grounded in his/her beliefs, values and attitudes. Unconditional forgiveness occurs without any expectation of receiving compensation and when there are no demands placed upon the transgressor (Papastephanou 2003). The forgiving party may not necessarily interact with, or receive acknowledgment from, the offending party. The second approach is termed “negotiated forgiveness,” which is based on communication between the “wronged” and the “wrongdoer” (Andrews 2000, p. 76). This forgiveness assumes a dyadic process in which awareness of wrongdoing by the offender party, apology and repentance are necessary conditions for forgiveness to occur. Negotiated forgiveness cannot be accomplished if the wrongdoer is unaware of the problem or does not acknowledge it. However, in some cases, the offender may seek forgiveness and endeavor to help the other party work through difficult emotions in an attempt to understand the circumstances that gave rise to the incident.

In operational terms, forgiveness is defined as behavioral, affective, and cognitive responses following an interpersonal offence (Enright and The Human Development Study Group 1991; Zechmeister et al. 2004). This operationalization is associated with one’s motivation to forgive. However, the question about the underlying motives to forgive remains open (Exline et al. 2003). Taking into consideration the myriad reasons to forgive, Worthington and Scherer (2004) delineate two types of forgiveness: emotional and decisional forgiveness. The former encompasses the state of emotions as inputs that motivate people to forgive. Emotional forgiveness is described as a gap between the way one would prefer a transgression to be resolved and the status quo of the current situation. The wider the gap, the more likely that people will experience unforgiveness (Worthington and Scherer 2004). In contrast, decisional forgiveness “is a behavioral intention statement that one will seek to behave toward the transgressor like one did prior to a transgression” (Worthington and Scherer 2004, p. 386). It is a cognitive decision to engage in a certain behavior toward the transgressor, whereas emotional forgiveness may follow this choice or may never be achieved.

METHOD

The data for this study was collected through in-depth interviews with informants recruited through a market research agency. The screening criterion for the interview was that participants had experienced a service failure in the financial service industry at least six months prior to the interview. The agency was asked to select interviewees from a diverse demographic background and with various kinds of service failures. A total of thirteen in-depth interviews were conducted with customers of financial service providers. Service failure incidents ranged from

minor failures such as no follow-up on customer business, to poor communication, to imposing fees not included in the contract.

In recognition that human action is a complex and ambiguous phenomenon, a hermeneutical approach was employed to gain a better understanding of customers’ cognition, emotions and behavior (Packer 1985; Thompson 1997). Each interview proceeded from stories that consumers told us about their experiences with financial service providers. This allowed each respondent to discuss his/her experience in his/her own words (McCracken 1988). Specifically, interviewees exposed the details of a negative encounter from the beginning to its resolution and elaborated on the nature of the achieved outcome. Techniques such as paraphrasing and additional follow-up questions (Strauss and Corbin 1998) were employed to ensure that the interviewer accurately understood all responses and was able to clarify any ambiguities that arose during the interview. Questions relating to forgiveness followed a set of questions related to consumer coping strategies with negative emotions. Informants were asked to broadly explain the nature of their forgiveness in everyday life and describe the assessment criteria by which they knew that they had forgiven. Then we proceeded to explore whether forgiveness had a place in the relationships between customers and service providers. In operational terms, forgiveness was coded through the categories of affective states (emotions), cognitive responses (appraisals of incidents) and behavioral outcomes (whether customers continued patronage or switched to another service provider; pursued a complaint and etc.).

FINDINGS

Relationships with Financial Service Providers

Financial institutions are one service sector where customers are paradoxically prone to demonstrate the highest level of dissatisfaction and at the same time the highest level of relationship retention (Aldlaigan and Buttle 2005). Our interview findings were consistent with this paradoxical nature of these relationships. When we explored customers’ views on service quality, most customers expressed high levels of cynicism and dissatisfaction with the industry as a whole.

I have a fairly jaundiced view of the banks, mainly because they’ve alienated customers and loyalty doesn’t mean anything (Adam).

Financial institutions are associated with customers’ financial welfare; thus, customers wish to experience some degree of attachment that exceeds a mere transactional meaning. As Tanya states,

People like to be made to feel special. They're giving you their money, their hard earned cash, they're handing that to you (Tanya).

Tanya's statement succinctly expresses the reason that financial services occupy a unique position among other service categories. These services are carriers of customers' financial welfare. All aspects of consumer life are linked to financial services whether it be individual earnings or spending. Namely, this link explains the need for stronger attachment between a customer and a service provider and sets this relationship apart in that it is not merely a pure transaction, but an affectively-driven relationship. Dissatisfaction is attributed not only to the failures in service delivery but often comes from a lack of concern and strategies in place to rectify the incident. In other words, it is more the practice than the exception that customers are left on their own to mend the situation. Such ignorance on the part of the service providers creates an impression of a one-way street, where consumers seek and want the relationships but it is not reciprocated. The lack of reciprocity becomes apparent when circumstances arise that take relationships beyond a simple provider-customer financial transaction.

When I was overseas when I needed them the most – that's what I said to her "when I needed you the most, you let me down" so it would have been nice to have the bank help me when I needed them (Dan).

Dan lost his credit card during his overseas trip. As a result, he immediately contacted his bank requesting that they replace his card, but his request was never actioned. In line with the attachment theory, Dan experienced attachment injury when his reliance on the attachment figure was jeopardized and was no longer feasible, leading to aggravated negative emotions and damage to the emotional bonding. As Dan continues:

I was trying to be as courteous as possible but when I realized that they were trying to accommodate me but without going out of their way, it was starting to get a little bit annoying because I thought you know, it's not every day this sort of thing happens (Dan).

Inevitably, the lack of attention and consideration given to the customer in such a situation produce negative emotions in the consumer. When describing their affective state after a service failure, nearly all respondents reported strong emotional reactions only with variations in how they expressed their feelings. Some were trying to control themselves,

I try to be civil about it because I guess if you go into the bank and, you know, you get really upset, no one's actually willing to – to help you through it, so I was trying to be civil. But also stern in that I wanted it fixed (Kate).

Others were very explicit in how they felt about the incident.

When I'm upset about something, I get cross; I find it very intimidating . . . and I actually started to cry so I got up and I walked out. I'm not going to let them see what they've done to me; I've got to get out of here. I didn't cope with it very well at all. [No, I don't think she really cared.] I think she was happy to see me walk back out the door (Lina).

Lina was upset that she was not able to manage and control a situation so she withdrew from the situation in order to protect her dignity and feelings. In contrast, Judith and Bella openly attacked their service providers

Dissatisfaction is not even close. I am furious. I am ropeable. It is not one isolated case. You know, I am very angry (Judith)

. . . not without having to get very heated, very uptight, very angry (Bella).

It is not surprising that in a situation of a service failure customers expect some sort of reciprocity and attention to their needs. Service failure becomes a catalyst for attachment injury. It is a point at which attachment is brought into focus. The emphasis in such circumstances is directed on the way the incident unfolds and is addressed, rather than on the nature of the incident per se (Johnson et al. 2001).

Forgiveness of the Service Provider

As we demonstrated previously, financial services are marked with paradoxes. On the one hand, consumers are very serious in the evaluation of their relationships with financial service providers as guardian of consumers' welfare; on the other hand, if consumers are unhappy, their emotional state reaches the highest level regardless of whether it is expressed internally or externally, and finally, there are typically great barriers that prevent consumers from easily switching to other service providers. Given this complexity and the intertwining nature of these relationships, consumers have to manage not only the business side of their interaction with the service provider, but most importantly, their own well-being, i.e., emotional side. The question is whether forgiveness has a place in the web of these complex relational ties. When informants were questioned about this, some of them initially felt puzzled:

But in a business situation there's nothing to forgive. It's not friendship (Judith).

But I guess with banks, you don't associate forgiveness. Because you don't – it's funny – like, funny that

you've asked it now because – it just feels so impersonal (Maria)

Customers predominantly focus on problem resolution and moving on as a viable strategy for themselves. As Maria continues, at a personal level, she is not going to linger over negativity and ruminate upon the effect of frustration over and over again:

I'm sure – I'm sure I will [forgive]. I don't believe in holding grudges. I just need a couple more days and then I'll be over it (Maria).

The idea of not holding a grudge and taking care of their own well-being dominates customer reasoning about granting forgiveness to financial service providers. Indirectly, forgiveness becomes another coping strategy that ostensibly links their personal lives and business relationships. Forgiveness as a process means reaching a psychological balance when negative emotions and rumination do not overwhelm people's desire for well-being.

I think if you harbor a lot of these things, it can affect your health and I think the majority of things you can forgive. I think you forgive for your own sake, not for the other person, because if you can let go of that, you're the better person and you therefore feel as if that's a big thing off your shoulders and it's gone and let it go (Tanya).

It would be beneficial for them not to have that negative association but it's definitely more – for the person holding onto the anger, it's beneficial (Molly).

The theory of forgiveness distinguishes two forms of granting forgiveness – a unilateral and a negotiated one. While in the excerpts above consumers advocate unilateral forgiveness, i.e., they focus on the benefits of it for themselves and as a result they do not expect any remorse from their transgressor, in the passages below we note the tendency to negotiate, i.e., consumers expect to get some form of repentance from their wrongdoer. For example, the specificity of financial services is that relationships between customers and service providers are deeply shaped by contractual agreements and conditions. Such strong adherence to written documents creates an impression that relationships are not equal, i.e., if customers breach some contractual rules, the system automatically “punishes” them by imposing fees. This highlights the inequality in this relationship where financial providers do not “forgive” customers' mistakes.

If there's going to be a dishonor fee, I think it's far too exorbitant what they're charging. There is no justification. They didn't give me any justification as to why this – if they want to charge a \$5 dishonor fee, I could live with that but when it's a \$27 direct debit and

they're charging you a \$40 fee, it's criminal and it's wrong (Lina).

Lina feels that there is no room for negotiation or discussion if circumstances demand certain leniency and closer consideration. Frequently, service providers withdraw themselves from the situation and, thus, formalities of the process replace the real nature of the relationship that, in turn, creates a greater divide between customers and providers. On the other hand, mistakes are unavoidable on both sides and customers believe that service providers should be accountable for any mishaps, and demonstrate not only the technical expertise at fixing a problem, but also remorse and genuine willingness to rectify an incident. This is a case of negotiated forgiveness where the transgressor needs to admit the problem as well as take some steps to rectify it before forgiveness can be granted.

It depends on what they're willing to do to rectify that. If they do the right thing by you, you're quite willing. Most of the time unfortunately they're not or if they do as I said before, it comes at a cost and they make you pay in some way to get what you feel is right (Lina).

A similar view is expressed by Adam, as there is a high expectation that firms should take some steps to acknowledge a mistake and reclaim consumer business and, thus, forgiveness.

Well, forgiveness. I guess in some circumstances, an organization might redeem itself (Adam).

When informants indicated that they were inclined to forgive the service provider, their underlying reason was to evaluate the matter from a broader perspective. In contrast to interpersonal relationships where forgiveness has a strong association with an emotional state, Dan and Molly demonstrate that forgiveness in the business world is an outcome of a cognitive analysis and contemplation. Their reasoning is guided by the degree of severity of the failure and also by a reflection that both parties should be taken into consideration. They believe that there are some circumstances when the other party is a wrongdoer or contributor to the incident.

. . . mistakes happen but mistakes could happen on both sides, both ways. So I think absolutely, there should be some form of forgiveness, especially this day and age because we seem to be living in a major litigation where everyone's quick to take things to Court and it's a costly and time consuming exercise and I think if people were to practice some of those principles of trying to assess the situation and see that would come to a common agreement, then even if it means forgiveness then yes absolutely (Dan).

I try and sort of weigh up the negatives and the positives. What was this really that bad? Yes, it was an annoying little incident but it had no major affect on my life in the long run . . . (Molly).

However, when service failure is severe, as in Bella's case, and provider negligence results in a significant monetary loss, the emotional and behavioral reaction toward the transgressor is very strong.

How do I feel about them? I feel vengeful. It doesn't in some ways matter to me whether I get the money or not. What matters to me is that they be made to pay either in time and/or in money.

. . . Because they just don't handle things appropriately. It should never, ever, ever, ever, ever have got to this (Bella).

Bella demonstrates her unforgiveness and continues,

And a just "I'm sorry" isn't enough when they've put you through so much angst. It might be if they've just quickly made a mistake and then you pick it up and then they fix it immediately (Bella).

The issue could have been resolved quickly if somebody had taken her case and her initial complaint seriously. Instead, this unresolved issue was dragged on for a few months with Bella having to move along a bureaucratic hierarchical structure to prove that the actions of her service provider had not been conditional on the contract. The lack of real customer services practice led to a strong behavioral outcome – specifically, taking the case to the Court.

DISCUSSION

The main goal of this research was to explore the concept of forgiveness and its application to service failures in the financial industry from two theoretical perspectives: the attachment theory and the process model of forgiveness. The financial industry is a web of contradictory feelings for consumers because consumers traditionally do not hold financial institutions in high regard, but at the same time, they strongly rely on them. In the situation where there appear to be insurmountable barriers to switching to another service provider, this is compounded by the fact that nearly all financial institutions are perceived alike by customers. We observed a consensus among participants' attitudes of dissatisfaction with financial services at large. In addition, because we examined customer relationships with financial institutions within the context of increased vulnerability, it became apparent that customers expected service providers to form a deeper relationship with them. Although denying

their attachment to service providers cognitively, consumers expressed a strong need for this attachment and frequently experienced attachment injury when failures occurred.

Service failures inevitably triggered a range of negative emotions in customers. Facing failures with financial institutions, customers expressed their emotions according to their personal emotional predisposition. When contemplating the role of forgiveness in customer and service-provider relationships, our informants expressed a wide spectrum of views ranging from unforgiveness to forgiveness. Some informants considered their relationships with service providers as purely transactional without creating space for forgiveness, while others simply acknowledged the positive role of forgiveness on their well-being. In contemplating forgiveness in business relationships, informants expected not only accountability on the provider's part, but also the provider's willingness to actively engage in problem resolution, thereby seeking and promoting consumer forgiveness. The interviews provided evidence that although consumers fostered forgiving feelings, there was no room for emotional reconciliation with the service providers in business settings. The forgiveness process is stimulated by cognitive considerations and by its very nature falls into a decisional, and furthermore, unilateral process. Informants consciously or subconsciously channel their thoughts in a positive direction, seeking inner remedies rather than relying on the service provider as a committed business partner (significant other). Essentially, the service provider often prevents consumers from experiencing emotional forgiveness. Our findings further indicated that the high cost of switching to other providers facilitated customer re-patronage regardless of their forgiveness. There is no doubt that financial institutions are well aware of this fact, and it has the potential to decrease their standards of customer service.

In conclusion, we have extended previous research that predominantly focused on behavioral reactions of consumers to service failures in order to examine consumers' inner psychological responses to service failures. Even though customer forgiveness is a complex concept in the system of relationships between consumers and service providers, we show that customers are willing to forgive but emotional forgiveness can be given only if providers take adequate steps to seek and promote customer forgiveness. Hence, forgiveness should be included in the repertoire of business recovery strategies. Consumers engage in a cognitive coping process that influences their response to a service failure; however, service providers can facilitate positive emotional responses, thereby minimizing and changing customers' cynical views of the whole financial service industry.

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WILL THEY STAY OR WILL THEY GO? THE ROLE OF AFFECTIVE COMMITMENT IN CONSUMER RESPONSES TO NEGATIVE BRAND INFORMATION

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SUMMARY

A strategy that has garnered considerable interest among academics and practitioners alike is the concept of forging emotional connections between customers and brands. Academic literature suggests that a consumer's ability to connect emotionally to the brand is an important driver of non-contractual, unstructured brand relationships (Fournier 1998). Affective commitment, also known as emotional commitment or hot commitment (e.g., Verhoef 2003), is defined as the "psychological attachment, based on loyalty and affiliation, of one exchange partner to the other" (p. 31) and affects the degree to which consumers feel emotionally attached to a brand (Allen and Meyer 1990). Research has shown that affective commitment plays an important role in consumer-brand relationship maintenance. For example, there is evidence that affective commitment drives consumer-company identification, i.e., whether the consumer sees their link with the company as an important part of their identity (Bhattacharya and Sen 2003) with higher levels of affective commitment leading to desirable, long-term repeat purchase behaviors (Fullerton 2003; Verhoef 2003).

At the same time consumers being targeted with appeals and strategies designed to get consumers to form relationships with brands, consumers are being exposed to negative information about the brand that could potentially undermine the emotional connection between the brand and the consumer. Electronic media and the increasingly popular blogs make it relatively easy for consumers to communicate and access negative information, and often times, negative information is spread without management's awareness or before the company has an opportunity to intervene. Therefore, it is important to understand how consumers in emotion-based brand relationships will respond to negative information.

Although there is research on how and when affect is used in decision making (Shiv and Fedorikhin 1999; Kempf 1999) and when emotions influence evaluations (e.g., Smith and Bolton 2002), it is still not clear how affective commitment influences the processing of information, especially negative information, about a brand. Affectively committed consumers may be less likely to react to negative information about the target of their affections because of its importance to their own self-

identity. However, they may also be more likely to respond to negative information because of its criticality to their relationship with the brand.

Our paper extends the results of Ahluwalia and her colleagues, who examine the effect of commitment to brand attitude on information processing (e.g., Ahluwalia, Burnkrant, and Unnava 2000; Ahluwalia 2002; Ahluwalia 2000). This commitment to brand attitude is referred to by Ahluwalia (2000) as attitudinal loyalty as per the framework of Dick and Basu (1994), and the key difference between attitudinal loyalty and affective commitment is that affective commitment captures the emotional content of a brand relationship more closely. In our paper, we focus on teasing out the effect of this emotional dimension of brand relationships on intentions to exit in the face of negative brand information, attribute and company-specific, while controlling for the effect of attitudinal loyalty.

Since affective bonds with brands develop over time with multiple experiences, instead of asking consumers to publicly identify with a brand to simply strengthen attitudinal loyalty as in Ahluwalia (2002), we measure affective commitment to brands as it naturally occurs in the marketplace among non-student participants with considerable brand experience. In Study 1, 71 soccer players, recruited from soccer club websites, affective commitment to Adidas, a popular brand among soccer players, was measured post which they were exposed to a negative product review of Adidas (e.g., inadequate shock protection leading to joint pain). After exposure to this negative product information, they were asked about their future behavioral intentions with respect to purchase, pay a premium price, and encouraging friends and family to buy Adidas. The results from Study 1 show that in the presence of attitudinal loyalty, affective commitment does not have a significant effect on behavioral intentions. In Study 2, the type of negative information was changed to negative information about the company (e.g., a brand representative denying responsibility for the product defect). A separate sample of 80 runners recruited from running clubs were measured with respect to their affective commitment toward Adidas, post which they were presented with information in which a brand representative of Adidas denies responsibility for the product defect. The results from this study indicate that while attitudinal loyalty has

a significant, positive effect on future behavioral intentions, affective commitment by contrast has a significant, negative effect on future behavioral intentions.

The results of the two studies suggest that consumers' react differently depending upon whether the negative information is product-specific or company-specific. In the case of the former, affectively committed individuals exhibit positive behavioral intentions despite the negative information possibly because they are able to invoke cognitive reasons for associating with the company given

their attitudinally loyalty to the brand. However, when consumers are exposed to negative company information, affectively committed consumers seem to distance or disassociate from the firm because of perceived schema incongruence, possibly because of their close identification with the firm. However, consumers with lower affective commitment may still find cognitively rational reasons for maintaining their relationship with the firm, given their high attitudinal loyalty to the brand. References are available upon request.

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THE RELATIONSHIP BETWEEN BRAND LOYALTY AND BRAND LOVE AND THEIR EFFECTS ON PURCHASE BEHAVIOR AND WORD-OF-MOUTH

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SUMMARY

Marketing research has a long tradition in the study of business relationships between manufacturers and suppliers but only in the past decade it has been expanded to the relationships between consumers and products or brands (Fournier 1998; Keller and Lehmann 2006; Bradley et al. 2007). Consumer brand relationship research is multidisciplinary, complex, dynamic and “many unresolved issues and conundrums remain” (Fournier 2009, p. 5). Early discussions about the way people feel about brands centered on assigning human characteristics to brands (Levy 1985) or the concept of brand personality (Aaker 1997). Terms such as brand loyalty (Jacoby and Chestnut 1978), brand trust (Chaudhuri and Holbrook 2001), brand passion (Bauer et al. 2007) and even brand love (Ahuvia 2005; Albert et al. 2007) have been used to distinguish among various types and intensities of relationships to brands. Among the consumer brand relationship facets studied, brand love is one of the most recent and least researched (Ahuvia 2005a; Albert et al. 2008).

The objectives of this study are twofold. First, we assess the relationship between brand loyalty, which is well researched and understood, and brand love and their effects on purchase behavior and word-of-mouth. Second, we assess whether the theory of interpersonal love used by existing brand love studies or the theory of parasocial love presented in this paper represent the most suitable theoretical construct to understand brand love. We first review the current literature on consumer love, then develop a model and test the underlying hypotheses using a confirmatory factor analysis. We test two models. One for which brand love items are based on the theory of interpersonal love. We propose an alternative model where brand love items are based on the theory of parasocial love.

A number of interesting observations can be drawn from our analyses and results. (1) For both models, our results support that brand loyalty has a *positive effect on brand love* and *brand loyalty has a positive effect on purchase behavior and word of mouth*. (2) Only when we use the items based on the theory of parasocial love for the brand love construct, *parasocial love has a positive effect on purchase behavior and on word-of-mouth*. When we use the items based on the theory of interpersonal love for

the brand love construct, the relationship is weak and not significant. (3) Current brand love studies suggest that brand love precedes brand loyalty (Carroll and Ahuvia 2006; Kamat and Parulekar 2007). But we followed Aaker’s and Fajer and Schouten’s (1995) logic that brand satisfaction leads to brand loyalty and brand loyalty leads then to brand love. We tested loyalty as a precursor to brand love and our results support this notion. When we use the items based on the theory of interpersonal love, the relationship between brand loyalty and brand love is significant and positive. It is significantly stronger when we use the parasocial love items. (4) When we used the items based on the theory of interpersonal love, the relationships between brand love and purchase behavior and brand love and positive word-of-mouth are very weak and insignificant. The relationship is much stronger and significant when we use the items based on the theory of parasocial.

For academics there are some theoretical implications. First, this paper advances the research about brand love and offers a new perspective. We propose an alternative view on brand love and how to operationalize and measure it based on items from the theory of parasocial love. Second, we find evidence that brand loyalty precedes brand love. For practitioners, it has some practical implications. Deconstructing its antecedents and consequences gives a more nuanced insight into consumer behavior toward brands and offers a new view of customer segmentation. The relationship between brand loyalty and brand love and the effect on purchase behavior and word-of-mouth allow marketing managers to shape brand love better and, ultimately, consumer behavior and word-of-mouth.

There are a number of limitations in the present research. First, although we demonstrated extensive support for the use of student samples, surveying a larger, more diverse pool of respondents would allow us to generalize the current findings. Second, as Albert et al. (2008) stated, love and its expression are culturally grounded so, by extending the research beyond the present US sample, researchers could examine the links between brand love and culture. Third, the proposed model could be tested using other product categories and incorporating other factors that might influence and further explain the concept of brand love. This would improve the model fit

and explain variances such as adding moderating variables (e.g., genre, age, religion) or other factors such as self-congruence or lifestyle. Finally, most consumer-brand emotional studies focus on tangible product brands (e.g., Carroll and Ahuvia 2006) but newer research has investigated the consumer-service emotional relationship

(Paulssen and Fournier 2007; Yim et al. 2008) and the consumer-firm emotional relationship (Chaudhuri and Holbrook 2001). Future research could therefore investigate brand love in the context of services or corporate brand. References are available upon request.

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BRAND COMMUNITY AND VALUE CREATION

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ABSTRACT

A brand community consists of the relationships between the brand and the consumers. This relationship has roots in the way the customers identify themselves with the community. This study investigates how and why such identification-based relationships yield value to all participants within the brand community.

INTRODUCTION

A brand community is a specialized, non-geographically-bound community that builds on a structured set of social relationships among admirers of a brand (Muniz and O'Guinn 2001). Muniz and O'Guinn (2001) envision a brand community as a customer-customer-brand triad, that consists of the relationships between the brand and consumers. This relationship has its roots in how customers identify themselves with the community (Bhattacharya and Sen 2003; Ahuvia 2005). A considerable body of research examines the relationship between brand community identification and consumer behavior (e.g., Algesheimer et al. 2005). However, the Harley Owners Group, for example, and other success stories, such as the Macintosh user groups, Star Wars fans, and Sun's Java center community, all support the positive aspects of a brand community in the minds of marketing managers. This leads many firms to make significant investments in building and facilitating brand communities. Marketers embarking on such initiatives need to understand how a brand community creates value for their firms and the customers. Despite the large amount of literature on the subject, scant research focuses on the value-building process in the brand community. The conceptual model in this paper closes this gap. In particular, this paper considers how and why such identification-based relationships yield value to all the participants.

This paper pursues three goals. First, this study provides a framework for understanding how a brand community yields brand-related value for a company. Over the past decade, emotional branding has emerged as a highly influential brand-management paradigm. Emotional branding is a consumer-centric, relational, and story-driven approach to forging deep and lasting affective bonds between consumers and brands (Thompson et al. 2006). Among marketing practitioners, this relational, communal, participatory, sensory, and emotive view of consumer – brand relationships is increasingly

being regarded as a central pillar of market differentiation and sustainable competitive advantage.

Second, this article provides a framework for understanding how a brand community yields customer-related value for customers. According to Muniz and O'Guinn (2001), brand communities revolutionize traditional dyadic customer – brand relationships by integrating customer – customer relationships. Research suggests that customer – customer relationships may contribute positively to the development of a long-term relationship with the firm (Schouten and McAlexander 1995; McAlexander et al. 2002). Muniz and O'Guinn's study of brand communities, along with other studies in the area of consumer collectives (Schouten and McAlexander 1995), indicates that inter-customer relationships "figure importantly in the loyalty equation." However, in addition to understanding how customer-customer relationships yield value to a firm, how these relationships create value to the consumer is important to learn. Sirsi et al. (1996) suggest that members in a network learned of the cultural belief system through various sources to associate meanings to their consumption (e.g., food consumption). Moreover, social ties and their network structure create variation in the sharing of causal reasoning about consumption behavior. To-date, nothing in the literature explains the nature of customer-related value within the brand community. In order to fill this gap, this study turns to the literature on social network analysis.

Finally, the framework of this study explores the antecedents of brand community identification. This article examines three characteristics, communication, rituals and symbols, and brand history that marketers can leverage to enhance consumer identification with a brand community.

HYPOTHESES

Communication and Brand Community Identification

Communication can be defined as the formal and informal sharing of meaningful and timely information among members (Morgan and Hunt 1994). Communication strengthens members' identification because it is rewarding and contributes to members' self-enhancement. Given the need to belong, members rely on communication cues to develop social categories and perceptual elements

by which they characterize the group. The more stable the team category, the more likely that members' identification will be developed and sustained (Fiol and O' Connor 2005). According to Francis (1989), communication can be considered an important antecedent of the self-categorization process, which helps to define the identity of a group and to create a community spirit. Moreover, Smidts et al. (2001) demonstrate that communication plays an important role in fostering organizational identification, and state that communication channels and opportunities can enhance members' shared perceptions of openness. Thus:

H1: The more communication channels and opportunities for communication are created by the firm, the greater the degree of brand community identification.

Rituals and Symbols and Brand Community Identification

Rituals and symbols are an important means of creating and maintaining brand community identification. All the brand communities encountered in this project have some form of rituals or symbols. These rituals and symbols typically center on shared consumption experiences with a brand. They are processes carried out by community members who help to reproduce and transmit the meaning of their particular community in and out of the community (Muniz and O'Guinn 2001). Rituals represent patterns of human behaviors that are social in nature and are concerned with relationships among people who have something in common (Underwood et al. 2001). Symbols, such as physical artifacts and logos, have also been shown to be important in fostering brand community identification. Symbols communicate social meaning and identify individuals as members of specific communities or groups. This way, symbols have a powerful influence to form an identity for customers (Cardador and Pratt 2006). Pratt and Rafaeli (2001) drew on extended selves, social identity, and language theories in their recent work on "symbols as language." They argue that both organizations and individuals engage in "conversations" via physical symbols that serve to strengthen members' identification. Thus:

H2: The greater the incorporation and the greater the use of rituals and symbols within a community, the greater the degree of brand community identification.

Brand History and Brand Community Identification

A sense of history is an integral aspect of identifying the world's most valuable brands (Underwood et al. 2001). Increasingly, marketers are turning to brand histories and historical associations as sources of market value

and a "cultural marker of legitimacy and authenticity." A strategic attempt to communicate brand history can also be an effective mechanism for marketers seeking to strengthen members' identification (Underwood et al. 2001). Members of teams with long histories incorporate great moments and memories into their senses of self and of the team. In communal consumption settings, history sharing reinforces both the bond between members and core community beliefs (Thompson 2004). Brand history reinforces community value and serves to instill the desired perspective. Brands that have a long history can acquire deep meaning for consumers through the socialization process, evoking nostalgic feelings (Elliot and Wattanasuwan 1998). Historical associations serve to heighten the sense of identification and emotional involvement with a team or an organization, providing a cognitive and affective link to the brand (Underwood et al. 2001). Thus:

H3: The greater the communication intensity of brand history, the greater the degree of brand community identification.

Brand Community Identification and Emotional Attachment

The degree of emotional attachment reflects the consumer's emotional connection and affective bonding with the brand. Recent branding literature highlights the importance of the psychological and emotional elements of a brand. Several studies indicate that emotional attachment arises from customer identification (e.g., Ahuvia 2005; Fullerton 2005). It is important to note that identification is a cognitive construct (Swanson and Davis 2006). Behaviors and affection are related to this cognition of oneness, as the individual will "engage in, and derive satisfaction from, activities congruent with the identity" (Ashforth and Mael 1989). Thus, identification is a cognitive construct and affection is often associated with the construct (Swanson and Davis 2006). Fournier (1998) contends that relational meanings (i.e., love, self connection, commitment and trust) emerge only when the brand becomes integrated into consumers' lives and identification processes. Thus:

H4: The degree of brand community identification relates positively to emotional attachment.

Brand Community Identification and Network Centrality

Network centrality refers to a member's position in the network relative to others, and denotes the extent to which the central member occupies a strategic position in the network, by virtue of being involved in many significant ties and linkages (Wasserman and Faust 1994; Burt

1992; Bell 2005). Social network researchers suggest that a member's position in a social network can influence access to as well as control of information, and create advantages that can positively impact on organizational vitality (Ibarra and Andrews 1993; Gulati and Gargiulo 1999; Bell 2005). Network centrality is influenced by brand community identification. According to the identification approach, when a person's sense of self is definable by a particular group membership, social identification becomes salient and leads to a depersonalization of the self (Turner 1987). As such, instead of defining themselves as unique, individuals define themselves in group-based terms, seeing themselves as more similar to other in-group members (and more different from out-group members). In these circumstances, individuals are more likely to cooperate with other group members (Turner 1987) and more likely to participate in various events (Shamir 1992), which in turn enhance their centrality in the network. Once an individual's identification with the brand community becomes more salient, she/he participates more frequently in community activities (Friedman and Krackhardt 1997). Through the participation processes, individuals enhance their centrality in the network (Tushman and Romanelli 1983). Thus:

H5: The degree of brand community identification relates positively to network centrality.

DATA AND MEASUREMENT

Data Collection

This study collected survey data from a sample of VW-Golf Club members in Taiwan. According to Brass and Burkhardt (1992), research on network analysis should be investigated in a closed organization, and the unit of reference should be constrained by the size of the group. Network analysis requires the appropriate determination of the boundaries of the network under study, since errors can distort the overall configuration of the members in a system. Once a network has been identified, network analysis requires collecting data from all members because, at present, there are no generally accepted techniques for sampling within a network. Thus, one-site sampling schemes are not uncommon in network analysis, as a clear network boundary can be defined under this kind of research design (e.g., Krackhardt and Kilduff 1990). Accordingly, the research contacted the club's management and asked them to provide a list of members who would be participating in the yearly meeting at the Nice Prince Hotel. The researchers then attended that meeting and directly handed out questionnaires to the club's members. Of the 208 members, 199 provided the complete data set necessary for this study. The response rate was 96 percent of the network population. Network analysis requires a high response rate (Wasserman and Faust 1994), and 96 percent is clearly suitable.

Measurement

This study designed a survey questionnaire to collect both relational and non-relational data. Relational data were obtained by sociometric techniques. A sociometric questionnaire item was developed to ask the respondents the following: "Which of the listed members are friends of yours?" A list of all the members was provided in the questionnaire, allowing respondents to simply select their answers from the list. These listings provided the primary basis for the friendship network. The whole-network approach samples all of the individuals in a bounded network. Of the 208 members, 199 (96%) responded to the questionnaire. Afterwards, this study constructed a relational matrix of inter-unit links to each member – a 199 by 199 matrix for the brand community. If i reported j as a friend, then the cell C_{ij} was coded as 1, otherwise the cell was coded as 0. To analyze the data, UCINET 6 for Windows, a social network analysis software, was used to statistically analyze the network data. Thus, the 199 by 199 matrix was imported into UCINET 6 for analysis. On the other hand, non-relational data were gathered through questions using a Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Measurement Model

The data analysis was conducted using the partial least squares (PLS) Graph v3.0 program to evaluate the measurement properties and the structural relationships specified in the research model. Three common reliability tests preferred in the PLS analysis (Hulland 1999) were performed. The measurement model was tested by examining (a) individual item reliability, (b) the convergent validity of the measures associated with each construct and (c) their discriminant validity. First, the individual item reliability was assessed by examining the factor loadings of the measures on their corresponding constructs. A common rule of thumb in PLS analysis is to accept items with more explanatory powers than the error variance would account for. In practice, the result implies that factor loadings that exceed 0.7 are acceptable. Such a loading is generally considered meaningful, since it implies that a construct explains more than 50 percent of the variance in the measurement. An examination of the initial measurement model revealed that, of the 14 items, 13 had loadings higher than 0.7, and 1 item had a loading higher than 0.65. Overall, these statistics are above the cut-off suggested by Hulland (1999), and indicate that all the items demonstrate good individual-item reliabilities. Next, the reliability with each of the construct's composite scale reliabilities was assessed, a measure of internal consistency, using a cutoff of 0.7 or more. Composite scale reliability is similar to Cronbach's alpha as a measure of internal consistency, but is unaffected by the scale length. The composite reliability of all constructs is 0.7 or higher and thus indicates that the reliabilities were adequate

(Hulland 1999). Finally, the convergent and discriminant validity of the constructs was examined. The average variances extracted from all the constructs (square of the diagonal values) were all greater than 0.50, which is indicative of convergent validity. The overall model provided reasonable evidence of discriminant validity, because the square root of the AVE for these constructs was larger than any of their respective inter-construct correlations, and all measures loaded higher on the intended constructs than on the other constructs (Hulland 1999). Overall, these statistics indicated that the psychometric properties of the model are sufficiently strong to enable the interpretation of structural estimates.

ANALYSIS AND RESULTS

This study used the partial least square (PLS) method of structural modeling to test the hypotheses. Tests of significance and estimates of confidence intervals for the path coefficients are not directly provided by the PLS method. To estimate the significance of the path coefficients, this study used a bootstrapping approach for which 200 random samples of observations (with replacement) were generated from the original dataset. The path coefficients were re-estimated, using each of these samples of observation. This study used the vector of parameter estimates to compute the parameter means, standard errors, path coefficient significance, indicator loadings, and indicator weights. In order to estimate the path coefficients, t-statistics were assessed with a non-parametric test of significance known as bootstrapping.

The findings support Hypotheses 1, and 2, but not Hypothesis 3. Communication ($\beta = 0.31, p < 0.05$), and rituals and symbols ($\beta = 0.31, p < 0.05$) have significant and direct effects on relational embeddedness. However, the relationship between brand history and brand community identification is not significant ($\beta = 0.12, p > 0.05$). Displaying brand history is not related to brand community identification. Hypothesis 4 states that there is a positive relationship between brand community identification and emotional attachment ($\beta = 0.35, p < 0.01$). Thus, Hypothesis 4 is supported. Hypothesis 5 states that the degree of brand community identification is positively associated with network centrality. This hypothesis is also supported ($\beta = 0.21, p < 0.05$).

CONCLUSIONS AND DISCUSSION

Given the increasing importance of identification as the main foundation of a brand community, this paper centers on a fundamental question: what are the antecedents of brand community identification? This study identifies three characteristics that can promote brand community identification, communication, rituals and symbols, and brand history. The results reveal that communication has a significant positive effect on brand community

identification. The findings corroborate prior research emphasizing the importance of the role played by communication within a brand community (e.g., Fiol and O'Connor 2005; Smidts et al. 2001). Communication strengthens members' identification, because it is rewarding and contributes to members' self-enhancement. Given the need to belong, members rely on communication cues to develop social categories and perceptual elements by which they characterize the group. The more stable the team category, the more likely that members' identification will be developed and sustained (Fiol and O'Connor 2005). Rituals and symbols also have a significant positive relationship with brand community identification based on previous research findings. This relationship shows that a strategic effort to incorporate rituals and symbols within the brand community can be an effective mechanism for marketers seeking to strengthen the member identification. As noted by Muniz and O'Guinn (2001), all the brand communities encountered in this project entail some form of rituals and/or symbols. Rituals and symbols based on common experiences with the brand serve to invest the brand with meaning, and meaningfully link one community member to another. However, this study finds no significant relationship between brand history and brand community identification, even though the direction is positive. The findings suggest that the firm should foster group communication, and initiate meaningful rituals and symbols involving the brand community. These elements provide opportunities to create more elaborate cognitive structures that surround consumer identification with the brand community.

Building a strong brand in the market is an objective of many organizations, because it provides a variety of benefits to them, including decreased vulnerability to competitive marketing actions, larger margins, greater intermediary cooperation and support. Atilgan et al. (2005) state that for a brand to have value, the brand's consumers must value the brand. Therefore, the power of a brand lies in what customers have learned, felt, seen, and heard about the brand, as a result of their experiences over time (Atilgan et al. 2005). Over the past decade, emotional branding has emerged as a highly influential brand management paradigm. The results of the present study provide strong evidence of a positive link between brand community identification and emotional attachment. According to Muniz and O'Guinn (2001), brand communities revolutionize traditional dyadic customer-brand relationships by integrating customer-customer relationships. This present paper has implications beyond the more narrowly defined concept of brand community. The brand community has yielded values to all the participants. To-date, there is no viable approach for understanding exactly how the brand community yields customer-related value. A noteworthy finding is that a significant positive relationship between brand community identification and network centrality exists. This paper provides

empirical and causal evidence to show that brand community identification can have a significant influence on network centrality. Therefore, once a customer's identification with the brand community becomes more salient,

she/he participates more frequently in community activities (Friedman and Krackhardt 1997). Through the participation processes, customers enhance their centrality in the network (Tushman and Romanelli 1983).

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DOING THE RIGHT THINGS RIGHT OR JUST DOING THINGS: THE IMPORTANCE OF FIRMS' IMPLEMENTATION CAPABILITIES FOR BRAND STRATEGY PERFORMANCE

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SUMMARY

Understanding brand strategy implementation (BSI) has been a long-standing goal of researchers and managers alike. As scholars widely agree on the importance of BSI for enhancing firm performance (e.g., Aaker 1996; Keller and Lehmann 2006), much research has investigated effective BSI efforts empirically (e.g., Menon et al. 1999; Noble and Mokwa Noble 1999). However, BSI and its link to brand strategy performance are still not well understood (Piercy 1998). As a consequence, although organizations invest huge amounts of resources in BSI efforts, many strategy implementation initiatives fall far behind expectations.

The objective of this paper is to investigate the effective implementation of brand strategies and its link to firm performance. To this end, we use organizational learning theory to identify a new construct, firms' BSI capabilities, as central to understanding the implementation and performance outcomes of brand strategies.

As to our conceptual model, we propose that BSI effectiveness is affected by brand strategy innovativeness through brand strategy clarity that, in turn, affects firm performance. We add a direct effect of brand strategy innovativeness on firm performance to the model to control for potential performance effects of brand strategy innovativeness that are not mediated by BSI effectiveness (Menon et al. 1999). In addition, we argue that BSI capability affects BSI effectiveness and firm performance. Further, we propose the relationships between brand strategy innovativeness and brand strategy clarity, brand

strategy clarity and BSI effectiveness, and BSI effectiveness and firm performance to be moderated by BSI capability.

We test our model using data from 262 managers involved in BSI efforts. The results reveal BSI capability to (1) directly drive BSI effectiveness and to reveal moderator effects such as (2) eliminating the negative impact of a brand strategy's innovativeness on brand strategy clarity (i.e., comprehensibility) in the case of a low capability level and (3) strengthening the positive link between BSI effectiveness and firm performance in the case of a high capability level. Further, our findings suggest non-linear effects of BSI capabilities on BSI effectiveness and firm performance. Specifically, we found that with an increase in BSI capability its incremental positive effect on BSI effectiveness declined. The findings also suggest an inverted u-shaped relationship between BSI capability and firm performance.

Theoretically, this paper advances our understanding of how BSI relates to brand strategy performance by introducing a new construct, BSI capability, into the literature and providing evidence for its important role in understanding brand strategy implementation and performance. Our results suggest that the new construct of BSI capability is valuable for understanding BSI and future research on strategy implementation. From a managerial perspective, this research suggests BSI capability to be an important resource for competitive advantage and offers insights into how this resource can be effectively managed. References are available upon request.

ENDNOTE

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HOW INDIVIDUAL-LEVEL SOCIAL CAPITAL LEADS TO SUPERIOR ORGANIZATIONAL CAPABILITIES

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SUMMARY

Organizational capabilities are socially complex practices that determine a firm's effectiveness in transforming inputs into outputs (Collis 1994). The resource-based view (RBV) thus theorizes that firms with capabilities that are valuable, rare, inimitable, and nonsubstitutable can achieve a sustainable competitive advantage by better leveraging their resources (Barney 1991; Wernerfelt 1984). A vast amount of literature has emerged in which organizational capabilities are central to explaining differences in performance outcomes (e.g., Slater, Olson, and Hult 2006). However, as Zollo and Winter (1999) note, the RBV still lacks a solid account of how organizational capabilities come into existence. Despite their importance for firm prosperity and the increasing scholarly attention devoted to them, organizational capabilities remain underspecified (Kraatz and Zajac 2001) and empirical work on antecedents to capabilities is very rare (Danneels 2008; Newbert 2007). In particular, individual-level processes may play an important role in the origins of organizational capabilities (Felin and Foss 2005). We thus agree with Gavetti (2005, p. 599) who states that "research on capabilities needs microfoundations."

Recent conceptual work on micro-level origins of organizational routines and capabilities pertains to collective outcomes (Gavetti 2005; Zollo and Winter 2002), organizational evolution (Cho and Hambrick 2006), and organizational interest alignment (Gottschalg and Zollo 2007). However, empirical efforts to explore micro-macro linkages in capability development remain uncommon and should therefore be given priority (e.g., Reagans, Argote, and Brooks 2005; Vorhies and Morgan 2005; Zollo and Winter 2002). In this study, we explore the role of social capital as a potential micro-level origin of organizational capabilities, leveraging a conceptual framework introduced by Gu et al. (2008). In line with their argumentation, we argue that senior management's social interaction within an external network offers an explanation for how organizational capabilities come into being. By focusing on social capital's individual-level foundation and related interactional factors, we explore a new "basic element" (Lippman and Rumelt 2003) that drives differences in capability endowment of firms.

A crucial insight that we glean from our empirical results is that firms can develop and maintain superior marketing and R&D capabilities by leveraging their man-

agers' social capital. This finding supports the notion that the information and control benefits inherent to social capital ensure effective access to knowledge and resources that are crucial for building superior organizational capabilities. Our study thus contributes to a better understanding of how individuals' social networks can help organizations improve their performance. We augment previous studies, such as Adler and Kwon (2002) and Nahapiet and Ghoshal (1998), by specifically investigating the impact of social capital on key organizational capabilities.

Further, our results provide additional support for the positive link between organizational capabilities and firm performance, corroborating prior evidence (Danneels 2008; Jayachandran, Hewett, and Kaufman 2004; Vorhies and Morgan 2005). Thus, our research emphasizes that social capital is important not only for building organizational capabilities but also for achieving superior performance – indirectly through organizational capabilities.

While previous studies have established the importance of organizational capabilities to the firm as they may lead to a competitive advantage, our research is especially useful for practitioners in that it analyzes mechanisms that foster the development of these capabilities. More specifically, we show that individual managers and their interactions with members from their network have an important effect on organizational capabilities. Thus, the consistent message of our results is that building organizational capabilities depends greatly on the existence of management's strong social capital.

Managers should therefore seek to cultivate relationships with a wide array of external stakeholders to ensure access to crucial information and resources. They should further promote the importance of trust and solidarity among network members by providing opportunities for social interactions and by striving for a shared vision. A firm's training activities should focus not only on extending their employees' functional or specific technological knowledge and skills, but also on developing their abilities to network, collaborate, and share information and knowledge. As the relational approach to marketing requires the management of manifold relations with all stakeholders (e.g., Berry 1983; Grönroos 2000), the building and maintaining of social capital should be a key element in top management's job description. References are available upon request.

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MARKETING STRATEGY FOR SCA AND PERSISTENCE OF A FIRM'S PERFORMANCE IN THE PHARMACEUTICAL INDUSTRY

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SUMMARY

The ultimate goal of every competitive strategy is to achieve a sustainable competitive advantage (SCA) (Bharadwaj, Varadarajan, and Fahy 1993; Coyne 1986). Previous research in this area has consistently argued that a firm can attain a SCA by preventing competitors from imitating a firm's valuable resources. However, in today's fiercely competitive and fast-changing environment, a SCA may not be achieved by only building barriers to competitors' duplication. This is because a competitive advantage can easily erode without competitors' imitation due to the introduction of innovative product and changes in customers' preference.

The paper addresses this issue. Beyond the previous contention that a SCA entirely hinges on barriers to competitors' imitation (Barney 1991; Bharadwaj, Varadarajan, and Fahy 1993), we attempt to combine two alternative routes to a SCA, value enhancement strategy and value protection strategy. Specifically, the purpose of this research is (1) to investigate a positive impact of two alternative strategies for a SCA on a firm's profit and (2) to examine the synergistic effect of the two strategies.

Value enhancement strategy is defined as a firm's strategy to constantly improve a firm's valuable resources to achieve a SCA. On the basis of literature review and evolutionary theory (Nelson and Winter 1982; Nelson 1994), value enhancement strategy consists of two sub-strategies; incremental value enhancement strategy to enhance a firm's competitive advantage by gradually improving its existing resource and radical value enhancement strategy to achieve a SCA by developing a totally new valuable resource. In contrast, value protection strategy is referred to as a firm's strategy to prohibit competitors from duplicating a firm's valuable resources based on the resource-based view (RBV) of the firm (Wernerfelt 1984; Barney 1991). In this study, lessening-willingness value protection strategy to hinder competitors' willingness to imitate and blocking-ability value protection strategy to prevent competitors from being able to imitate are proposed.

We examine how each strategy for a SCA influences a firm's profit and whether the alternative strategies can create synergy. To this end, we create our unique panel data set combining several secondary data sources. This

panel data span 20 years (1988–2007) from the pharmaceutical industry. To measure value enhancement strategy, the number of introduced incremental (breakthrough) innovations from the U.S. Food & Drug Administration is utilized for incremental (radical) value enhancement strategy. Lessening-willingness value protection strategy is assessed by the number of press releases from Factiva database, whereas the number of registered patents from U.S. Patent and Trademark Office database captures blocking-ability value protection strategy. Finally, a firm's profit as a dependent variable is collected through COMPUSTAT North America database.

To test the hypotheses, we estimate random-effects, cross-sectional, time-series regression model using STATA 11.0. With regard to H_1 and H_2 to assume the positive effect of incremental and radical value enhancement strategy on a firm's profit, both effects at time t are not supported. However, these results do not mean that both value enhancement strategies do not contribute to a firm's financial success. Because value enhancement strategy requires tremendous resources to implement and tends to take longer to extract financial benefits, we need to examine the lagged effects of value enhancement strategy on a firm's profit. As expected, the lagged term at $t-1$ of incremental value enhancement strategy ($z = 8.38, p < .01$) and the lagged term at $t-2$ of radical value enhancement strategy ($z = 3.97, p < .01$) show the positive impacts on a firm's profit. With regard to H_3 and H_4 to expect the positive impacts of value protection strategies, both strategies are supported: lessening-willingness protection strategy ($z = 21.30, p < .01$) and blocking-ability protection strategy ($z = 3.39, p < .01$). Finally, in regards to H_5 on the synergy between value enhancement and value protection, all the positive interactions between sub-strategies of value enhancement and protection are confirmed except the interaction between incremental value enhancement and blocking-ability value protection. Thus, H_5 is partially supported.

This study indicates that a firm's SCA can be achieved through either value enhancement strategy or value protection strategy even though both strategies are different in terms of how long it takes for firms which deploy each strategy to extract financial benefits. More importantly, our findings demonstrate that the two alternative strategies for a SCA can be operated cooperatively to create synergy. Thus, firms need to consider utilizing them simultaneously rather than separately using each of them.

Despite insights gained through the results, future researchers should aim to overcome a few limitations of this study. First, future researchers need to more specifically examine different characteristics of value enhancement and value protection and complementarity between them. Moreover, future researchers need to investigate whether the results from this paper can be generalized to other industries. Although restriction of the empirical

context to a specific industry allows for comparability and helps to reduce cross-industry confounds, it limits the extent to which the result can be generalized to other contexts. Thus, for future research, it will be helpful to include a variety of industries in our sample to increase the generalizability of our results. References are available upon request.

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LEVERAGING RESOURCES TO ENHANCE RETAIL SUCCESS: A FRAMEWORK

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ABSTRACT

According to the resource-based view (RBV), firms possess assets and capabilities that can potentially provide firms with a sustainable competitive advantage. However, work to date has largely ignored industry-specific characteristics that encourage certain assets and capabilities. Recognizing this limitation, we seek to determine key capabilities unique to retailers that lead to competitive advantage. We group these capabilities into three categories: inside out, outside in, and spanning capabilities. By identifying these industry-specific capabilities our work will influence (1) managerial practices in the retail industry, (2) capabilities research, and (3) RBV literature more generally. Keywords: Resource-based view (RBV), capabilities, resources, retailing.

INTRODUCTION

The American retail industry is rapidly shifting from its traditional bricks-and-mortar foundation to other formats (Neumann 2004). Despite this shift, retailers still provide a necessary link between customers and manufacturers. Lazarus (1961, p. 96) sums it up nicely: "The role of the retailer in the distribution channel . . . is to interpret the demands of its customers and to find and stock goods these customers want, when they want them, and in the way they want them. This adds up to having the right assortments at the time customers are ready to buy."

Though retailers play an integral and non-replicable function, relatively little is known about the key resources retailers use to obtain a sustained competitive advantage. Existing literature has focused primarily on aggregate-level resources (e.g., Capron and Hulland 1999; Day 1994; Teece et al. 1997; Srivastava et al. 1998), largely ignoring sector-specific characteristics that make some resources important and others less so. For example, a superior cross-docking capability provides Wal-Mart with a competitive advantage among mass retailers, but this resource is unimportant in the diamond industry. We seek to identify a core set of capabilities that may be important to retailers across a wide range of retail sectors.

We organize the remainder of our paper as follows: we first provide a literature review of prior RBV-capabilities research and then review the retailing capabilities

identified by the literature and retailing managers. Finally, we synthesize our results to develop an organizational framework and offer propositions for future research.

BACKGROUND: THE RESOURCE-BASED VIEW (RBV)

According to the resource-based view (RBV), firms possess resources, a subset of which enables them to achieve competitive advantage, and a subset of those leading to superior long-term performance (Barney 1991; Grant 1991). Empirical studies of firm performance using the RBV have found that the effects of individual, firm-specific resources on performance can be significant (e.g., Mahoney and Pandian 1992; Zaheer and Zaheer 1997).

One of the key challenges RBV theorists have faced is to define the term "resource." Researchers and practitioners interested in RBV have used a variety of different terms to define a firm's resources (e.g., Amit and Schoemaker 1993; Capron and Hulland 1999; Grant 1991; Prahalad and Hamel 1990). In this paper, we define resources as *assets and capabilities that are available and useful in detecting and responding to market opportunities or threats* (Sanchez et al. 1996). Together, assets and capabilities define the set of resources available to the firm. Assets represent anything tangible or intangible the firm can use in its processes for creating, producing, and/or offering its products (goods or services) to a market, whereas capabilities are repeatable patterns of actions in the use of assets to create, produce, and/or offer products to a market (Sanchez et al. 1996, p. 7). Assets can serve as inputs to a process, or as the outputs of a process (Srivastava et al. 1998; Teece et al. 1997). In contrast, capabilities transform inputs into outputs of greater worth (Amit and Schoemaker 1993; Capron and Hulland 1999; Sanchez et al. 1996).¹ Capabilities can include skills, such as technical or managerial ability, or processes, such as systems development or integration. In this paper we focus primarily on retailing capabilities.

A TYPOLOGY OF RETAILING CAPABILITIES

The capabilities possessed by a firm can be thought of as belonging to one of three sets (Day 1994): inside-out, outside-in, and spanning. *Inside-out* capabilities are deployed from inside the firm in response to market requirements and

opportunities, and tend to be internally-focused (e.g., cost controls, logistics). *Outside-in* capabilities are externally-oriented, placing an emphasis on anticipating market requirements, creating durable customer relationships, and understanding competitors (e.g., brand management, customer service). *Spanning* capabilities involve both internal and external analysis and integrate the firm's inside-out and outside-in capabilities (e.g., managing inter-functional relationships, strategic management and planning).

The distinction between externally and internally-focused capabilities is not new. For example, Day (1994) suggested that highly successful firms possess both internally- and externally-focused capabilities. Furthermore, studies have shown that some firms prefer to emphasize exploitation of existing knowledge and abilities (using internally-focused capabilities) while others pay more attention to the exploration of new opportunities and ideas (via externally-oriented capabilities; e.g., see Ozsomer and Gencturk 2003; Wade and Hulland 2004).

Table 1 shows how ten key retailing resources (described in greater detail below) can be grouped as outside-in, inside-out, and spanning capabilities. This typology is based upon our review of the retailing management and RBV literatures, augmented by interviews with managers who have more than sixty (collective) years of retailing experience and serve in managerial capacities. Because of their considerable retailing experience, these managers were not only able to provide insights into their particular niches within retailing, but could also provide insights into the retailing industry more generally.

Outside-In Capabilities

Market Sensing. Day (1994) suggests that market sensing determines how well firms can sense market changes and “. . . anticipate the responses to market

actions.” He proposes that market sensing involves the “processes for gathering, interpreting, and using market information” and that firms exhibiting a superior market sensing capability are “more systematic, thoughtful, and anticipatory than . . . other firms.” Key to Day (1994) is his belief that a market sensing ability provides firms with a competitive advantage. He argues that market-sensing allows firms to build strong relationships with pertinent customer niches and suppliers, and this in turn provides firms with a competitive advantage.

Two facets of market sensing are particularly important in the retail context: market responsiveness and environmental scanning (Hulland, Wade, and Antia 2007). Environmental scanning focuses on the firm's ability to learn about customers, competitors, and channel members, and to recognize external opportunities and threats. Market responsiveness involves dissemination of the firm's market intelligence across departments and the ability to react quickly to change (Kohli and Jaworski 1990; Zaheer and Zaheer 1997; Bharadwaj 2000). Thus, market responsiveness is marked by strategic flexibility, allowing the organization to undertake strategic changes when necessary (Powell and Dent-Micallef 1997; Wade and Hulland 2004). This capability ensures that retailers expand or reduce their product lines appropriately, offer the “right” assortment at the “right” time, and thereby maximize profitability.

The managers interviewed for this paper agreed that market sensing is a critical capability in the retailing industry. According to one manager, failure to anticipate market fluctuations forces retailers to play “catch up” and erodes previous competitive advantages. Her firm failed to anticipate the 2009 economic downturn, and was forced to drastically slash prices, reorganize personnel, and reposition its products to obtain marginal profitability. In response to this poor preparation, the firm has subsequently installed new safe-guards to ensure that it better

TABLE 1
A Typology of Retail Firm Capabilities

Outside-In	Spanning	Inside-Out
<ul style="list-style-type: none"> • Market sensing 	<ul style="list-style-type: none"> • Inter-functional partnerships 	<ul style="list-style-type: none"> • IT skills
<ul style="list-style-type: none"> • Brand management 	<ul style="list-style-type: none"> • Optimizing the price – value relationship 	<ul style="list-style-type: none"> • Distribution and logistics
<ul style="list-style-type: none"> • Customer service 		<ul style="list-style-type: none"> • Property management
<ul style="list-style-type: none"> • Unique shopping experiences 	<ul style="list-style-type: none"> • Buying ability 	

monitors market demand drivers in the future. Summarizing these arguments:

Proposition 1: Retailers with a superior market sensing capability will have superior performance (relative to other retailers).

Brand Management. Brand management is the ability to develop, support and maintain strong brands. Pitta and Katsanis (1995, p. 56) suggest that successful brands are retailers' most important assets and "... represent the knowledge created in the minds of consumers as a result of all of the marketing programs executed for those brands." While brands themselves are assets and can lead to superior performance (Amit and Schoemaker 1993; Capron and Hulland 1999; Srivastava et al. 1998), the ability to develop and manage brands over time (i.e., a capability) is equally important (Hulland et al. 2007). Brand management requires that a firm balances its competing brands and maximizes the profit associated with each. This process entails developing independent pricing, positioning, promotion, and placement strategies for each brand, while simultaneously minimizing brand cannibalization and ultimately maximizing profit (Aaker 1991).

The managers generally agreed, suggesting that firms must create a unique DNA – a brand filter – for each of its brands in order to minimize brand overlap and successfully target distinct segments. They also believe that despite attempts to uniquely position each brand, some cannibalization is inevitable. Thus:

Proposition 2: Retailers with a superior brand management capability will have superior performance (relative to other retailers).

Customer Service. The ability to provide superior customer service has been found to have a strong link to increased overall firm performance (e.g., Anderson et al. 1994; Bolton 1998). This can come about, for example, as a result of being able to provide enhanced value to customers (via unique product – service combinations), through the deepening of customer relationships, and by gaining customer insights during service interactions (Homburg et al. 2002).

The managers we interviewed suggested that the literature ignores two additional dimensions of customer service: customer openness and a customer-friendly atmosphere. They describe openness as their accessibility relative to competitors, and a customer friendly atmosphere as ease of shopping, cleanliness, and a knowledgeable staff.

According to Frigo (2002), establishing superior customer service allows firms to create customer loyalty,

which in turn has a positive effect on a firm's long-run profits. Similarly, Anderson and Sullivan (1993) suggest that customer service leads to a more satisfied and loyal customer base. Thus:

Proposition 3: Retailers with a superior customer service capability will have superior performance (relative to other retailers).

Novel Shopping Experience. The ability to provide a novel shopping experience is created by using unique retail formats and atmospherics, and achieving an element of surprise (Pearce 1989). Retail format novelty describes the retailer's appeal to customers' desires for something new and different. Dramatic visual merchandising and sensory stimuli offer customers exciting and unusual shopping experiences. For example, some fast food chains vent appealing scents into corridors to lure shoppers. The second element of novelty – surprise – is the ability to provide unpredictability and is often achieved by using promotions, in-store events, and outrageous decorations. The interviewed managers concurred, suggesting that Victoria's Secret offers novelty through its unique product selection and its in-store atmospherics.

The challenge for retailers is that utilizing unique elements and delivering surprise must be done in a way that is consistent with the retailer's overall image. Although it is difficult to maintain a balance between providing novelty and sustaining a consistent image, retailers that are able to do so can benefit from two sources of competitive advantage. First, a novel shopping experience provides retailers with a strong customer base that can insulate them from market fluctuations. Second, a novel shopping experience allows retailers to charge premium prices and establish a cost advantage relative to its competitors. In summary:

Proposition 4: Retailers that successfully balance (a) a unique shopping experience and (b) a consistent image will have superior performance (relative to other retailers).

Spanning Capabilities

Inter-Functional Partnerships. This capability represents the processes of integration and alignment between different functional areas or departments of the firm. The importance of alignment, particularly with business strategy, has been well documented (e.g., Chan et al. 1997). This resource has also been referred to as "synergy" (Bharadwaj 2000) and "partnerships" (Ross et al. 1996). All of these studies recognize the importance of building relationships internally within the firm between different areas / departments, leading to collaboration and the avoidance of "tunnel vision." Because such

relationships help to span the traditional gaps between functions/departments, they result in superior competitive position and firm performance.

The managers' experiences suggest that inter-functional partnerships minimize overlap, promote efficiencies of scale, decrease costs, allow retailers to assess strategic shifts, and maximize creativity, encouraging superior performance. Some retailers operate more efficient partnerships than others, and they tend to be marked by connectivity, a unified and clear strategic position, and an established system of checks and balances. Thus:

Proposition 5: Retailers better able to manage inter-functional partnerships will have superior performance (relative to other retailers).

Balancing the Price-Value Relationship. The ability to maximize value provided to consumers requires retailers to increase value and/or decrease price (while remaining profitable). Value relates not only to enhanced product features, but also to the enhanced services consumers encounter during while shopping (Pearce 1989). The ability to strike an effective balance between these two conflicting pressures provides retailers with an opportunity to build a sustainable competitive advantage. Those unable to strike this balance must position themselves as quality leaders and subsequently alienate price-sensitive customers or price leaders and risk losing quality-sensitive customers. Balancing the price-value relationship allows retailers to appeal to both customer bases.

Retailers face numerous challenges when attempting to strike this balance. First, retailers must identify and eliminate sources of slack, and/or build from other capabilities in order to lower costs, thereby maintaining margins while setting lower prices. For example, Wal-Mart uses its direct relationship with suppliers to eliminate "middle-man" costs, allowing it to provide customers with relatively high-quality products at low prices. Second, retailers need to identify the "fairest" rather than the lowest prices (Berry 2001). Berry argues that unfair prices harm relationships with customers and subsequently have negative consequences on firm value. He adds (p. 2) that "potential buyers will not feel comfortable making purchases if they fear prices might be 30 percent lower next week, if certain charges have only been estimated, or if they are unsure whether an advertised sale price represents a genuine markdown."

The managers we interviewed believe that pricing strategy largely depends on the type of goods sold: commodities must be sold at fair prices, while luxury goods require the "right" price. They noted that maximizing the price-value relationship involves selling products at regular rather than discounted prices. Another key is

creating a perception of high-quality while offering some products of inferior quality. For example, Whole Foods positions itself as the premiere vendor of organic products even though a substantial proportion of its products are inorganic.

More generally, the managers believe that the price-value relationship consists of two interrelated components: margin management and value perception. Margin management requires an intricate balancing act between securing inexpensive contracts with suppliers and charging competitive prices. Value perception requires retailers to reduce the overall quality of their product mix relative to the prices charged but to still offer merchandise that is perceived as valuable by the consumer. More formally:

Proposition 6: Retailers who better manage the price – value relationship will have superior performance (relative to other retailers).

Buying Ability. Retailers can compete effectively by offering shoppers assortments of products and goods that are unique, dominant and consistent (Pearce 1989). Uniqueness is the retailer's ability to offer products that others in the trading area do not, dominance is the ability to offer a wider and deeper selection of merchandise relative to competitors, and consistency is the ability to offer products that consistently satisfy consumers' expectations. Providing the appropriate assortment requires that retailers consistently buy merchandise with consumers' demands in mind, while at the same time maintaining the mix of "traditional" products for which they are noted (Frigo 2002). A superior buying ability also entails negotiating low purchase prices.

The interviewed managers noted that a key to optimizing buying ability is developing solid relationships with a small set of suppliers rather than weak relationships with many suppliers. Focusing on a few relationships best allows retailers to gain control and efficiencies, and ultimately maximize profit margins. At the same time, enough strong relationships need to be established to ensure that the retailer's assortment is sufficiently broad. Thus:

Proposition 7: Retailers with superior buying ability will have superior performance (relative to other retailers).

Inside-Out Capabilities

IT Skills. This capability involves the provision of efficient and cost effective Information Systems (IS) on an ongoing basis. The managers suggest that IT skills allow retailers to integrate their different functions and track and place inventory in appropriate locations. This skill results in better systems, faster information processing, less manual functioning, and in general promotes

more efficient operations. Hence, IT skills improve the functioning of a retailer's existing resources. Furthermore, as retail sales migrate to the online world, IT skills are likely to play an increasingly important role in driving sales and ensuring firm profitability. However, because IT skills provide a supportive function, the managers believe they are necessary but not sufficient on their own to allow retailers to be competitive.

Barney (1991) adds that firms with greater efficiency can develop a long-term competitive advantage by using this capability to reduce costs and develop a cost leadership position in their industry. In the context of IS operations, the ability to streamline the value chain, minimize stock-outs, reduce inventory costs, and avoid persistent cost overruns is likely to be an important precursor to superior performance. Furthermore, the ability to develop and manage IT systems that function effectively can be expected to have a positive impact on performance (Bharadwaj 2000; Wade and Hulland 2004). Thus:

Proposition 8: Retailers with superior IT skills will have superior performance (relative to other retailers).

Distribution and Logistics. Cost efficient operations entail making appropriate distribution decisions coupled with superior logistics. Maximizing online distribution methods allows firms to avoid warehousing and associated transportation costs, while automation allows firms to eliminate employees and their associated costs. However, most retailers also need to continue their traditional distribution systems. A key driver of cost efficient operations for these traditional distribution outlets is the minimization of logistics and transportation costs. Wal-Mart is widely recognized as a leader in this area, having created regional distribution centers to encourage cost efficient logistics and transportation operations. Similarly, Dell's just-in-time manufacturing has allowed it to eliminate holding costs. This leads to the following proposition:

Proposition 9: Retailers with efficient distribution and superior logistics will have superior performance (relative to other retailers).

Property Management. Superior property management represents the ability to find high profit retail locations and invest in high-quality real estate with the intention of optimizing consumers' convenience. Good land management is exemplified by firms that purchase real estate in close proximity to Big Box stores (e.g., Target). Such purchases allow smaller firms to attract customers with minimal effort. A second aspect of strong property management is the ability to share space with other firms (e.g., McDonald's restaurants inside Wal-Mart stores). Such co-location decisions offer greater convenience to consumers by minimizing their shopping time and effort.

A third component of property management is anticipation of future development trends (e.g., buying property in a rural area in anticipation that this area will be developed in the future and the retailer will be able to either use the property itself or sell it for a profit).

The managers we interviewed argued that successful property investors distinguish themselves by investing in a variety of regions, in land and buildings, and in both new and pre-existing properties. Such investment requires that firms periodically assess their portfolio of properties to eliminate marginally profitable properties and acquire higher-value ones. Firms can also develop a competitive advantage by negotiating leasing agreements that maximize their lease opportunities while minimizing costs. Summarizing:

Proposition 10: Retailers with stronger property management skills will have superior performance (relative to other retailers).

Control Variables

In addition to the ten key retail capabilities explicated above, there are two other resources that can help differentiate retailers and lead to superior performance: financial assets (capital) and human resource management (HRM) capabilities. In both cases, these resources either facilitate the acquisition (or development) of the preceding capabilities, or they interact with these capabilities to affect the retailer's competitive position.

Financial Assets (Capital). Teece et al. (1997) suggest that a firm's superior cash position can provide a firm with a short-run competitive advantage. In a similar vein, Hitt et al. (2000) illustrate the importance of financial assets in emerging markets, showing that firms in emerging markets typically seek international alliances with firms with financial assets because such assets offer competitive advantage. Amit and Schoemaker (1993) argue that these financial assets can be converted into capabilities, which can in turn support a strong and sustainable competitive position.

Our view is consistent with this earlier work: financial assets can provide firms with a competitive advantage in the short-run, but are insufficient to provide a long-run competitive advantage, unless they are invested in the capabilities described above. On the other hand, firms that are better able to raise funds, use their financial position to influence pertinent legislation, and generate unusually high investment returns, may be said to have a superior financial management capability. (We do not discuss this notion further here, because our focus is on the marketing and marketing-related capabilities of retailers, but it may be worthy of future study.)

Human Resource Management (HRM). Schuler and MacMillan (1984) argue that human resource management involves: human resource planning, staffing (e.g., recruitment, selection, socialization), appraising, compensation, training and development, and managing union-management relationships. Overall, human resource management is necessary for retailers to attract, retain, and motivate optimal employees. Hiring such employees allows retailers to maximize profit by minimizing employee turnover and production costs, while simultaneously maximizing product quality. Key to Schuler and Macmillan (1984) is their belief that attracting and retaining key employees can provide retailers with a competitive advantage. They argue that human resource management can be leveraged to provide retailers with both cost/efficiency and differentiation advantages. For example, they believe that superior human resource management skills increase the efficiency of operations and therefore lower costs, while differentiation allows retailers to distinguish themselves from competitors.

CONCEPTUAL FRAMEWORK AND NEXT STEPS

Based on the preceding discussion, we propose the conceptual framework summarized in Figure 1. This framework relates each of the aforementioned ten retail capabilities to one of the three generic strategic approaches to achieving a sustained competitive advantage proposed by Porter (1980): differentiation, cost leadership, and balance.

Differentiation is aimed (Porter 1980, p. 37) at “. . . creating something that is perceived industry-wide as being unique.” Porter argues that differentiation can lead to a sustained competitive advantage by insulating firms against competitive rivalry, sustaining larger margins, and mitigating buyer power. The logic behind his argument is as follows: differentiation is geared at offering unique services and/or products, these unique goods create a perception of exclusivity, in turn allowing retailers to charge premium prices. It is important to note that differentiation is inherently costly. According to our framework, four capabilities are particularly important for retailers attempting to achieve differentiation (all four are *outside-in*; see Table 1): market sensing, brand management, superior customer service, and novel shopping experience. While a market sensing capability better prepares firms for environmental changes, superior customer service leads to customer satisfaction. Comparatively, a novel shopping experience increases consumers’ willingness-to-pay, and brand management communicates high-quality. Overall, these differentiation strategies insulate firms (Porter 1980, p. 38) “. . . against competitive rivalry because of brand loyalty by consumers and resulting lower sensitivity to price.”

The second generic strategy, cost leadership, focuses on activities and programs geared at reducing costs and allowing lower pricing. Porter (1980) suggests that cost leadership provides firms with a sustained competitive advantage in the following ways: (1) cost leaders can still earn positive profits even after competitors have competed away their own profits, (2) low cost provides the flexibility necessary to successfully defend against suppliers and buyers, (3) a low cost position protects firms from substitutes, and (4) many of the factors leading to competitive advantage create significant barriers to entry. Recognizing the value of cost leadership, we identify three key capabilities that are driven by cost efficiency considerations (i.e., they are all *inside-out* capabilities) and that can be leveraged to provide retailers with a sustained competitive advantage: IT skills, efficient distribution and logistics, and property management. Superior IT skills encourage efficient and cost effective IS operations, distribution and logistics abilities encourage low transportation and delivery costs, and a superior property management capability results in minimized leasing costs and maximized returns on investment.

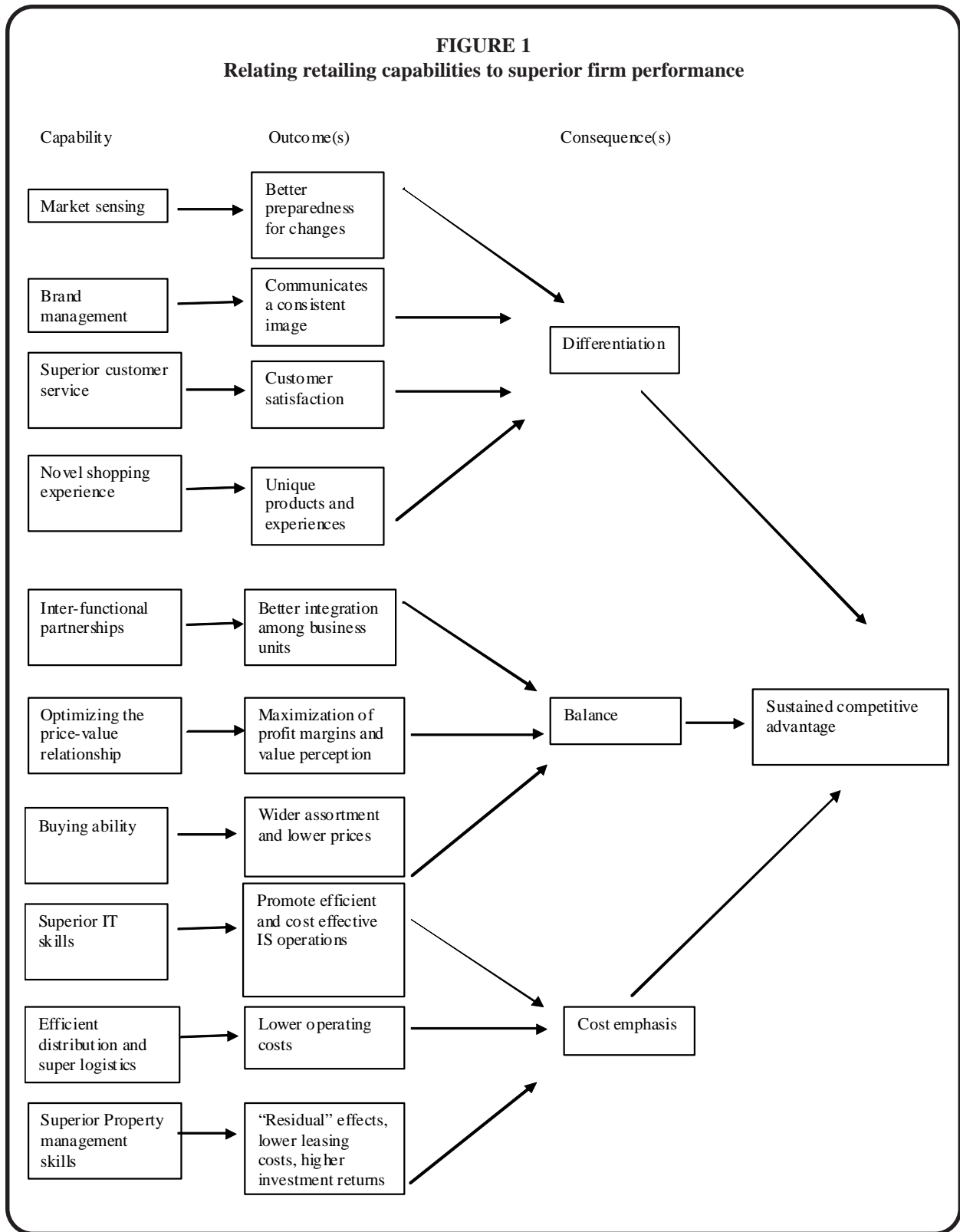
The third group of capabilities (*spanning*) indicates the ways in which retailers can achieve a sustained competitive advantage by balancing internally- and externally-focused considerations. Balance is marked by the ability to correctly weigh competitive forces, and to respond accordingly by emphasizing the right set of capabilities. The first of these capabilities, inter-functional partnerships, allows a retailer to optimize integration among its business functions/departments. The other capabilities in this group are linked to providing consumers the desired combination of products at minimal prices. Optimizing the price-value relationship allows retailers to charge the fairest prices, while a buying capability encourages a consistent image marked by a relatively better assortment and lower costs.

Next Steps

The framework summarized in Figure 1 implies that all ten capabilities may be equally important to retailers in achieving competitive advantage. However, this is an empirical question. For example, Hulland et al. (1997) studied a subset of the capabilities proposed here and found that all had an important impact on online retail sales. On the other hand, past work in the IS field suggests that some of these capabilities are likely to be more important than others in any given business context (e.g., Bharadwaj 2000; Wade and Hulland 2004).

The interviewed managers suggested that the proposed capabilities fall into two groups: primary and secondary/supportive. According to the managers, primary capabilities are those that are necessary and perhaps even

FIGURE 1
Relating retailing capabilities to superior firm performance



sufficient for retailers to obtain a sustained competitive advantage. These capabilities are buying ability, market sensing, optimizing the price-value relationship, brand management, and superior customer service. Note that most of these capabilities can be characterized as *outside-in*. Secondary and supportive capabilities are those that

build upon and integrate existing resources, improve efficiencies, and in general play a more indirect value creation role. In the absence of other resources, these capabilities may lead to superior short term performance, but do not necessarily translate into sustained competitive advantage. Hence, these capabilities serve a more

complementary role. The secondary capabilities are inter-functional partnerships, novel shopping experience, superior property management skills, efficient distribution and superior logistics, and superior IT skills.

The managers suggested that they are aware of many firms that have leveraged one or more of the primary capabilities to obtain a competitive advantage relative to others. Such competitive advantages, however, have not always translated into a sustained competitive advantage and thus have not fully insulated firms from longer term competition. The managers argued that this gap exists because retailers often try to develop and strengthen many capabilities at the same time, rather than focusing on a small subset. Recognizing this, the interviewees argued that retailers must emphasize only one or two primary capabilities, leverage this small set to establish a competitive advantage, and then add additional resources to

convert this short term advantage into a sustained one. Our speculation is that different retailers may be competitively successful by emphasizing different capabilities, and that key drivers of success may vary by retail sector. Clearly, empirical work designed to test such speculation is needed.

As for the secondary /supportive capabilities, it is not clear how they interact with the primary capabilities to influence competitive position. It appears that retailers may not need all of these capabilities in order to succeed, and they certainly do not appear to be primary drivers of competitive success on their own, but they may nonetheless have important moderating impacts on the effectiveness of the primary capabilities in leading to a superior and lasting competitive position (see Wade and Hulland 2004 for a similar discussion in the IS context). Again, this is an issue that invites future empirical investigation.

ENDNOTES

1 In this paper we view the terms “capabilities,” “competencies,” and “core competencies” as essentially synonymous. According to Sanchez et al. (1996), the only difference between these terms lies in the fact that core competencies are capabilities that achieve

competitive advantage. Because we explicitly discuss only capabilities that lead to superior performance, in this paper the terms can be considered interchangeable.

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ANGLO-AMERICAN ANIMOSITY TOWARD THE USE OF THE SPANISH LANGUAGE: AN EXPLORATORY STUDY

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SUMMARY

The Hispanic population in the United States is exploding. Hispanic-Americans represent the largest minority group residing in the United States, estimated at a population of 45.5 million in 2007 (U.S. Census 2008), and expected to grow to around 60 million by 2020 (Pew Research Report 2005). As a result of the pure size of this “majority minority” market, it is growing more and more important for firms to cater to the Hispanic-American market. According to Nielsen Monitor-Plus (nielsenmedia.com 2007), as of 2006 the Spanish-language media targeting Hispanics in the U.S. reached \$5.59 billion, which is a 14.4 percent increase over 2005 (Singh, Baack, Pereira, and Baack 2008). The Hispanic-American population purchasing power is estimated to shoot past \$1.2 trillion in the next few years (Dobson 2007).

While marketing efforts toward the Hispanic-American, using the Spanish language, will have obvious positive effects on firms that successfully do so (Koslow, Shamasani, and Touchstone 1994), there may be some negative side effects that could result. Marketing attempts that do not focus on Anglo-Americans could result in the unintended development of Anglo-American consumer animosity toward those firms that attempt to target Hispanic-American markets. The current paper uses a review of the consumer animosity literature and an exploratory study using a projective technique to examine how a firm’s attempt to target the Hispanic-American market could result in the unintended side effect of Anglo-American animosity toward the Hispanic culture and the firm. The contribution to the literature is that while the positive effects of Hispanic-American marketing have been researched, the potential negative effects have not been studied. Also, the current study contributes to consumer animosity literature by investigating animosity created by the inclusion or welcoming of a minority culture into the majority culture. Finally, previous consumer animosity literature has indicated concern for social desirability bias which may have skewed results (Riefler and Diamantopoulos 2007). Thus, we introduce the use of a projective technique to solve the issue.

Regardless of the cause of the animosity, previous literature demonstrates that a firm’s sales can be damaged by consumers’ animosity toward the firm’s home country (Riefler and Diamantopoulos 2007). Klein et al. (1998)

was the first study to link consumer animosity to the willingness of the consumer to purchase products from the nation for which the animosity is focused. Consumer animosity research has also begun to look at intra-border animosity instead of focusing only on national level indiscretions that lead to animosity (Hinck 2004; Shoham 2006).

To carry out the study a projective technique is used. The technique used is a modified version of a Thematic Apperception Test (TAT) procedure (Aronow, Weiss, and Reznikoff 2001). This technique is used in order to get participants to project their true feelings about an issue or beliefs about the self onto a character in a story without being concerned with social repercussions (Aronow, Weiss, and Reznikoff 2001). The technique requires the participant to subjectively interpret a picture and create a story, which involves borrowing from one’s own experiences, feelings, and conflicts (Worchel and Dupree 1990). Therefore, when dealing with a sensitive subject, such as a person’s dislike of another person, party, or culture, a projective technique is appropriate. The participants were Midwestern Anglo-Americans. Three pictures, each with a different dialog bubble originating from the receiver of the telephone, were developed. The pictures depict a Caucasian man on the telephone in front of a computer. The first picture has a dialog bubble in English only. It reads, “Welcome. We Appreciate your business.” The second picture used English as the dominant language with a dialog bubble with English first and Spanish second. It reads, “For English Press one, Para Español presione dos.” The third picture used Spanish as the dominant language with a dialog bubble with Spanish first and English second. It reads, “Para Español presione uno, For English press two.” Respondents were shown one of the versions of the picture and asked to write a story about what was going on in the picture. Coders then used the method outlined in Holland and Gentry (1999) to interpret the respondent stories. The method is used to study responses to intercultural accommodation attempts. Previously, the method was used to interpret whether or not intercultural accommodation attempts result in a positive response from those that the accommodation attempt is intended. In the present study, we are using the method to interpret the response from those that the accommodation attempt (here the use of Spanish) is not intended. The simple technique should uncover the themes behind the development of consumer animosity (Aronow et al. 2001).

The projective technique will help explore the point at which a consumer moved from the latitude of acceptance or non-commitment to the latitude of rejection (Sherif and Hovland 1961). In the context of the use of the Spanish language in marketing attempts, the themes uncovered will shed light on what is actually causing the development of consumer animosity.

The results indicate that there is a significantly higher frequency of themes of animosity directed toward the use of the Spanish language/Hispanic culture when respondents see the Spanish Dominant picture versus the English Dominant picture ($\chi^2 = 8.231, p < 0.05$). In other words, a significantly higher number of respondents reject the accom-

modation attempt when the Spanish language became dominant to the English language. The most prevalent theme of animosity resulted from a feeling that one's culture is being encroached upon. The findings suggest the "Encroachment of Culture" theme was an often described reason to the development of animosity. Multiple responses indicated that the Hispanic/Spanish/Mexican culture was encroaching on the American culture. This theme was especially prevalent to respondents that viewed the Spanish dominant picture. These findings suggest that while there are obvious positive outcomes to marketing toward the growing Hispanic market in the United States, there may be unforeseen, negative side effects to those marketing attempts. References are available upon request.

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EFFECT OF PERSONALITY TRAITS ON GLOBAL AND NATIONAL IDENTIFICATION AND ATTITUDE TOWARD THE AD

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SUMMARY

Individuals tend to identify themselves as belonging to social groups that serve in part to define their self-concept and establish a social identity. An individual's social identity not only helps to define the self, but also prescribes how one should think, act, and feel, as well as provide reference for self-evaluation. In the context of international marketing, one such social identity, identification with the world as a whole, has been studied from a variety of perspectives that attempt to capture some sense of global orientation, e.g., cosmopolitanism, global identification, and consumer world-mindedness. The study of some type of global orientation has become more relevant as the increasing connectedness of the social, political, and economic environments, i.e., globalization, has heightened awareness of other cultures and worldwide interdependence. The broad objective of this study is to explore the influence of personality traits on individuals' global and national identification and offer a test of McCrae and Costa's 1996 Five-Factor Theory of Personality that personality traits directly affect an individual's self-identity.

In the Five-Factor Theory of Personality model the big five traits are included as one important part of a system of influences on overall personality. One key element is referred to as characteristic adaptations. Characteristic adaptations are acquired skills, habits and attitudes. Some examples of characteristic adaptations include: acquired competencies like languages, attitudes and beliefs such as religious beliefs and political attitudes, and learned behaviors like habits and hobbies. More importantly characteristic adaptations include self-concept or the identity that provides a "sense of purpose and coherence to life." It is this component of the Five Factor Model of Personality that directly corresponds to global and national identities. Of the postulates advanced by McCrae and Costa (1996) selective perception suggests that information is selectively represented in the self-concept in ways *consistent* with personality traits. Thus, we seek to empirically verify this theory by testing the link between personality traits and global / local identities.

In addition to testing the Five Factor Model of Personality, we examine a managerially relevant consequence of global- and local-identification. Specifically, we examine attitude toward ads imbued with either global or local imagery. This is relevant because identifying a creative strategy that is compatible with and appealing to the target market is important to the success of an advertising campaign. As international marketers expand the number of markets they serve, many simultaneously seek to standardize the marketing mix in order to take advantage of economies of scale. Advertising is one component that to varying degrees can be standardized across markets, and would be a suitable approach for a target market defined as having a global identity. However, knowing what appeals to a target market defined as having a local/national identity is equally important even though the opportunity for advertising standardization may be more limited than for a global identity segment. Given that social identity in part defines an individual's self-concept that serves to specify one's attitudes, emotions and behaviors and individuals develop actions and attitudes consistent with their identity in order to confirm and assert their identities, then those with a global identity would have a positive attitude toward ads projecting global imagery, while those with a national identity would have a positive attitude toward ads projecting national imagery.

The model is analyzed by estimating a structural equation based on a convenience sample of 391 respondents from the US. The results of the analysis support McCrae and Costa's Five Factor Model of Personality. Although we did not a priori hypothesize the direction of relationships between the five personality traits and global and local identities, we did find significant relationships between each of the five traits and at least one of the identities. Furthermore, global identification was positively related to attitude toward ads imbued with global imagery; likewise, local identification was positively related to attitude toward ads imbued with local imagery. Therefore, the results of the study empirically verify the Five Factor Model of Personality in the context of global and local identities and demonstrate the effect that identities have on attitude toward ads imbued with either global or local imagery.

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EXPORTERS' FOREIGNNESS-INDUCED COGNITIVE DISORIENTATION

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SUMMARY

Foreignness-induced problems refer to the issues that exporting firms face when dealing with international markets. In the exporting literature, this phenomenon is usually assessed through the concepts of psychic distance or cultural distance. An examination of the literature shows that the psychic distance construct fails to capture the essence of the phenomenon of foreignness as exporters perceive it, resulting in a lack of explanation about the impact of foreignness on exporting relationships. Additional operationalization and measurement problems in the existing empirical work lead to inconsistent and doubtful findings.

To address this problem, we first conduct a qualitative study among European exporters. The results support a conceptualization of foreignness issues as a cognitive disorientation that affects firms operating in distant markets. Cognition theory provides a strong theoretical base to generate hypotheses about the impact of foreignness on relational phenomena in export dyads.

Then, using data from two surveys among European exporters, we develop a second-order formative scale to assess foreignness-induced cognitive disorientation (FICD) and test its impact on exporter trust and commitment. Finally, using longitudinal data we check the impact of FICD on the survival of export relationships.

Foreignness Issues in Exporter–Importer Relationships

Most empirical articles that examine the impact of foreignness on exporter–importer relationships incorporate the construct of psychic distance in their analysis. Multiple conceptualizations coexist. However, it is striking that with one exception (Chelariu et al. 2006), none of the conceptualizations addresses the psychological nature of psychic distance. Thus, the construct is defined by its antecedents and/or consequences without a hint of the true nature of the phenomenon.

FICD Formative Instrument Development

We first conducted a qualitative study among European exporters to find the stimuli of FICD and clarify the true nature of the phenomenon. The first dimension of the FICD stimuli involved predominantly cultural issues. The

second dimension of the FICD stimuli involved issues pertaining to the business environment and practices. The analysis of the data shows that foreignness results in exporters' cognitive disorientation. Using categorization theory (Markman and Ross 2003) terminology, it can be said that FICD disturbs the classification process by which exporters determine that a phenomenon is a member of a known category, leading to a wrong classification of this phenomenon. In turn, this failed classification results in inadequate predictions concerning the outcomes linked to the phenomenon.

Against this groundwork, we propose the following definition of FICD: *Foreignness-induced cognitive disorientation is an inability to comprehend business related phenomena that stems from stimuli such as issues in the culture and the business environment of a foreign market. FICD makes it difficult for a firm to understand a foreign market, manage business relationships, and operate in the market.*

Drawing on the results of the qualitative study, we use the causal factors of FICD and its immediate consequences to develop a second order formative measurement instrument of FICD (see figure 1). We developed the instrument using SmartPLS 2.00 software (Ringle, Wende, and Will 2005) because it is the only technique that allows for the identification of second-order formative measures. For this development, we conducted two surveys among French and Slovene exporters. They yielded a total of 283 questionnaires for France and 224 for Slovenia in the data set. The response rate was 27 percent for both countries. Firms belonged to multiple industrial categories, and 80 percent were small and medium-sized enterprises (less than 250 employees).

The manifest indicators of the instrument and their scores are available from the authors.

Impact of FICD on Export Relationships

FICD acts as a noise that disrupts the appropriate assessment of the empirical cues on which the evaluation of foreign partners is based. Thus, we generate the following hypotheses:

Hypothesis 1: FICD has a negative impact on exporter trust.

Hypothesis 2: FICD has a negative impact on exporter commitment.

Hypothesis 3: FICD has a negative impact on exporter perception of importer commitment.

The results of our empirical tests support H1–H3; we summarize them in Table 1.

Because FICD disrupts the establishment of close social relationships between foreign exchange partners, we suggest the following:

Hypothesis 4: FICD is associated with a lower survival probability of export relationships.

To H4, we conducted a follow-up survey of our French and Slovene respondents two years after the initial survey. A total of 144 French firms (105 Slovene firms) completed the second survey. Of the French firms, 22 (11

TABLE 1
Impact of FICD on Exporter – Importer Relationships

Hypothesis	Link	Data	Path Coefficient	<i>t</i> -value*		
H1	FICD → trust	French and Slovene	-.17	-2.58	PLS	
			-.36	-5.72		
H2	FICD → commitment	Slovene	-.12	-1.97		
H3	FICD → perception of importer commitment	French	-.17	-3.16		
			Estimate	<i>p</i>, odds ratio		LOGIT
H4	FICD → survival	French and Slovene	-.34	.08, 1.96		
			-.34	.08, 1.97		
—	Trust → survival	French and Slovene	.69	.01, 8.87		
—	Commitment → survival	Slovene	.37	.07, 2.02		
—	Perception of importer commitment → survival	French	.48	.03, 3.50		
—	Perception of importer commitment → survival	French	.04	.44, .02		

Slovene firms) reported that the focal relationship had been terminated (15% of respondents in France, 11% in Slovenia), and 122 French firms (94 Slovene firms) indicated that it was continuing. We used Logit in SPSS by including EFA (exploratory factor analysis) factor scores as independent variables, with the binary dependent variable being the survival/dismissal of the export relationships. We used these factors for the Logit, which indicated a negative influence of FICD (see Table 3).

Conclusions

The main contribution of this research lies in the conceptualization, operationalization, and measurement of FICD and the demonstration that FICD causes major disruptions in cross-border business relationships. References are available upon request.

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GENERATIONAL ANALYSIS OF HISPANICS IN THE UNITED STATES: THE ACCULTURATION TO A PUFFERY-LADEN WORLD

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SUMMARY

Several studies have investigated the determinants of effective advertising tailored to bilingual and bicultural individuals. For example, recent research has explored bilingual and bicultural individuals' reactions to language choice and its ad effectiveness (Noriega and Blair 2009; Puntoni, de Langue, and van Osselaer 2009; Luna, Ringberg, and Peracchio 2008). Although the market's preference for the native language, the second language, or both is an essential consideration in the design of ads, other dimensions of culture may also have an impact on consumer preferences and ad effectiveness. Often times, bicultural individuals are exposed to media directed to two different cultures. These individuals may be familiar with different advertising styles which may be different in idiosyncratic cultural appeals (Gilly 1988). Therefore, it is necessary to address this issue in a holistic manner by examining some higher-level culture-related variables such as socialization and acculturation.

In this paper, we investigate how individuals may adapt and react to new advertising environments. We conduct our research within the Hispanic American of Mexican origin (heretofore, Mexican Hispanic) population in the United States. In order to understand the acculturation process we chose to investigate consumer adaptation to one important and, perhaps, ubiquitous element associated with U.S. advertising: puffery. Advertising puffery is defined as an "exaggeration reasonably expected of a seller as to the degree of the quality of a product, the truth or falsity of which cannot be precisely (measured) determined" (Federal Trade Commission 2004). We chose the study of puffery as a mechanism to investigate the acculturation, assimilation, and socialization of the Mexican national into the Mexican Hispanic in the context of advertising in the U.S. for two reasons: (1) the term puffery does not exist in Mexico, and (2) while puffery is legal in the U.S., exaggeration in advertising is illegal in Mexico. Therefore, our paper addresses the following research questions: (1) Is the use of puffery an effective managerial strategy when targeting Mexican Hispanics? (2) How do new Spanish-speaking immigrants or the recently acculturated Mexican Hispanics react to puffery-laden advertisements? and (3) What is the

effect of puffery on the purchase decision process of Mexican Hispanics?

Park (1914) defined acculturation as a process immigrants go through once displaced from their home country (Padilla and Perez 2003). Acculturation is learned from personal contact, accommodation, and assimilation. Accommodation is attributable to language and lifestyle (Park 1914; Padilla and Perez 2003). Acculturation suggests a transition over time to the dominant U.S. culture. In fact, this transition process may explain differences in consumer purchase decision-making within the Mexican Hispanic community in the U.S.

We conducted an exploratory study as a means of investigating the relationship between acculturation and puffery-laden advertisements. We compared the evaluations of puffery-laden ads (i.e., attitudes toward the ad and purchase intentions) between Mexican nationals and Mexican Hispanics. Specifically, we expected that when exposed to puffery-laden ads, Mexican nationals, due to their lack of experience with verbal puffery, may be more susceptible to the puffed verbal claim(s), thus increasing their attitudes toward the ad and purchase intentions.

For the exploratory study, we recruited seventy-three students enrolled at a Hispanic majority university located in the southwestern United States: 25 Mexican nationals and 48 Mexican Hispanics. Of the latter group, 35 were first generation and 13 were second generation Mexican Hispanics. Each group was asked to view and evaluate the same advertisement consisting of a puffery-laden description of a weight-loss product. A manipulation check shows that the ad was equally evaluated as falling into the definition of puffery.

The results show that an advertisement containing puffery claims was evaluated differently across groups of consumers of Mexican origin at different acculturation levels. Specifically, Mexican nationals rated ads containing puffery more favorably than the first and second generation Mexican Americans. There were no significant differences between the first and the second generation. In addition, Mexican nationals and second generation Hispanics reported significant higher purchase intentions than the first generation of Mexican Hispanics.

These results should be taken with caution due to the small sample size of second generation Hispanics.

In conclusion, our preliminary findings suggest that advertising to Hispanics is much more complex than it is portrayed in the literature. Factors other than language must be closely examined to assess their impact on ad effectiveness in the Hispanic market. Mexican nationals living in the U.S. appear to be behaving in a manner similar to what we would typically expect Mexicans in Mexico to behave. This may suggest that although these consumers live in the U.S., we cannot assume that they

behave more like typical American consumers. As a consequence, we put forth three propositions for further investigation: (1) develop a new model of Hispanic advertising, (2) undertake a more detailed investigation and evaluation of content and style differences and the effectiveness between U.S.-originated vs. Mexican-originated advertising materials targeting Hispanics in the U.S., and (3) investigate the possibility of using the acculturation and socialization processes as means of developing new bases of segmenting this emerging market. References are available upon request.

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FOSTERING SUSTAINABLE CONSUMPTION THROUGH CONSUMER EMPOWERMENT

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ABSTRACT

It is generally agreed by the international community that current lifestyles by affluent consumers are not sustainable. Concurrently, there is an increasing perception that consumers themselves can make a difference with regard to the sustainability of their consumption pattern. Thus, what can be done by both companies and governments to promote the evolution of concerns into actions? Our conceptual model proposes that the transition of concern over sustainability to sustainable consumption practices is based on the promotion of self-efficacy, through the reduction of ambivalent feelings by enforcing knowledge-based trust between institutions and individuals. Keywords: Consumer Behavior, Sustainable Consumption, Consumer Empowerment.

INTRODUCTION

In work-based societies, affluence is a reality that has become the main purpose of people's lives. The primary purpose of consumption is no longer just to serve basic human needs (Princen 2002), but instead it is the pleasure dividend to which previous efforts have been directed (Ransome 2005). Objects convey desired self-images, meeting status requirements (Etzioni 2004), reflecting a sense of identity and expressing social relationships (Schor 1998). Still, many materialistic individuals suffer from performance anxiety and depression (Hirschman 1997) and not only materialism is negatively associated with life satisfaction (Burroughs and Rindfleisch 2002), but also highly materialistic people report a lower subjective well-being due to their own disappointment (La Barbera and Gürhan 1997). Some individuals are realizing that inattentive consumption is not contributing to a healthy self and decide to adopt simpler ways of living (Schor 1998; Zavestovski 2002). They struggle against threats, such as pollution, overpopulation, waste, dehumanization and stress (Cherrier and Murray 2002; Zavestovski 2002; Bekin 2005) and this critical reflection gives them independence from social chains (Cherrier 2007), facilitating the adoption of ethical consumption practices (Shaw and Newholm 2002).

Consumers are the answer to driving sustainable production. Cheering both sustainable production and consumption represents long-term economic growth without forgetting environmental and social needs.

Sustainability is therefore one of the main topics in the world agenda. Nevertheless, more than feeling concerned over the environment the key matter is to understand what can be done to translate individual intentions into actions. Linking values with intentions to buy sustainable products as specified in the value theory of Schwartz (1992) plus the constructs "consumer power" and "animal welfare" proposed by Shaw (2005) has the intent to develop a sustained approach at communication strategy levels, to be followed by large companies and governments. By appealing to the specified core values, consumers may become more aware of sustainability and, in consequence, their concerns over the several problems that the planet is facing would rise. Although several other factors influence purchase in real life situations, we propose that promoting self-efficacy would consolidate the adoption of sustainable consumption practices. This can be achieved by reducing ambivalent feelings toward sustainable produced goods: the lower the ambivalence, the higher self-efficacy is felt. Consumers start to feel empowered by casting a vote every time they spend their money, choosing the best alternative available, not only in functional terms but also ethically speaking. Opportunities in these areas are emerging and executives worldwide believe that the demand for more ethically produced products will be a critical matter in the next years, according to the third McKinsey Quarterly survey on business and society (2008).

FROM GREEN TO SUSTAINABLE

From the current economist thought, consumption is the main driver of economy. The demand function is seen as a blend of preferences and choices, which are only understandable through market purchases. On the other side, production (process of supplying consumers with what they demand) has the focus of political attention. When a problem arises in a production-based, consumer-oriented economy, adjustments are expected at production side, turning the operation more efficient, improved, or reducing the impacts, while consumption is treated as a passive process (Princen 2002). Improved consumption efficiency is increasingly difficult to achieve to the extent that commodization drives the evolution of an economy. As commoditization drives innovation, goods that were once repairable no longer are. Products are not designed for reuse, and therefore recycling programs must first transform the material they collect into usable materials again, a process that uses additional raw materials and

energy and produces considerable pollution (Manno 2002; Clapp 2002). Looking at waste disposal through a consumption lens highlights the growing problem of distancing. Wastes are being separated from end consumers and both post consumer and pre consumer wastes are traveling all around the world, with detrimental, environmental and social impacts (Princen 2002).

The new focus on consumption and environmental concerns, such as global warming and associated aspects like health concerns, has improved awareness of what is called environmental marketing (McDonald and Oates 2006) and it has taken many turns over the last four decades (Bamberg 2003; Kilbourne 2008). The first operationalization approaches reflected this broad understanding of environmental concern (Maloney and Ward; 1973). Previous centered attention of research includes identifying environmentally concerned consumers (Alwitt and Pitts 1996; Kinnear et al. 1974), green marketing strategies (Menon and Menon 1997), socially responsible consumption (Fisk 1973), energy conservation (Leonard-Barton 1981), and sustainable consumption (Kilbourne et al. 1997) and also the impact that environmental concern has on people's behavior in specific environmentally related domains like recycling, energy saving, buying environmentally friendly products or travel mode choice (Laroche et al 2001; Minton and Rose 1997; Roberts and Bacon 1998; Vining and Ebreo 1992).

Most academic researchers view the perception environmental knowledge and values more as antecedence than real dimensions of environmental concern. Moreover, the behavior itself is excluded from the conceptual definition of environmental concern (Bamberg 2003). A more precise definition of environmental concern was needed because this expression is widely used to refer to the whole collection of environmentally associated emotions, perceptions, knowledge, attitudes, values and behaviors. Now, environmental concern is acknowledged as a general attitude, which centers on the cognitive and affective evaluation of the object environmental protection (Gilg 2005).

More than just protecting the environment, an extensive range of ethical concerns started to affect the consumers' buying patterns, namely oppressive regimes, human rights, labor relations, land rights, the environment, irresponsible marketing, fair trade, nuclear power, armaments, animal testing, factory farming and political donations (Newholm and Shaw 2007). In response to the ethical concerns of consumers, corporate social responsibility has also emerged as an important dimension due to considerations such as increased competitiveness and improved stock market performance (Bansal and Roth 2000; Drumwright 1994; Russo and Fouts 1997). Several researchers have also explored the relation between ethical consumption and fair trade as a new business model (Newholm and Shaw 2007). Fair Trade offers a model that

reconnects production and consumption via an innovative supply chain model which distributes its economic benefits more fairly between all stakeholders. In marketing terms this is the most successful and high profile element of ethical consumption (Nicholls and Opal 2005).

Together with the concept of ethical consumption, the notion of sustainable consumption is taking place. Sustainability extends to all dimensions of the world and has commonly been referred to the 3 E's (economic, environment, and equity), the 3 P's (people, planet, and profit), and the triple bottom line (environmental integrity, economic prosperity, and social justice). Developments that are sustainable were defined as those that "meet present needs without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development 1987). According to the UNESCO, sustainable consumption asks us to consider issues that go beyond the individual when we shop, including not only the ecological impacts of what is bought but also the equity, human rights and political dimensions of sustainability in the production and consumption processes.

In order to encourage sustainable consumption it is important to build an advanced knowledge of consumers' attitudes and behaviors. Individuals have a passive view of sustainability, several behavioral biases and different informational requirements which means that policies that aim to be successful must focus on universal values, attitudes and behaviors (OECD 2006).

The Influence of Values on Concern over Sustainability

Values are guiding principles that determine what is important to us (Rokeach 1973). They have been defined as "enduring beliefs that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state" (Rokeach 1973, p. 5). Values are thought to be relatively stable in adults and to motivate people's behavior (Kahle et al. 1999; Rokeach 1973; Schwartz 1992). Following Schwartz and Sagiv (1995), a distinction should be made between personal values and social values. A personal value is defined as "an individual's concept of a trans-situational goal that expresses interests concerned with a motivational domain and evaluated on a range of importance as a guiding principle in his/her life" (Schwartz and Bilsky 1987, p. 553). Furthermore, personal values can clarify, validate, and create behavioral outcomes (Schwartz and Sagie 2000). Social values define the desired behavior or end-state for a society or group, whereas personal values define the desired behavior or end-state for an individual. It should also be emphasized that social and personal values do not exist and evolve independently. Social values may have a strong influence on the behavior and the decision making of the individual consumer.

This motivational and goal-driven nature of personal values differentiates personal values from other dispositions such as personality traits (Rokeach 1973). Although one can expect a great number of congruencies between values and personality traits, values are distinct from personality traits because personal values represent an individual's intentional goals and intentional commitments (Bilsky and Schwartz 1994). Consumer attitudes are often acknowledged to mediate the link between consumer values and behavior (Allen et al. 2002) and the relation of values, attitude and behavior can be expressed as a hierarchical value–attitude–behavior model.

What would thus influence the concern over sustainability and further adoption of sustainable consumption practices? Values are central to consumer decision making. According to the Schwartz theory of values (Schwartz 1992), values can be organized into an order of importance, being classified by the needs and goals that they serve. Schwartz (1992) found 10 motivationally distinct value types that are universal: power, achievement, hedonism, stimulation, self-direction, universalism, benevolence, tradition, conformity and security. The values are organized around two bipolar dimensions, which are openness to change vs. conservation and self-enhancement vs. self-transcendence.

Numerous studies have linked ethical or sustainable behavior to personal values (Vermeir and Verbeke 2005). Vitell et al. (2001) found that consumers are more guided by principles or values (deontology) than by consequences (teleology) when making ethical decisions.

According to Newholm and Shaw (2005), the universalism values, with their emphasis on pro social concern, were considered most important in ethical consumer decision making. Also, the importance placed upon self-direction values, with an emphasis on independent thought and action, supports findings by Shaw et al (2000), where it could be suggested that the acquisition of information is driven by needs for control and mastery inherent in self-direction values. We propose that values are the trigger for concern over sustainability felt by consumers (see Figure 1).

Proposition 1: Values are the guiding principles which influence concern over environment.

Power values are the less relevant guiding principles for ethical consumers due to their requirements of status differentiation. Also, dominance and control needs conflict with universalism values such as social justice. Shaw (2005) argues that while the power values provided by Schwartz (1992) emphasize the attainment or preservation of a dominant position within the more general social system, 'consumer power' on the other hand emphasizes the active demonstration of how power can be used

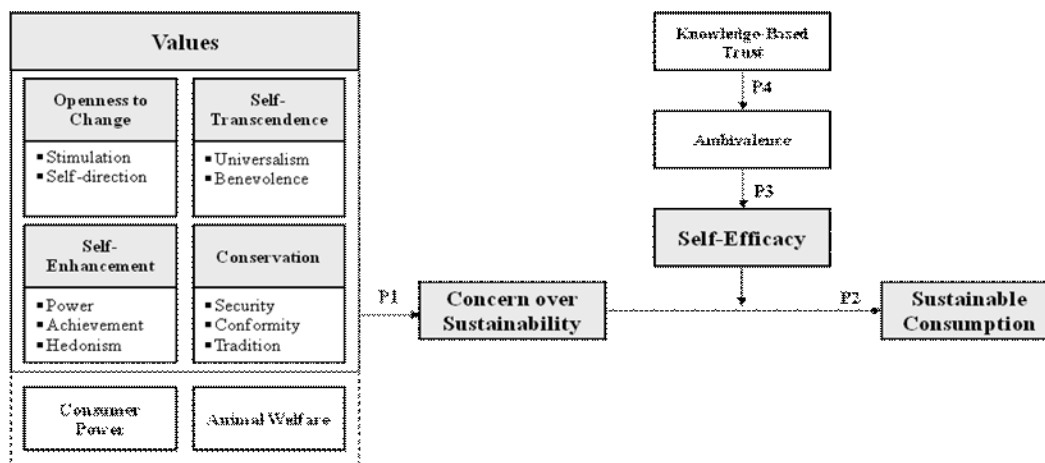
ethically within the context of consumption. Shaw (2005) suggests the addition of "animal welfare" to the value model, which is supported by previous research on issues of ethical consumption such as vegetarianism and organic farming. She also proposes the adding of the value "consumer power" as it means to utilize one's control and dominance as a consumer to the benefit of others and for the protection of resources through the consumption of more ethical products (Shaw and Clarke 1999).

Getting Into Action: From Concern Over Sustainability to the Adoption of Sustainable Consumption Practices

It is often argued that consumers themselves can make a difference with regard to – and should therefore carry their fair share of the responsibility for – the sustainability of their consumption pattern. This is based on the observations that private consumption accounts for a large share of resource use and of the emission of pollutants to the environment, and that consumers do have some discretionary power with regard to the size of their individual contribution to resource use and pollution (Thøgersen 2005). An empowered consumer is the one who has access to information and competition, using the available information and taking advantage of the competitive market by being knowledgeable, confident, assertive and self-reliant (McGregor 2005). And the more people are encouraged and enabled to do things and to think for themselves, the more their abilities and competence increase and the more self-reliant they become (Berenbaum 1995).

In the psychology literature empowerment is considered a motivational construct. Power and control are used as motivational and/or expectancy belief-states that are internal to individuals. Individuals' power needs are met when they perceive that they have power or when they believe they can adequately cope with events, situations, and/or the people they confront. In reverse, individuals' power needs are frustrated when they feel powerless or when they believe that they are unable to cope with the physical and social demands of environment (Conger 1988). Power in this motivational sense refers to an intrinsic need for self-determination (Deci 1975) or a belief in a personal self-efficacy (Bandura 1986). Under this conceptualization, power has its base within an actor's motivational disposition. Any strategy or technique that strengthens this self-determination need or self-efficacy belief of individuals will make them feel more powerful. Expectations of personal efficacy determine whether an individual's coping behavior will be initiated, how much effort will be expanded, and how long that effort will be sustained despite disconfirming evidence (Alex et al. 1998). Besides basing their behavior on the effects of contingent reinforcement, individuals also act on their self-efficacy judgments of how well they can perform the behaviors necessary to receive the consequences. Behav-

FIGURE 1
Proposed Conceptual Model: From Values to Actions



ior can then be predicted not only on the basis of contingent consequences, but mainly on the basis of personal self-efficacy.

Strategies that promote a feeling of empowerment and self-efficacy may also have a positive effect on consumers' motivation to make an effort (Thøgersen 2005), and adopt further sustainable consumption practices as proposed in proposition 2:

Proposition 2: The higher the self-efficacy perceived by the individual, the higher the individual would translate one's concern over sustainability into sustainable consumption practices.

Nevertheless, time, finances, cognitive capacity, and knowledge are some of the constraints that individuals find when changing to a sustainable lifestyle. The effort also depends on the consumer's motivation, and not all consumers are equally motivated to change their lifestyle in a sustainable direction. Making the consumer empowered will have an impact on how hard the individual will struggle to fulfill his or her responsibilities (Thøgersen 2005). A person's feeling of empowerment has implications for how hard one will strive to solve environmental and ethical problems through his or her own behavioral effort (Ajzen 1988; Guagnano et al. 1995). Policy that increases a feeling of empowerment (or self-efficacy) may also have a positive effect on consumers' motivation to make an effort (Pelletier 2002), thus producing activation that goes beyond that directly attributable to loosened constraints.

Various claims exist of the internet as a tool to empower consumers (Rha et al. 2002) and online information provision is the key to this affirmation. Consumers

have now access to a substantial body of knowledge and information with lower search costs. Additionally, through the internet, consumers not only learn how to evaluate a product but can also access the evaluations of other consumers. The use of information and communication technologies are emerging as a useful aid to empower consumers, as it enables consumers to search for better value propositions (Pires et al 2006). This facilitates choice and risk reduction that in turn enables consumers to exercise increasing control over their consumption activities. Consequently, it is believed that consumers are abandoning their former passive roles (Harrison 2006).

The importance of making this argument is that sustainable consumption as a form of individual empowerment is not dismissed as a passing trend. Individuals have more buying power than in the past and some are keen to actively use it. Consumers will also have less tolerance for products and companies that do not behave ethically and equally successful companies will be those who present a realistic response to their responsibility as corporate citizens (Shaw 2006).

However, some individuals may feel ambivalent feelings toward ethical consumption practices. Stated another way, ambivalence is the experience of having thoughts and emotions of both positive and negative valence toward someone or something. As it is psychologically unpleasant, this condition can result in procrastination or avoidance, or to deliberate attempts to resolve the ambivalence. Individuals feel less uncomfortable if the situation does not require a decision to be made. Maximum ambivalence occurs when favorable and unfavorable responses are maximally strong (Visser et al. 2006). Attitudinal ambivalence has been treated as a measure of attitude strength with lower levels of ambivalence being associ-

ated with strong attitudes. Attitudes are said to be strong to the extent that they persist over time, resist pressure to change and have an impact on judgment and behavior. Strong attitudes should be more likely to predict behavior than weak attitudes. In this way, high levels of ambivalence attenuate attitude behavior consistency (Conner et al. 2002). Ambivalence is a widespread phenomenon; hence, a key strategy is the reduction of this ambivalence to enable individuals to choose change. In order to change behaviors, individuals must be ready, willing, and able (feel confident) to change (Miller and Rollnick 1991).

The less ambivalent feelings a consumer feels the more coherent will the behavior be. But, how can ambivalence be reduced to its minimum? Trust is not only important to interpersonal and commercial relationships but it can also aid to reduce ambivalent feelings. Trust is a widely studied construct and has been identified in diverse types, not only in the marketing fields, but also in sociology, economics and social-psychology. Here we propose the construct of knowledge-based trust: actors get to know one another and are able to predict what to expect and how the other party will behave (Ardichvili et al. 2003), based on predictability, reliability, and fairness. Knowledge-based trust is also termed as information-based trust (Panteli and Sockalingam 2005) and is based on information rather than fear of punishment or rewards of being trustworthy (Lander et al. 2004). Ratnasingam (2005) argues that knowledge-based trust refers to the subjective probability that the underlying technology infrastructure and control mechanisms are capable of smoothing the progress of transactions according to its confident expectations. In order to promote the adoption of sustainable consumption practices, ambivalence should be reduced to its minimum, so that higher self-efficacy is achieved, as proposed in propositions 3 and 4:

Proposition 3: Lower levels of ambivalence promote higher self-efficacy.

Proposition 4: The higher the knowledge-based trust the lower will be the ambivalent feelings toward sustainable consumption practices.

Consumers cannot be expected to gather the necessary information to make the correct decision. Individuals use the limited and sometimes conflicting information they gather about companies and try to use it at the marketplace. In addition, individuals may experience personal and/or social conflicts, since performing the other roles also demand time and effort (Valor 2008). Thus, in terms of sustainable consumption, gaining access to clear and trustworthy information is an extremely relevant factor in the purchase decision process. Studies show that few consumers have a high awareness or comprehension of the real sustainable characteristics of

products. The advantages of sustainable products are frequently inadequately communicated to consumers, so that they are unable to make informed purchasing decisions in harmony with their budget and/or conscience. Because sustainability is an attribute based on confidence, the less information available and/or the more complex and contradictory this information is, the more uncertain consumers may be regarding what products to choose (Vermeir and Verbeke 2006).

SUMMARY, IMPLICATIONS, AND FURTHER RESEARCH

Even though public interest in sustainability is increasing and consumer attitudes are mainly positive, behavioral patterns remain inconsistent with attitudes. Our main interest is dedicated to the decision-making process and we propose a conceptual model which aims to understand the adoption of ethical consumption practices. A lot can be done in this area and we thus suggest some avenues for future research.

We propose the creation of a unified construct such as concern over sustainability, more broad than the concept of environmental concern, which integrates concerns over the biosphere, the geosphere, and the sociosphere. Concepts such as knowledge-based trust, ambivalence and self-efficacy and their influence on ethical consumption were never analyzed. There is the need to explore the effects on ambivalent feelings and perceived self-efficacy of an improvement of knowledge-based trust on large corporations (for instance, through the creation of reliable labeling by independent institutions).

Behaviors will only take place if the individual is concerned and this concern is influenced by the core values proposed by Schwartz (1992) and the specific values suggested by Shaw (2005). This proposition itself needs to be empirically tested in different contexts. Also, it would be interesting to explore if effective communication strategies focused in the proposed core-values would have impact on concern over sustainability. By explaining what the key components are we intent not only to improve the concern over sustainability but most of all to understand and foster the adoption of ethical consumption practices.

In the information and technology era that we live in, consumers are feeling empowered by higher, faster and more reliable levels of information and they cast a vote every time they spend their money, choosing the best alternative available in both functional and ethical dimensions. Consumers are becoming more informed and criteria based on sustainability are arising during their decision-making process. This transformation opens a wide range of new opportunities for companies who are acting ethically and can become the new players on the market.

Considering that each individual has limited temporal, informational and economic resources to spend during the decision-making process, companies who provide more information and gain consumers' trust are achieving not only a competitive advantage but also fostering the adoption of sustainable consumption practices.

Since consumer power arises from the ability of one guiding its consumption choices in order to award companies which comply with ethical consumption requirements, companies must share information which enables one to evaluate a company's performance according to sustainable standards. Making this assessment possible to the consumer in a simple and clear way will promote empathy between consumers and companies. Therefore, the features which are critical for the usefulness of this type of information comprehend (i) comparability across sectors, companies and countries, (ii) reliability assured by independent entities, (iii) compulsory disclosure by all

market players, and (iv) accessibility to the public. Alongside, governments support for this scheme contributes to its credibility and continuity.

Sustainability is a broader issue that goes beyond consumer behavior, involving economic, environmental, and social dimensions, and marketing has an opportunity to contribute significantly to the transformation of the society as we know it today. The density of this subject entitles a different perspective to marketing research, among the multiple fields in which it evolves. Sustainability concern is a main driver for the future reasoning of consumer behavior and the prospects of its implications on companies' operations and its positioning in society are becoming increasingly true. Sustainability is not only another megatrend but it should be viewed as the best operative strategy to earn competitiveness. It means less impact on the planet and happier customers, more quality and above all more social value added.

ENDNOTE

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PROMOTING CONSUMER RECYCLING BEHAVIOR: PERSONAL NORM, AWARENESS OF CONSEQUENCES, AND THE THEORY OF PLANNED BEHAVIOR

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SUMMARY

Sustainable development has been a central issue of our society over the past several decades. Among many issues pertaining to sustainable development, environmental sustainability deserves special attention for consumer behavior research because societal concern and interest in this matter have been tremendously growing in recent years. For instance, the 2008 National Holiday Recycling Study reported that over 70 percent of Americans expressed a commitment to recycle more (GPI.org n.d.), reflecting consumer interest in recycling and shopping recyclable products. However, it is uncertain whether or not consumers will translate their interest into their pro-environmental behaviors. Our objectives are to suggest and test a model of consumer recycling behavior by looking at socio-psychological factors that contribute to consumers' pro-environmental behaviors in the context of recycling behavior.

A model of consumer recycling behavior proposed in this study builds on the theory of planned behavior (Ajzen 1991) and incorporates two relevant factors: personal norm and awareness of consequences. Personal norms, a belief, refers to one's internalized self-expectations for an event (i.e., recycling), and awareness of consequences refers to the level of one's consciousness of the potential outcomes of his/her behavior toward others (Schwartz 1977). The model posits that consumers' behavioral intention to recycle is predicted by consumers' beliefs related to recycling (attitude, social norm, personal norm, and perceived behavioral control), which in turn are influenced by awareness of consequences of recycling.

A web-based survey was used to collect data. A web-based questionnaire was emailed to 10,000 consumer panels selected by a research firm to represent the national

population of U.S. consumers. Among them, 561 participants completed the survey (response rate = 5.61%) and a total of 421 responses were used for data analysis after deleting ineligible cases. Structural equation modeling (SEM) was performed to assess the measurement model and the structural model suggested in this study using maximum likelihood method with Amos 17.0.

The results provide support for the extended model proposed in this study. That is, awareness of consequence influences behavioral intention indirectly through three belief factors (attitude, social norm, and personal norm). Attitude, personal norm, and perceived behavioral control are direct determinants of consumers' recycling intention, while social norm influences recycling intention only indirectly through other beliefs (attitude, personal norm, and perceived behavioral control).

Findings provide empirical evidence to support the theory of planned behavior within the setting of consumers' recycling behavior. Also, consistent with previous research, this study highlights the important role of personal normative belief (personal norm) in the formation of behavioral intention in regards to recycling (Harland, Staats, and Wilke 1999). That is, when personal norm is added to the TPB model, personal norm influences intention to recycle while social norm becomes insignificant.

Results provide guidelines for public policy makers and educators to formulate social marketing policies, communication strategies, and educational programs that aid consumers in taking part in recycling and thus helping their communities and the earth to become more sustainable. An enhanced knowledge of psychological underpinnings of consumer recycling behavior can help practitioners develop effective marketing strategies grounded in consumer insights. References are available upon request.

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RETHINKING THE CONCEPT OF CONSUMER EMPOWERMENT

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SUMMARY

Despite increasing interest in the social issues confronting the field of marketing, largely absent from the literature is explicit consideration for what is meant by consumer empowerment. Developing a clear understanding of this concept is central to enriching research regarding the business-society interface and the advancement of regulatory public policy. This paper aims to build understanding of the concept of consumer empowerment by critically examining how we currently regard it and, subsequently, advancing an alternate definition of the concept.

In the marketing literature, consumer empowerment is often, implicitly or explicitly, equated with having the “power to choose” (Shankar, Cherrier, and Canniford 2006, p. 1014). Some argue that consumers have never been more empowered because they can “specify product features, select a preferred channel of delivery, control their exposure to advertising and product information, learn about the experiences and choices of other consumers, and even name their own prices” (Wathieu et al. 2002, p. 298). This view of empowerment has led to research on how power shifts to consumers influence companies (e.g., Pires and Stanton 2006) and on what factors influence consumers’ ability to exercise choice (e.g., Shipman 2001). Yet, despite the dominance of this “choice as power” view, by tracing its historical lineage and interrogating its underlying assumptions, we argue that this view is based on certain untenable assumptions. We also argue that these assumptions lead us to conceptualize consumers as economic entities rather than as individuals with broader views of both economic and moral issues.

Marketing thought in the mid-twentieth century was a formative era in developing the “choice-as-power” conceptualization of consumer empowerment. In this post-war era, consumption and the pursuit of self-interest in the marketplace were perceived as ways to achieve freedom and democracy for the entire nation (Mazur 1964). Consumers were viewed as economic entities able to “effectively pursue their interests in the marketplace,” where their interests were equated with maximizing economic utility (Redmond 2000, p. 177). This deterministic, consumers-as-rational view set the stage for consumer empowerment to be conceptualized as choice in that it saw consumers as capable of distinguishing between products to maximize utility (Redmond 2000). So, by providing more choices, companies were simply giving consumers the opportunity to achieve higher levels of utility (Shankar,

Cherrier and Canniford 2006). Implicit here is the assumption that the interests of companies and consumers are aligned – in offering more product choices, companies can help consumers maximize utility and help themselves maximize profits.

Thus, despite the dominance of the “choice-as-power” view of consumer empowerment, this discussion suggests that it is based on an overarching assumption that consumers are rational, which is a “view of consumers that is not one that many progressive marketing or consumer behavior theorists would subscribe to any more” (Shankar, Cherrier and Canniford 2006 p. 1015). Accordingly, it seems critical to examine whether an alternative paradigm may provide a valuable framework in which to re-conceptualize consumer empowerment. We argue that critical theory is a useful lens by which to do so.

A primary focus of critical theory is the emancipation of the non-dominant party (Geuss 1981). Critical theory suggests that society’s more dominant actors will assert their power over others to create ideological structures that cater to their own interests (Agger 1991; Murray and Ozanne 1991). These structures then act as a veil of false consciousness that shield the non-dominant party from viewing how existing “social structure facilitates and maintains distortions” (Murray and Ozanne 1991, p. 132). From this perspective, consumer empowerment can be thought of in terms of the extent to which consumers are free from the constraints imposed by the corporate-centric structures that govern the marketplace (Geuss 1981; Shankar, Cherrier, and Canniford 2006). A critical question then is to determine what it means for consumers to be free from these capitalist structures. We suggest that one means of consumer freedom, which may help in rethinking the consumer empowerment concept, entails enabling consumers to adopt a broader view of consumerism, one that extends beyond a narrow focus on economic considerations and instead facilitates the pursuit of both economic and broader human interests.

Using historical analysis, we argue that current market structures are biased toward the firm and tend to focus on economic considerations rather than those related to broader human interests. It logically follows then that the current dominant treatment of consumer power relates largely to economic considerations or, more specifically, maximizing utility through choice (Shankar, Cherrier and Canniford 2006). Yet, consumers consistently note that they deeply value issues of morality (Devinney et al. 2006). Accordingly, it is important to consider whether consumer empowerment can be re-conceptualized in a

way that (i) more fully acknowledges the multiple roles enacted by individuals in their lives and (ii) enables consumers to freely incorporate these roles into their marketplace experiences. From this perspective, freeing consumers from the marketplace's corporate-centric constraints involves broadening our view of consumption by recognizing that the role of consumer is not distinct and divisible from the other roles that individuals enact in their lives (e.g., role as citizen, family member). Based on this discussion, we suggest the following as an alternate conceptualization of consumer empowerment:

Consumer empowerment is a state of being whereby consumers are free to enact different roles in the marketplace in such a way that they are able to pursue both economic as well as broader human interests.

This definition of consumer empowerment shifts the focus from simply framing empowerment as the ability to make choices within the existing marketplace to one based on the consumers' state of being. It more fully acknowledges that individuals cannot distinctly separate

their role as consumer from their other roles. Rather, consumers adopt and pursue multiple and fluid roles in the marketplace and, more generally, their daily lives (Thompson and Haytko 1997). In a sense, framing empowerment as the freedom to enact different roles in the marketplace creates a platform for treating consumers as more than economic entities but rather as citizens seeking to incorporate both economic and non-economic issues into their consumption decisions. Further, this perspective suggests that the multiple roles played by consumers in their daily lives are central to being able to shift the ideological structures of the marketplace toward creating positive change. Whereas previous literature on consumer empowerment tends to adopt an overarching view of "choice-as-power," this conceptualization rather views certain choices (i.e., those that are a reflection of the consumers' freedom to integrate diverse roles into their consumption experience) as a manifestation of empowerment. This emancipatory perspective of consumer empowerment opens up rich new avenues for research regarding the integration of citizenship interests with consumerism.

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WHEN HAVING IS NOT ENOUGH: THE MEDIATING EFFECT OF SATISFACTION

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SUMMARY

The U.K. and U.S. spend trillions of dollars on health, housing, leisure, job creation, supporting marriage through tax breaks all designed to increase the well-being of their citizens. But the effects are not clear. National survey evidence shows that the overall well-being of the residents in both countries have not increased (Blanchflower and Oswald 2004; Diener and Oishi 2000). One reason for this is that objective circumstances have weak effects on well-being (Graham, Eggers, and Sukhtankar 2004), which raises the question of what determines well-being? Researchers have suggested that satisfaction with life circumstances, may be more essential to explaining well-being (Lyubomirsky, King, and Diener 2005). However, little research has examined both objective circumstances and subjective satisfaction in one study, and even fewer have studied how they interact in the formation of well-being. Therefore, the present study aims to investigate how much satisfaction with objective circumstances in various life domains mediates the relationship between the corresponding objective circumstances and subjective well-being (SWB).

The theoretical foundation of this research is about whether desirable life circumstances (e.g., success at work, happy family) or positive cognitions (e.g., optimistic thinking) drive well-being respectively (Diener 1984). Here, we propose that “both kinds of processes . . . are mutually at work” (Sastre 1999, p. 209). Our proposed well-being model suggests that objective circumstances might not have strong direct effects on well-being; rather, they are mediated by how satisfied a person is with these circumstances, which in turn affects well-being. We test our model within six life domains: health, marriage life, leisure life, work life, income, and, housing, since there are public policies in place to support, adjust or maintain all of these life domains. The general hypothesis is that:

H1: Satisfaction with a life domain mediates the relationship between objective circumstances and SWB.

Data for this study are from the British Household Panel Survey waves 8, 10, and 12 which were collected in late 1999–early 2000, late 2001–early 2002, and late 2003–early 2004, respectively and have over 10,000 respondents each. The dependent variable SWB is measured with *GHQ12*, which is a reliable measure of psychological well-being

(Argyle 1989). The independent variables used to measure life circumstances in the six life domains are *physical health, spouse being supportive in housework and spouse being supportive financially, engaging in leisure activities, job type and job pay, household income and housing*. The corresponding mediators in the six life domains are *satisfaction with health, satisfaction with spouse, satisfaction with use of leisure time, satisfaction with job, satisfaction with income, and satisfaction with house*. Panel fixed-effects econometric estimations are employed to test our hypotheses. Stata 10 is used for data analysis.

Theoretically, this research supports previous arguments that objective circumstances have weak effects on well-being; however, it further shows that the relationship between objective life circumstances and well-being is rather complicated and varies from life domain to life domain. In addition, the use of a large, nationally representative sample in this research may be particularly crucial if the research findings are to be used in public policy debate. The results from a series of nested panel fixed-effects estimations show that satisfaction with health, the use of leisure time, and house mediate the effects of objective physical health, engaging in leisure activities, and housing on SWB respectively. This suggests that policy makers should really emphasize positive thinking measures in these life domains even to the point of reducing funding to support actual health care, leisure facilities and new housing while channeling the funding into programs which encourage people to be satisfied with what they have. For example, doctors could be trained to help people appreciate their health circumstances more when interacting with patients; public service announcements could emphasize how lucky citizens are to have all the gyms, theaters, restaurants etc., in their area as well as having a good housing stock to be able to buy or rent. In addition, our results show that having a supportive partner (who helps with housework and financially) is insignificant in the absence of satisfaction with the partner, which is inconsistent with the first condition of Baron and Kenny’s (1986) mediation requirements. That is, having a supportive partner does not affect well-being. However, we find that satisfaction with partner has significant effect on well-being. Similar findings emerge in work life and household income. These results imply that it is more important to appreciate your partner, household income, and job type and job pay, rather than actually have a supportive partner, good income, and/or certain type of

job and job pay. One public policy implication from this is that public money and concern could be invested in relationship counseling organizations to convey mes-

sages and to train social services or social workers to help couples understand how to be positive and appreciate what your partner does to increase citizens' well-being.

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EXPLORING FACTORS AFFECTING CONSUMERS' PERCEPTION OF EWOM "USEFULNESS": A STUDY OF SERVICES RELATED ONLINE REVIEWS

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SUMMARY

Online word-of-mouth (eWOM) platforms have become one of the most popular and important sources of information for modern consumers. In this study, the primary focus is on product review systems (e.g., Yelp.com; TripAdvisor.com). Product review systems are less personal but more ubiquitous eWOM platforms wherein consumers post reviews about products and services. These reviews are widely accessible to other consumers but are disseminated only when other consumers consult these reviews during the purchasing process.

This domain has attracted increasing research in the recent past (Dellarocas 2003; Chevalier and Mayzlin 2006; Pavlou and Dimoka 2006). However, extant literature has overlooked two important aspects: (1) Much of the existing research focuses on transmission and impact of online reviews but sheds less light on the underlying processes that drive consumers' reception of online reviews (to understand the basic qualities of reviews themselves, and how these qualities induce consumers' trust). As online reviews become more acceptable and widespread, it is more important to focus on the quality rather than the quantity of the reviews being presented to the consumer (Mudambi and Schuff 2010), and (2) Few studies have explored the recipients' perspective in the context of services (Bansal and Voyer 2000). It is common knowledge that services do not have the 'try before you buy' or 'return in case quality is below expectations' features. Therefore, more and more consumers are relying heavily on online reviews to assess services prior to purchase (Senecal and Nantel 2004). It is possible that the factors on the basis of which consumers evaluate online reviews will vary across service categories.

The research model of source credibility in this study is built upon the rich stream of literature related to how people are influenced by information (Janis and Hovland 1959; Petty and Cacioppo 1986).

In this, we specifically delineate the effect of three sets of factors: (a) the message (review) factors: review

content and valence, and (b) the source (reviewer) factors: socio-demographic characteristics, reputation and expertise, and (c) receiver (consumer) factors (perceived risk across 3 types of services). We test the moderating affect of 3 types of services: search, experiential and credence. The research model was tested on data obtained from Yelp.com, a popular online review and advisory site dedicated predominantly to various types of services across major cities in the United States. The sample includes approximately 3000 reviews divided across 3 services categories.

This study contributes to the existing literature in the following ways:

We consider the recipients' perspective of online consumer reviews. Very few studies have tried to explore this interesting aspect. As online consumer reviews become more pervasive, it is time to focus on quality rather than quantity of the reviews.

This study uses objective data from actual consumer review sites as opposed to methods such as surveys and experimentation used in recent studies in marketing (e.g., East et al. 2008). While the above mentioned approaches do help in approximating online behavior, they do not capture the real behavior of customers who traverse online review sites looking for information. The objective data used in this study fills this gap to an extent.

We focus exclusively on services as opposed to majority of the previous studies that have investigated product oriented sites such as eBay and Amazon.com. We explore how factors that contribute to review credibility vary across three different service categories. The findings of this study can help managers create better guidelines to enhance the usability of online reviews sites depending on the type of product/service that is being considered by consumers rather than straightjacket solutions that are typically used to standardized website design and functionality.

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THE CUSTOMERS' EXPERIENCE OF SURFING A WEBSITE: AN EMPIRICAL COMPARISON BETWEEN GOODS AND SERVICES

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SUMMARY

Previous research has studied the importance of site atmospheric cues such as site informativeness and entertainment (e.g., Davis, Wang, Lingridge 2008; Hausman and Siekpe 2009; Richard 2005). It has been suggested that these site atmospheric cues influence variables such as website attitudes, involvement, flow, and purchase intentions (Hausman and Siekpe 2009; Richard and Chandra 2005). Surprisingly, the impact of emotions is often ignored in customers' evaluation of site atmospheric cues. The purpose of this research was twofold: first, consistent with Zajonc's (1980) theory of emotions we proposed that the customers' emotions arise upon the initial Internet experience, which influence other affective and cognitive variables. As a result, we investigated the impacts of emotions on customers' perception of site high-task (site informativeness and effectiveness) and low-task relevant atmospheric cues (site entertainment). Then, following the Stimulus-Organism-Response (SOR) framework developed by Mehrabian and Russell (1972) and previous literature, we hypothesized the impacts of customers' perception of site atmospheric cues on other consumer variables such as site attitudes and site involvement, and purchase intentions.

Second, we compared the proposed model between services and goods websites. Scholars have defined services as "deeds, process, and performances" (Vargo and Lusch 2004, p. 326; Zeithaml and Bitner 2006, p. 3). Purchasing a service is often riskier than purchasing a physical good. As a result, service customers rely more on personal sources of information than commercial communications (Zeithaml 1981). This may be interpreted in two different ways. First, emotions do not influence the perception of service customers much as they use other information sources to make decisions. In this case, going through a risky choice, service customers do not let their emotions to play a big role. Second, it might be discussed that due to the risk involved in the service purchases, customers rely more on emotions. In other words, when evaluating a service prior to consumption is very complicated, customers may trust their emotions for decision making. By comparing the proposed model between goods and services website, we can explain customers' decision making procedure.

For testing the hypotheses, we chose three service industries (hotels, vacation destinations, and banks) and three physical good industries (clothing, vitamins, and furniture). The aim was to have more than one industry for each group and choose the ones that students are familiar with. We selected four real websites for hotels, three for vacation destination, two sites for banks, four sites for clothing, two for vitamins, and four sites for furniture. The subjects were randomly assigned to one of the nineteen websites. They were exposed to a real website of a company and were asked to fill out questionnaires before and after visiting the website. In total, 1701 subjects participated in this study. We eliminated the respondents who failed to answer at least 50 percent of the questions. Also, to control biases based on prior website visits, we eliminated the ones that had visited the assigned website before (Wang, Beatty, and Mothersbaugh 2009). As a result, 1689 valid responses (908 for physical goods and 781 for services) were used for the analysis.

The results of the multiple group analysis suggested that the majority of the paths (18 out of 20) were significant in both groups. Moreover, the strengths of eight paths were not-invariant between services and physical goods.

The impacts of the three emotional elements (pleasure, arousal, and dominance) were found to be varied across groups. The impact of pleasure on surfers' perception of site informativeness, effectiveness, and entertainment was found to be stronger in the physical goods group compare to those in the services group. In other words, emotions (pleasure in particular) did not influence service customers' perception of site characteristics as much as it influenced physical good customers. This perception, in turn, impacted customers' attitudes toward the website, site involvement, and purchase intention. Therefore, the results support the assumption that service customers are more caution in making purchasing decisions compare to the physical goods customers. In other words, the impacts of emotions on customers' perceptions, attitudes, and behaviors were stronger in physical good group.

The results also suggest that arousal does not influence customers' perception of site effectiveness. Moreover, the impact of arousal on customers' perception of site informativeness was non-invariant between two groups. Interestingly, the impact of arousal on site enter-

tainment was higher for service customers. In other words, aroused service customers see the firm website more entertaining than their physical goods counterparts. For service providers, it is important to boost the website elements which will increase visitors' arousal.

The impact of dominance on site informativeness was not significant in either group. A customer feeling of

dominance refers to the extent he or she feels "unrestricted" or "free to act" in the Web site (Mehrabian and Russell 1974). The results suggest a strong impact of dominance on customers' perceptions of site effectiveness and entertainment. Both service providers and physical goods firms can increase the customers' dominance by increasing the variety of tools in the Web site that facilitate more behavior for the surfers.

ENDNOTE

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THE MODERATING EFFECTS OF CUSTOMER PREDISPOSITION CHARACTERISTICS IN SERVICE EXPERIENCE: IMAGINARY ORIENTATION AND PARTICIPATION DESIRABILITY

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SUMMARY

Customers nowadays are increasingly encouraged to participate and involve in service creation. The concept of “customizing consumer” which depicts that consumers may create a customized consumption experience for themselves is emerging (Bendapudi and Leone 2003). Consequently, how customers experience the service offerings is crucial to their perceptions of value. However, a relative dearth of research has investigated the effects of specific customer characteristics on customer’s service experience formation and evaluation. To the best of our knowledge, we offer the first empirical investigation to address the issue how customer’s predisposition characteristics can affect the relationship between holistic servicescape elements and customer’s service experience in a typically experiential consumption context.

Conceptualization

In our current research, total service experience (TSE) is a construct describing a customer’s personally unique cognitive and affective feeling of service offering, based on their interactions with substantive (i.e., the physical design and creation of the ambient environments) as well as communicative servicescape elements (i.e., the social and cultural cues of a service) in a service encounter. It mainly encompasses overall evaluation of the whole service process, the enjoyment and, more important, the memorability of the service experience. On the one hand, we hypothesize that the holistic servicescape elements (Arnould et al. 1998) are positively related with favorable total service experience. With this, we intend to extend the influence of servicescape to service experience beyond the previously explored service outcomes such as service quality perception, evaluation, etc. On the other hand, two key aspects of customer predisposition, namely fantastic imaginary orientation (i.e., a customer’s propensity to manifest the fantastic imaginary in consumption) and desire for active participation (i.e., a customer’s desire to be in the forefront of an action), are proposed as potential moderators on service experience identified by Martin (2004). Research in transportation theory and imagination literature serves as theoretical basis for our moderating effect propositions. Specifically, we argue that customer’s desire for active participation enhances the relationship between the holistic servicescape and service experience since highly involved customers are likely to

transport the service performance into their own experience and thus generate enjoyable feelings, in accordance with transportation theory which was originally developed for understanding media enjoyment (Green and Brock 2000), while imaginary orientation may strengthen the positive influence of communicative staging whereas dampen the relationship between substantive staging of servicescape and total service experience, due to the fact that fantastic imagination is created through the interplay of both real and the unreal (Martin 2004) and is favorably enhanced when the uncertain elements are high in imageability (Lee and Qiu 2009).

Methods

Both quantitative and qualitative methods were employed in this study. Respondents were local visitors of the two major theme parks located in Hong Kong. Prior to conducting a survey, several in-depth interviews and two focus groups with theme park customers were organized to assess the measurements. Finally, 366 valid questionnaires were collected between October and November in 2009. To ensure the construct validity of the measurement scales, we conducted a confirmatory factor analysis (CFA) with the key constructs and the measurement model yielded an acceptable fit to the data.

Results and Discussions

Hierarchical regression was employed to test the hypotheses. Results indicate that as predicted, both the relationship between substantive staging ($\beta = 0.47$, $p < 0.001$) and communicative staging ($\beta = 0.26$, $p < 0.001$) of servicescape were positively related to total service experience. To test the interaction effect, we centered and introduced interaction terms into our regression model. The results supported most of the moderating propositions except that desire for active participation had no significantly moderating effect on the relationship between communicative staging of servicescape and total service experience. We suspect that if customers are actively participating and get involved in the setting, they should have vivid prior expectations and are well prepared for the enjoyment.

This current research adds to the literature of service experience by re-conceptualizing and elucidating the concept of total service experience for experiential consum-

ers. Furthermore, we intend to offer a new and fruitful research direction in service marketing domain through combining the two literature streams of customer predispositions and service experience.

Practically, although the effect of substantive staging of servicescape has been well documented in the extant service literature evidenced by Bitner (1992) and other follow up researches, we intend to stress one critical element in designing service settings for experiential consumption, the fantasy-evoking staging, which has

been overlooked in the managerial practices. Secondly, service providers are suggested to introduce more dynamic and interactive offerings which are beneficial to alert people of what and how they could enjoy in an experiential service setting so as to foster customers' favorable service experience. It is believed that customers' expectation and their psychological preparation could, to some extent, enhance their "desire for active participation" and arouse "fantastic imaginary orientation" before they experience the service. References are available upon request.

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IDENTIFICATION AND CLASSIFICATION OF QUALITY ATTRIBUTES IN A GYMNASIUM'S SERVICE SETTING: A STUDY CONDUCTED IN THE INDIAN CONTEXT

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SUMMARY:

With the phenomenal growth of service sector in the last few decades, research related to the creation and delivery of services has been intensified. Four well-documented characteristics of services – intangibility, inseparability, variability, and perishability pose challenges to the marketers to create value for the consumers. Parasuraman, Zeithmal, and Berry (1985, 1988, and 1993) contributed immensely in the understanding of “Service Quality” construct and conceptualized service quality as the difference between consumers’ expectation of a service and their perception of the service delivered. They constructed SERVQUAL: a multiple item scale for measuring consumer perception of service quality and contended the universality of its application across all service settings. SERVQUAL was subjected to criticism from researchers as later studies (Cronin and Taylor 1992; Ekinsay and Riley 1999; Gagliano and Hathkote 1994; Bowman and Van Der Willie 1992) confirmed that service quality determinants are context specific and SERVQUAL cannot be universal in its applicability. So the need for the exploration of service quality dimensions across various service setting has evolved and attracted the attention of researchers. Another limitation of the service quality model as propounded by Parasuraman et al. was its inability to classify or prioritize the service quality dimensions and/or determinants. Service Quality model fails to answer whether to react to all service quality indicators to ensure and enhance customer satisfaction. What to be done if the company does not have the technical or financial capability to handle all service quality indicators at the same time? Also, how to explore the opportunities for further service quality improvement (Lu 1997)? This paper has attempted to research objectives; one, to explore the dimensions and determinants of service quality in the gymnasium’s service settings in the Indian context and the second, to classify the service quality determinants and dimensions according to their ability of ensuring and enhancing the satisfaction of service consumers. The reason to choose the gymnasium service setting was to bridge the gap in the extant literature

as there is no such study available in the Indian context hitherto.

In achieving the first research objective, the researcher made an attempt to modify SERVQUAL instrument by exploratory investigation and examined the content validity using Lawsche’s method. The reliability of the instrument was also examined. Factor analysis of the service quality score (expectation-perception score) revealed four service quality dimensions in the given service setting instead of the five dimensions as presented in the work Parasuraman et al.

In achieving the second research objective of classification of service quality determinants, Kano’s functional and dysfunctional questionnaire format was used and service quality determinants were classified on the basis of the theoretical foundation of the “Attractive Quality” model proposed by Nokari Kano (1984). The decision of adopting the approach of Nokari Kano in classifying service quality determinants was encouraged by the work of contemporary researchers (Schavaneveldt et al. 1991; Zhang and von Dran 2002; Kuo 2004; Chen et al. 2007) working in this field.

Managerial implication of this work according to the researcher is two-fold. One, the exploration of service quality dimensions of gymnasium’s services may enable the service marketer to have a clear understanding of the determinants of service quality to live up to customers’ expectation of service performance and the other is that, the use of Kano’s model along with SERVQUAL creates more value out of the data than using any of the methods alone. The data we obtain by integrating the two approaches are enriched with quality categorization information which makes it richer for analysis and improvement of services. Also, there can be better targeting of resources to the attractive attributes. Customer indifference to service quality attributes can also be determined which results in a better prioritization plan for improving service attribute performance. References are available upon request.

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ARE TODAY'S MILLENNIALS ABOUT TO SPLINTER INTO A NEW GENERATIONAL COHORT? AN EXPLORATORY ANALYSIS OF COLLEGE UPPERCLASSMEN

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SUMMARY

Cohorts are groups of individuals who are born during the same time period and journey through life together. They are highly influenced by the external events happening when they were “coming of age,” generally between the ages of 17–23 and they form values that can be traceable to these events. These values remain relatively stable throughout their life. Values help us understand the behaviors we see in consumers and thus cohorts serve as important target market segments. Millennials, who were born between 1981 and 1995, are the largest cohort, numbering about 75 million. In this study, the authors explore whether a new generational cohort is emerging from the Millennial market segment as a result of cataclysmic events that have occurred over the past couple years. It is questioned whether the Great Recession has become the defining moment that has ushered in a new cohort with a unique set of values different from the Millennials that have come of age before them, and if so, what values set this new cohort apart.

Interviews conducted in the fall of 2009 with over 350 college upperclassmen resulted in the identification of significant events (defining moments) influencing their values and the consequent values that fell out of these events. The most important events identified included the Great Recession, 9/11, and the election of the first African American president. Other events noted in the interviews included the technological revolution, the greening movement, Katrina, the Virginia Tech shooting, and Wall Street scandals.

This qualitative research effort resulted in a questionnaire that included 112 likert-scale items that reflected the importance of values identified among those in this coming of age cohort. The presence of these values was tested in a survey of 491 upperclassmen of which 54 percent were male and 46 percent female. Nine values were identified in the survey and scales representing those values were validated. The value scales that emerged from the analysis, in order of importance, were success ($M = 6.38$), behave well ($M = 5.78$), effective team worker

($M = 5.48$), patriotism ($M = 5.22$), political awareness ($M = 5.05$), live simply ($M = 4.99$), green ($M = 4.97$), own boss ($M = 4.89$), and traditional values ($M = 4.23$).

The items comprising *success* included high levels of importance for “have fun and enjoyment in life,” “sense of accomplishment,” “have self-respect,” “personal security,” “live life to the fullest,” and “confidence in myself.” Items reflective of *behave well* included “behave well in front of others,” “get a good education,” “not cheat in life,” “avoid lying to others,” and “be a cooperative team player.” The scale *effective team worker* was rated third in importance and included the items “be able to multitask,” “use the latest technology,” “find team spirit in my company,” and “think of myself as part of a global community.” The fourth scale, *patriotism*, included “be proud of America,” “have faith in my nation,” “have a sense of patriotism,” and “have hope for the future of America.” The fifth scale, *political awareness*, included the items “become aware of political issues,” “become involved in my nation’s politics,” and “be informed of what’s happening in the world around me.” The next three values were rated similar in importance. The sixth scale, *live simply*, included “live simply,” “not live extravagantly,” “save instead of spend,” “not have credit card debt,” and “live within my means.” A seventh value scale, *green*, included “go green,” “conserve energy,” “have a willingness to spend a little extra to purchase green products,” and “recycle.” The scale ranking eighth in importance, *own boss*, was comprised of two items, “be my own boss” and “run my own business.” The final value scale that emerged, *traditional values*, included “support virginity as a value in society today,” “wait until marriage to have sex,” “pray to a higher being,” “follow social rules in society,” and “wear clothes that are more conservative than flashy.”

Gender differences were noted for several of the values. Females rated five of these values significantly higher in importance than males: success, behave well, green, effective team worker, and live simply. The only value rated higher in importance by males was “own boss.” “Patriotism” was rated marginally more important by females than males. “Political awareness” and “traditional values” were rated equally important by males and

females. Females appear to rate values that are socially-driven higher than males, for example, behave well, the green movement, being a team player and living simply. Males, on the other hand, viewed being their own boss as more important, a reflection of their need for independence and control over their destiny.

There is some indication that the Great Recession has restructured values for Millennials. The importance ratings for each factor shed some light on this. The importance of success is seen as the most prominent of the

values identified. While we do not know that success was not so highly regarded in times prior to this study, it certainly suggests the importance of that “Great Depression” value. Additionally, the data support the importance of living less conspicuously which reinforces the impact of the Great Recession. The importance for males, in particular, of having an entrepreneurial spirits also supports this conclusion. Finally, two values, team building and socially responsible greening are highlighted in the literature as strong Millennial values. References are available upon request.

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TO CHANGE OR TO STAND: THE REPLACEMENT MECHANISM BETWEEN CONFORMITY AND COUNTER-CONFORMITY BEHAVIORS

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SUMMARY

Reference group behaviors have long been the focal interest of studies in consumer psychology. Interestingly, the influence of a reference group may induce opposite intentions or even behaviors. On one hand, consumption decisions of individuals may reflect a desire to seek conformity with reference group values, attitudes or beliefs (Schiffman and Kanuk 2003). On the other, corresponding to the construction of consumers' self-concept and assurance of their social status (e.g., Escalas and Bettman 2005; Richins 1994), consumption becomes a basis for pursuing uniqueness, or counter-conformity (Burns and Warren 1995; Simonson and Nowlis 2000; Snyder 1992). While these two social needs are recognized as salient factors in deciding consumption choices, little research has been done to understand the underlying mechanisms by which one force displaces the other, from time to time. This study uses uniqueness theory (Snyder and Fromkin 1980), cognitive dissonance theory (Festinger 1957; Festinger, Riecken, and Schachter 1956), self-affirmation theory (Olson and Stone 2005), and self-consistency theory (Brown 1998) to explain how conformity and counter-conformity are connected and cyclical in nature.

Individuals will usually consider themselves as moderately similar to the others. This implies that cognitive elements such as the individual's "self-perception" and "perceived similarity" to others are logically compatible and, thus, induce a favorable attitude toward the others (Snyder 1992). When the perceived difference between this individual and the others is too big/small, these two cognitive elements stray from the socially accepted area, therefore inducing severe cognitive dissonance. This uncomfortable situation eventually will force the individual to adopt necessary behaviors to reduce cognitive dissonance.

There are two competing explanations of how consumers solve elicited cognitive dissonance. First, according to the assertion of self-affirmation theory (Olson and Stone 2005; Steele 1988), the main purpose of reducing cognitive dissonance is to maintain positive self-percep-

tion. Any positive personal attributes or resources belonging to this self-perception (e.g., appreciated merits, previous success, etc.) can be employed to replace, or to reduce, the intended attitudinal or behavioral change. As people with higher self-esteem have more cherished self-resources than those with lower self-esteem, they are much easier to restore their self-concept than do the lower self-esteem ones. Therefore, when encountering cognitive dissonance induced by extreme similarity, consumers with high self-esteem focus on their other positive personal attributes so as to down play the dissonance caused by incompatible cognitive elements. They are more likely to continue to adopt a conformity stance by retaining conformity behaviors. On the contrary, consumers with low self-esteem will tend to adopt the displacement of conformity with counter-conformity behaviors. Likewise, consumers encountering extreme-uniqueness situations follow the same logic as the above, but in the reversed direction.

Second, the alternative explanation is drawn from self-consistency theory (Aronson 1968; Aronson 1999; Brown 1998), which suggests that human beings attempt to maintain coherence between their beliefs, attitudes, and behaviors. If poor performance happens, high self-esteem people should perceive higher cognitive dissonance than low self-esteem ones, and therefore induce a stronger desire to change their attitudes or behaviors. Based on this theory, when consumers encounter an extreme-similarity situation, consumers with high self-esteem will experience a higher degree of psychological conflict than those with low self-esteem. As a result, compared to low self-esteem consumers, high self-esteem consumers should be more inclined to change their attitudes or behaviors to assure a coherent self-perception and, thus, conformity is replaced by counter-conformity behavior.

We introduce a questionnaire survey with a within group, scenario-experimental design (Bateson and Hui 1992) to collect necessary data to test our hypotheses. The final questionnaire composed of two scenarios enabling informants to perceive "extreme-similarity" and "extreme-uniqueness" in dressing, as well as the measurement items for cognitive dissonance, perceived extreme similarity/

uniqueness, and behavioral intention. A total of 408 informants from four major Chinese cities participated in this study. Results show that: (1) In perceived extreme-uniqueness and perceived extreme-similarity situations, both high and low self-esteem consumers will experience significant cognitive dissonance. (2) Both self-affirmation theory and self-consistency theory cannot fully explain the mechanism of replacement between conformity and counter-conformity behaviors individually. Self-affirmation theory is able to predict conformity/counter-conformity replacement for low self-esteem consumers. Consumers with low self-esteem are more likely to show conformity behavior when encountering cognitive dissonance induced by extreme uniqueness, and adopt counter-conformity behavior when encountering cognitive dissonance induced by extreme similarity. For high self-esteem consumers, self-affirmation takes effects only when they perceive cognitive dissonance induced by extreme unique-

ness and results in counter-conformity behavior. Self-consistency theory takes place for high self-esteem consumers when they encounter cognitive dissonance induced by extreme similarity and results in counter-conformity behavior.

Our study provides several managerial implications. First, firms who are able to realize and utilize the replacement mechanism of conformity and counter-conformity behaviors underneath the basic social needs will more effectively satisfy their customers with the "right product" in the "right timing." Second, there are always consumers with their very own special and independent tastes and thus their pursuit of uniqueness is prominent. Firms targeting such a segment should be aware that it might not be always sustainable. Serving as a significant moderator, self-esteem needs to be considered. References are available upon request.

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USING QUALITATIVE DIARY RESEARCH TO ANALYZE OLDER CONSUMERS' PACKAGING EXPERIENCES

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SUMMARY

Despite the increasing amount of recent research into older consumers, there are still major knowledge gaps which leave practitioners without sufficient evidence to help formulate and guide specific marketing strategies. One such area is product packaging, where an extensive literature search revealed only one study (Wells et al. 2007) that included subjects over the age of 50. The most recent literature pertaining to packaging shows the focus is in three broad categories: logistics, marketing communications, and environmental concerns. Logistics literature tends to concentrate on cost, quality, flexibility, risk, speed, efficiency, and environmental effects (Beckeman and Bramlev 2007), with a notable absence of any reference to the end user. Marketing research into packaging concentrates on positioning and communications functions to the exclusion of almost anything else (Ampuero and Vila 2006), and while there have been several calls for studies into older consumers' interactions with packaging, none have previously been conducted.

Method

Qualitative research diaries (QRD), a method that is relatively new to consumer research (Patterson 2005) but which has been successful in other disciplines for researching older adults (Campbell 1992; Jacelon and Imperio 2005), were utilized. Diarists were asked to record, as soon after the event as possible, any positive or negative experiences with packaging, and their thoughts and feelings regarding those experiences.

Results and Discussion

Unsurprisingly, in terms of physical aging, diary entries relating difficulties in reading print and usage instructions were common, summed up by comments such as: "instructions far too small to be read even with glasses." Of greater importance were difficulties resulting from age-related vision changes in detecting contrast, which occurs as a result of lenses becoming increasingly opaque, some with potentially serious consequences: "I could not read the instructions as to how to use the cream I had been prescribed, because it was very small pale grey writing on a white background." Difficulties in opening packages as a result of changes to skeletal muscle and

reduced muscular strength also featured strongly in the current study: "with weak hands, opening is almost impossible." One of the benefits of QDR is that it allows the investigation of social and psychological processes (Bolger et al. 2003) that accompany the physical problems of opening packaging. Psychological feelings of physical vulnerability were common, captured by entries such as "plastic edges exposed were then lethal" and "toxic liquid . . . spurts out." Ironically, although there was only one minor injury reported during the research period, many respondents resorting to an alarming range of potentially harmful instruments, including knives and screwdrivers, to aid them in opening packs.

Lifestyles that promote general health and well-being are especially important amongst many older consumers. Unfortunately, some diary entries revealed that attempts at healthy eating are often *impeded* by poor packaging design: "When looking for salt/fat/calories it gets me angry as the information is so small"; "Labeling and nutritional information is too complex to assist the consumer." Information relating to important factors such as the salt, sugar and fat content of many foodstuffs is a legal requirement in the European Union, but is functionally useless to the consumer unless presented in a clear and comprehensible format. Moreover, there was evidence of profound feelings of frustration, uselessness, dependency, and even exclusion: "had to ask a neighbor for help. He used a hacksaw to open it. Most humiliating"; ". . . exhausting trying to get the bottle open . . . it is childproof but also OAP proof."

Thus far, it would be easy to write-off this sample as stereotypically old, dependent, complaining, and frail. Contrary to these stereotypes, a telling example of the ability of many participants to adapt to aspects of the modern marketing environment was a notable lack of diary entries relating to nostalgia, with no blanket preference for more traditional forms of packaging over modern ones. Rather, these adults demonstrated that they are marketing-savvy, often demonstrating cynicism: "Why is everything so over-packaged? Most of it goes straight in the bin which, however disposed of, costs money and doubtless makes the product more expensive to purchase. The problem I suspect is partly the psychology of merchandising." Furthermore, although the environmental impact of packaging was not originally within the research remit of this study, there emerged a notable incli-

nation amongst many of the participants toward the relatively recent phenomenon of ethical consumption: “Why does my supermarket wrap all the finest fruit and veg range in lots of packaging, first the outer wrap, then a molded cover and tray, all to dispose of, I had lots to get rid of today. . . . Why can’t they use string bags more?”; ‘the huge ‘wrapping juggernaut’ is steaming down the highway and it’s going to be a big job to slow it down . . . everything encased in a plastic film – more stuff for recycling . . . What a waste of everyone’s time and money.”

Conclusions

The use of QDR in this study provided deeper insights into these experiences and their associated profound effects, which could have been missed had alternative methods (including log diaries) been used. The dangers of a person being unable to read instructions on prescribed medicine, for example, are obvious, but the social and psychological consequences are more deeply hidden and consequently often ignored. Participants’ experiences of packaging ranged from mild inconvenience to extreme frustration and even humiliation. These experi-

ences were not merely functions of chronological age: diarists in their 70s did not report any more difficulties than those in their 50s. Marketers and packaging designers need to consider packaging that is easy to open, easy to re-use and re-seal, has clear and comprehensible information, and does not present the risk of physical injury, as a boon to all consumers regardless of age, and a potential source of competitive advantage. If a number of older consumers are indeed switching brands on the basis of the difficulties with packaging, there exists a clear commercial imperative for producers to address this problem. Equally, businesses need to embrace the spirit rather than merely the letter of the law regarding on-package information. These are far from trivial matters to consumers who, for example, might have to monitor their salt intake due to hypertension, or whose medication regime requires a particular level of compliance. Governments and other regulators are beginning to take notice of the ageing population. Non-conformity to basic nutritional information regulations may well result in policy changes that will force conformity. As the saying goes, design for the young, and exclude the old; design for the old, and include the young. References are available upon request.

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UNDERSTANDING OLDER CONSUMERS THROUGH COGNITIVE AGE, HEALTH CONDITION AND FINANCIAL STATUS: EMPIRICAL EVIDENCE FROM JAPAN

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SUMMARY

Conceptualization

Despite the increasing impact of demographic change around the globe, older consumers remain under-researched, especially in Japan, the most severely affected country by the demographic shift with both a rapidly aging and shrinking population. This paper aims to contribute to the state-of-the-field of research on older consumers in general and the Japanese older (“silver”) consumer in particular. It attempts to achieve a better understanding of the Japanese older consumer through the concept of cognitive age, health condition, and financial status. While cognitive age – as a form of self-concept – has proven important in gerontology and marketing, empirical studies outside the Western world are relatively scarce. Health condition and financial status have been used in segmentation approaches to the silver market, but rarely in combination with cognitive age. Our empirical study is the first one to employ these variables together and test this approach on a sample of 316 older Japanese consumers. We thus aim to enhance understanding of the older consumer and fill an important gap in the literature.

Method

Based on a review of the relevant literature, our research questions focus on: (1) Exploring cognitive age among Japanese older consumers. (2) Examining the magnitude of the difference between actual age and cognitive age in comparison with previous studies. (3) Finding the extent to which the difference between actual age and cognitive age is influenced by the financial status and the health level of older Japanese consumer in line with previous studies suggesting the importance of these two variables to understand the lifestyle of seniors.

The data sample was collected in February 2009 face to face by a team of Japanese speaking trained research assistants in Tokyo. A total of 316 completed surveys were obtained for a response rate of 45.6 percent. As refusals in terms of gender and estimated age groups were not different from those retained in the final sample, there is no reason to believe that the final collected sample is not representative of the Japanese people aged 50 years and

older frequenting the shopping area where the data were collected. As the objective of this research was to replicate and extend a previous research with the use of a different sample in a different country and to test for relationships between theory-driven concepts, we deemed such a convenience sample appropriate, even though it neither enables us to make an estimate over the total Japanese population nor to generalize the findings to other populations.

We measured cognitive age with the 4-item scale used by Barak and Schiffman (1981) and health and wealth using scales specifically designed by the authors of this study.

Major Findings

The age perception of older Japanese respondents of our sample was on average 8 years younger than their actual chronological age. The difference between actual age and cognitive age of men and women in our sample did not reveal any significant statistical difference.

Using the two survey questions on health and wealth, respondents were classified into four categories of health and wealth levels. We found a negative relationship between health and wealth of Japanese older respondents with a decrease of the age difference with lower levels of wealth and health. More specifically, the decrease in age difference was found larger in relation to a drop in health level as compared to wealth status. This indicates that higher levels of wealth and health are associated with lower cognitive age, with feeling in good health having somewhat more impact on the difference between actual and cognitive age than feeling wealthy.

In sum, our results do not support the argument that cognitive age is biased by a Western emphasis on youthfulness and therefore not applicable in Japan. Combining health status and financial situation to form the basis of four meaningful segments and analyze their relation with cognitive age, leads to a clearer and more realistic picture of the older consumer. Of course, the general limitations of this kind of exploratory research apply, but we are confident that using this approach can help to change the traditional way of viewing the silver market as a monolith and to open the path for breaking it into different seg-

ments. Providing such a clearer picture of the different target groups and their life situation yields important insights for new product development, marketing and promotion. Further research using national, representa-

tive samples in various countries as well as a longitudinal and experimental research should be conducted to fully validate our approach. References are available upon request.

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LOVERS, HATERS AND THE REST: EXPLORING CONSUMER PERCEPTIONS OF BRANDS SPONSORING A COMPETITOR IN SPORT

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SUMMARY

Those properties in the marketplace which regularly seek sponsors are often categorized for the purpose of tracking investment in the strategy (i.e., sport participants, sport leagues, causes, arts, entertainment). Beyond these broad categorizations, however, a review of the sponsorship literature provides little insight regarding the differential effect these various properties may have on the sponsor's brand.

The following study seeks to explore this gap by focusing on a popular type of property; the sponsorship of a competitor within sport. The sponsorship of a competitor within a sport is thought to differ from other types of properties in at least two meaningful ways. First, brands sponsoring a competitor within a given sport may achieve brand building objectives among not only those fans with a strong, favorable connection with the competitor but also the larger group of consumers that follow the broader sport or league. Yet research on the sponsorship strategy is yet to provide empirical support for this popular belief among practitioners. Consequently, the following study considers whether the sponsorship of a competitor within sport enhances brand image among fans of just the competitor or whether it positively influences perceptions among all fans of the sport? Second, the sponsorship of a competitor within a sport may also expose a sponsoring brand to a group of consumers with a strong, unfavorable connection with the competitor. Consequently, this study seeks to determine if the sponsorship of a competitor within a sport may diminish brand image among those with a strong dislike for the competitor?

An online survey instrument was administered via e-mail solicitation to paid members of a consumer panel with the goal being to obtain a non-probability, quota sample with a sampling frame consistent with the demographic composition of the United States. The process resulted in 978 usable responses. The survey included measures to capture the respondents level of identification with the sport of NASCAR, level of identification with

two competitors within the sport (Jimmy Johnson and Tony Stewart) and perceptions of each competitor's primary sponsor (Lowe's and Home Depot respectively).

The results of the structural equation models suggest identification with the competitor a better predictor of sponsor evaluations than identification with the sport such that avid fans of the competitor have stronger affective and cognitive perceptions of the sponsor than fans of the sport at large. While perhaps intuitive, this finding does highlight a weakness in our current understanding of sponsorship. More specifically, how might sponsoring a competitor such as an athlete or team differ from serving as a sponsor of the broader sport and governing bodies? The findings of this study suggest that league properties (i.e., the NASCAR series) may not elicit as strong a connection with the audience as competitor properties (i.e., Tony Stewart) which may impact sponsor evaluations. The results of the study also suggest that fans that dislike a driver more negatively evaluate the sponsor's brand than any of the other fan groups. This damage includes not only a more negative attitude toward the brand but lower evaluations of quality, value and customer service. This suggests that there is a downside to sponsorship that must be weighed in the selection of the team/competitor representing the brand.

The findings of this study highlight a number of areas for future research. For one, the findings suggest opportunities for refining the measurement of the identification construct. Social identity theory largely describes how individuals connect with a group consisting of members of shared values. The measurement of this construct, particularly for explaining consumer behavior, has historically focused on the extent to which individuals publicize and display a connection with a favorable other. Yet, as evidenced in this study, consumers may also connect with a group whose shared values are best described as a strong disdain, dislike, or hatred toward another. Future research may seek to adapt and refine those measures used to capture identification with a favorable group to capture identification with an unfavorable one.

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A GLOBAL MARKETS' PERSPECTIVE OF INTERNATIONAL COMMERCIAL SPONSORSHIP

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SUMMARY

Despite the increasing availability of cross-cultural promotional channels, little attention has been given to the empirical evaluation of alliance-based promotional strategies at an international level. The purpose of this paper is to extend the literature by empirically evaluating the impact of promotional alliances in the world's most valuable annual sport—Formula One (F1) motor racing (Sylt and Reid 2008). To that end, the primary research question addressed here is whether international promotional alliances in F1 racing add shareholder value to the sponsoring firm. By moving beyond the context of a single equity market to examine a sponsorship alliance engaged in by firms originating in 15 different nations, this study advances research in this domain.

Commercial sponsorship represents a common form of the promotional alliance relationship, where a popular enterprise that reliably attracts a desirable audience collaborates with a commercial organization seeking promotional services through affiliation (Meenaghan 2001). Forty-one of Interbrand's Top 100 global brands have been involved in the commercial sponsorship of F1 racing (Best global brands 2008). Collectively, the stable of corporate partners in F1 contributed US\$834 million to the sport's teams in 2007 (Sylt and Reid 2008).

A primary rationale for organizational collaboration via alliances is to realize incremental value from "synergistic combinations of complementary resources and capabilities" (Madhok and Tallman 1998, p. 327). As a result, it is expected that announcements of a promotional alliance with a high-profile enterprise, such as an internationally-recognized sport organization, would be reflected by a positive increase in stock price representing incremental value to the firm. Studies utilizing a U.S.-based equity market to measure the impact of domestically-based promotional alliances have demonstrated positive shareholder returns (Agrawal and Kamakura 1995; Clark et al. 2002; Mishra et al. 1997; Pruitt et al. 2004). Given such theoretical and empirical evidence, it was anticipated that international promotional alliances of the prominence of F1 commercial sponsorships would enhance shareholder value. According, the following primary hypothesis was offered:

Hypothesis: Announcements of international promotional alliances in F1 racing are positively related to increases in shareholder value for the sponsoring firm.

An event study was undertaken to investigate this hypothesis. The purpose of an event study is to measure the effect of a specific event on the value of a firm's equity in a financial market. Seventy-three promotional alliances that paired eleven F1 teams and sixty-five corporate partners in 2007 composed the sample for this study. Within the composition of sponsoring firms, 18 (27.7%) claim headquarters in Asia, including 12 from Japan, 27 (41.5%) hail from nine Western European nations, and 20 (30.8%) originate from the United States. Individual security and market index quotes were compiled for a data collection window of 301 calendar days surrounding each sponsorship alliance announcement ($t - 250, t + 50$).

Following accepted practice, cumulative abnormal returns (CAR) were calculated across several feasible event windows (Geyskens et al. 2002; Lane and Jacobson 1995). Interestingly, two conventional windows representing both an immediate ($t = 0, t + 1$) and slightly longer term effect ($t = 0, t + 10$) produced mean CAR values significantly different from zero across the sample in the *negative* direction ($p < .05$).

The results of this study characterize promotional alliances in F1 motor racing to be detrimental to the value of the sponsoring firm. This empirical finding contradicts the prevalent assertions of similar domestic research that has found positive value implications for commercial sponsorship announcements (e.g., Clark et al. 2002; Cornwell et al. 2005; Mishra et al. 1997; Pruitt et al. 2004). Given the international nature of the study, the sample was categorized into four regions representing Japan, other Asian nations, Western Europe, and the United States to evaluate the potential for differing effects by culture. The resulting supplementary analysis showed no discernable effects by region as neither the regionalized model nor any of the categorical variables comparing regions approached significance ($p > .10$). The negative influence of F1 alliance announcements does not appear to be isolated to one region's markets; thereby implying that the markets' evaluation of this standardized promotional tool was somewhat consistent across cultures.

Unfortunately for both alliance partners, this study's primary result demonstrates that a significantly positive return in financial market value for a sponsoring firm is unlikely regardless of the geographic market. Despite research that suggests the rationale for commercial sponsorship is not necessarily to influence stock prices in the short-run (Cornwell et al. 2001; Thjømmøe et al. 2002), the

fiduciary duties of executives at publicly-traded firms necessitate accountability to shareholders. Considering the results of this study, executives considering promotional alliances on an international level should be prepared to actively justify an alliance's value implications. References are available upon request.

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INVESTIGATING THE EFFECT OF SPONSOR LEVEL, LENGTH, PROMINENCE AND RELATEDNESS ON RECALL AND RESIDUAL RECALL RATES OVER TIME

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SUMMARY

With the aim of gaining a better understanding of the factors that influence sponsorship outcomes, this paper examines awareness as measured by unaided sponsor recall, and uses multiple data sets to identify the characteristics of the sponsor-sponsee relationship that impact upon recall. Many factors have been found to impact the ability of consumers to correctly recall sponsors. Walliser (2003) outlined five main areas including exposure, product, message and target characteristics, and finally sponsorship integration. He argues there is “considerable evidence that recall increases as a function of duration of exposure to sponsors, previous brand awareness of sponsors, message length and design, and socio-demographic variables (such as age and involvement and interest in the activity)” (Walliser 2003, p. 13). Alternately, Wakefield, Becker-Olsen, and Cornwell (2007) summarize these influences as relatedness, prominence, corporate exposure of the brand (linked to the level of sponsorship) and individual exposure to the sponsor or brand given a degree of identification or engagement with the property.

While some of these variables impacting recall, such as length of the relationship, have been examined previously (Johar and Pham 1999; Wakefield et al. 2007), the research presented here builds upon past work in two ways. Firstly, we use sponsor recall data from multiple, consecutive years, allowing for consideration of the length of a sponsorship and the development and growth of recall rates to be examined as a further variable of recall. Secondly, we specifically include sponsors whose arrangement lapses during the time of data collection, providing data that allows for the analysis of residual or decays in years following a sponsors exit. Uniquely then, the ability of these variables to impact sponsor error as well as accurate recall is investigated in this study.

Sponsor recall data was collected from season ticket holders (STH) of clubs in the Australian Football League (AFL) over a period of five years. As part of an end of season survey, all respondents were asked to name, unaided, up to five club sponsors from the current year in the order of which they could be recalled and enter them into five open text boxes. In all, over 117,600 sets of responses were collected from 40 surveys over five years. To collect

data regarding the length and levels of club sponsorships (e.g., major or title and minor sponsors), annual reports and media publications were consulted in addition to discussions with Club Sponsorship Managers. Measures of prominence and relatedness for sponsors were guided by the principles employed by Johar and Pham (1999), Pham and Johar (2001) and Wakefield et al. (2007). A total of 310 cases of sponsor recall were collected for both current sponsors (n = 218) as well as cases of residual (error) recall for former sponsors (n=92). Analysis of sponsor recall and residual rates was then undertaken for each variable.

Analysis showed current sponsors achieved high levels of recall early, with major and minor sponsors achieving an average of 88 percent and 20 percent in first year recall respectively. This grew in each case with major sponsors reaching 100 percent and minor sponsor recall doubling within five years. Findings showed significant correlations between current recall and three of the variables – level, length and relatedness. The results provide support to clubs and sponsors who engage in prominent, long term, strategic partnerships, providing evidence that awareness increases for high profile sponsors of longer years. This predictable growth in awareness, combined with the high loyalty and involvement of STH presents evidence of a highly desirable situation for sponsors.

While very high levels of recall can be quickly gained, they can also decay rapidly. For example, major sponsor recall fell to 12 percent the year after exit and 6 percent after four years while minor sponsors fell to an average of 7 percent in the year after exit fell to insignificant amounts after four years. Where sponsorships had ended, impact of studied recall variables were comparable to current sponsorships, where strength of residual recall or carry over awareness significantly correlated with sponsorship level and length. However, in residual recall, prominence has a stronger relationship than relatedness, which is the inverse of current sponsorship recall. In the case of residual recall, it appears companies and brands can continue to garner reasonable levels of awareness, and the resultant benefits aligned with this, post sponsor agreement. As such, the planning and execution for sponsors regarding their entry and exit years of a sponsorship need to be carefully managed.

Outliers were also studied to examine further variables that might influence recall. Media coverage, entry and exit strategies and ownership of sole sponsorship rights compared with being a co-sponsor or joint rights holder also presented as factors influencing recall. Analysis of cases showed that the level and length of sponsorship, exit strategy and related media coverage around departing sponsors can play a role in influencing both the continued awareness of non-sponsors, as well as the image of the exiting sponsor.

Overall, the findings suggest recall is associated closely with level and length, but has weaker relationships with relatedness (in the case of current sponsors) and prominence (for former sponsors). Given results for sponsors of differing relatedness and prominence, it appears

strategy and leverage plans will need to be a greater focus for organizations that are low on either of these measures. Such sponsors need to seek extra forms of integration, connection with target markets and visibility through leverage activities in order to reach awareness levels seen for brands that have a larger presence or higher levels of fit.

While this paper has consider “macro” variables of recall related to the sponsorship agreement and organizations, further research should also expand and combine these variables to include “micro” variables, or individual characteristics (e.g., demographics, attitudinal, behavioral variables) of STH or consumers to form a more holistic view of sponsor recall and its influencing variables. References are available upon request.

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DOES BETTER EVENT QUALITY MEAN MORE FANS? MODERATING EFFECT OF PERCEIVED COMMITMENT ON THE LINK BETWEEN EVENT QUALITY AND SPORT CONSUMPTION BEHAVIOR

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ABSTRACT

The purpose of this study was to examine theoretical relationships between key event quality variables (i.e., game performance, entertainment, interaction with staff, and physical surrounding) and consumption behavior. The moderating role of commitment in this relationship was also examined. The results of a confirmatory factor analysis using 282 sport spectators suggested that the measurement scale was psychometrically sound. Structural modeling tests suggest that the proposed model fits to the data. Game performance, entertainment, and interaction quality were found to be important predictors of game attendance. Commitment played a significant moderating role in these relationships. Implications are included in the paper.

INTRODUCTION

Sports organizations are now experiencing a number of significant challenges such as spiraling operating costs, a saturated marketplace, economic disconnect, and the emergence of new technology (Howard and Crompton 2005). Facing the serious challenges, many scholars highlighted the importance of service quality (Ko and Pastore 2004). In a saturated marketplace, increasing customer satisfaction with service quality is key factor for success in sport organizations (Ko and Pastore 2004). A considerable amount of research has found that high-quality service is a significant factor leading to an increase in customer satisfaction and satisfied customers are more likely to purchase, become more associated with the organization, and are less likely to defect when prices increase (Anderson et al. 1994).

However, several studies found that service quality was not applicable to all contexts (Greenwell, Fink, and Pastore 2002). The service experience could be affected by the third variable such as customer character (Mittal and Kamakura 2001), team identification and demographics (Greenwell et al. 2002). Based on this research, service quality may be influenced by the third variable. To better understand service quality, more diverse variables that influence a customers' service experience need to be investigated.

The potential factor that influences the relationship between service quality and consumer behavior is com-

mitment. Commitment increases customer loyalty (Palmatier, Dant, Grewal, and Evan 2006), positive word-of-mouth, and repeat purchasing (Zeithaml et al. 1996). As the previous literature suggests, commitment positively influences consumer behavior. However, limited research has been conducted regarding how commitment affects the relationship between service quality and consumer behavior. Specifically, this issue has not been investigated in the sports context. Thus, to better understand the effectiveness of service quality and create a more effective service marketing strategy to improve sport consumer behavior, this study examined the moderating role of commitment in the relationship between service quality and consumer behavior.

LITERATURE REVIEW AND HYPOTHESES

Event Quality

Bitner and Hubbert (1994) defined service quality as "the consumer's overall impression of the relative inferiority/superiority of the organization and its services" (p. 77). Previous research has looked at the effect of service quality, which is an important factor in improving consumer behavior. The study about service has been researched various industry (Parasuraman, Zeithaml, and Berry 1985). However, service perception about business and spectator sport is different (Ko et al. in review). Therefore, this study used the terms of event quality instead of service quality. Although various event quality factors exist, this research focused on Game Performance, In-game Entertainment, Interaction with Staff, and Facility Design. These event quality factors were the most common and important to respondents among various event quality factors.

Firstly, game performance refers to spectators' perceptions regarding the quality of game performance. Numerous research articles indicate that game performance positively influences fan satisfaction and attendance (Trail and James 2001). Trail, Anderson, and Fink (2002) identified that better team performances attract larger crowds. Matsuoka, Chelladurai, and Harada (2003) indicated that the performance of a favorite team is more critical than the actual result of the game (win or lose). Second, in-game entertainment is one of the important augment services. Ko (2005) defined *augment service quality* as "sport consumers' perceptions of the quality of

secondary products offered in conjunction with events” (p. 10). A variety of entertainment options or shows – such as cheerleader performances during time-outs, half-court shots for prizes, and half-time events – need to be offered during the event to keep fans entertained and to maximize their interest (Ko 2005). Third, interaction quality refers to how the service is delivered to customers (Brady and Cronin 2001). The employees’ attitude, behavior, and expertise of service personnel are focused (Ko and Pastore 2004). Fourth, facility design represents the service facility’s layout or architecture, which includes functional and aesthetic components of the environment (Brady and Cronin 2001). It is well documented that facility design is related to customer satisfaction. Wakefield and Sloan (1995) found that stadium design directly influenced increasing attendance. Greenwell et al. (2002) indicated that facility design was more influential than game performance in minor league ice hockey. Based on the research findings, H1, H2, H3, and H4 were formulated:

H1: Game performance has a direct and positive influence on consumption behavior.

H2: Entertainment has a positive relationship with sport consumption behavior.

H3: Interaction with staff has a positive relationship with sport consumption behavior.

H4: Physical surrounding has a positive relationship with sport consumption behavior.

Commitment

Commitment is not only a good indicator of long-term relationships (Morgan and Hunt 1994) but also thought to represent the peak in relational bonding (Dwyer, Schurr, and Oh 1987). Dwyer et al. (1987, p. 19) define commitment as “an implicit or explicit pledge of relational continuity between exchange partners.” Commitment indicates a sacrifice of short-term advantages for long-term benefits (Dwyer et al. 1987).

A number of studies found the importance of commitment. Kelly and Davis (1994) revealed that customer organizational commitment has a direct impact on customer service recovery expectations. Verhoef (2003) found that both customer retention and customer share development were positively influenced by affective commitment. Palmatier et al. (2006) revealed that commitment significantly affects customer loyalty to an organization.

Most services are difficult to evaluate before customers purchase or experience them. However, customers who have built commitment in a service based on their experience reduce their uncertainty and vulnerability.

Therefore, commitment creates good relationships between service providers and customers. Based on the research findings, H5, H5-1, H5-2, H5-3, H5-4 were formulated:

H5: Commitment will influence the relationship between event quality and consumption behavior.

H5-1: Commitment will influence the relationship between game performance and consumption behavior.

H5-2: Commitment will influence the relationship between entertainment and consumption behavior.

H5-3: Commitment will influence the relationship between interaction with staff and consumption behavior.

H5-4: Commitment will influence the relationship between the physical surroundings and consumption behavior.

Sport Consumer Behavior

In the last few decades, interest about sports has increased and competition within the sports industry is more intense than ever before. In spectator sports, increasing attendance is the principal purpose of sport marketers. The four major professional leagues’ ticket sales explained approximately 20 to 50 percent of total revenues (Badenhausen, Ozanian, and Settini 2007). Collegiate-level sports teams and various minor leagues rely even more on ticket sales revenue (Howard and Crompton 2005). Moreover, revenue from other stadium purchases, such as concessions, merchandising, and parking, was \$8.84 billion a year in the U.S. (Broughton, Lee, and Netheny 1999).

A Proposed Model

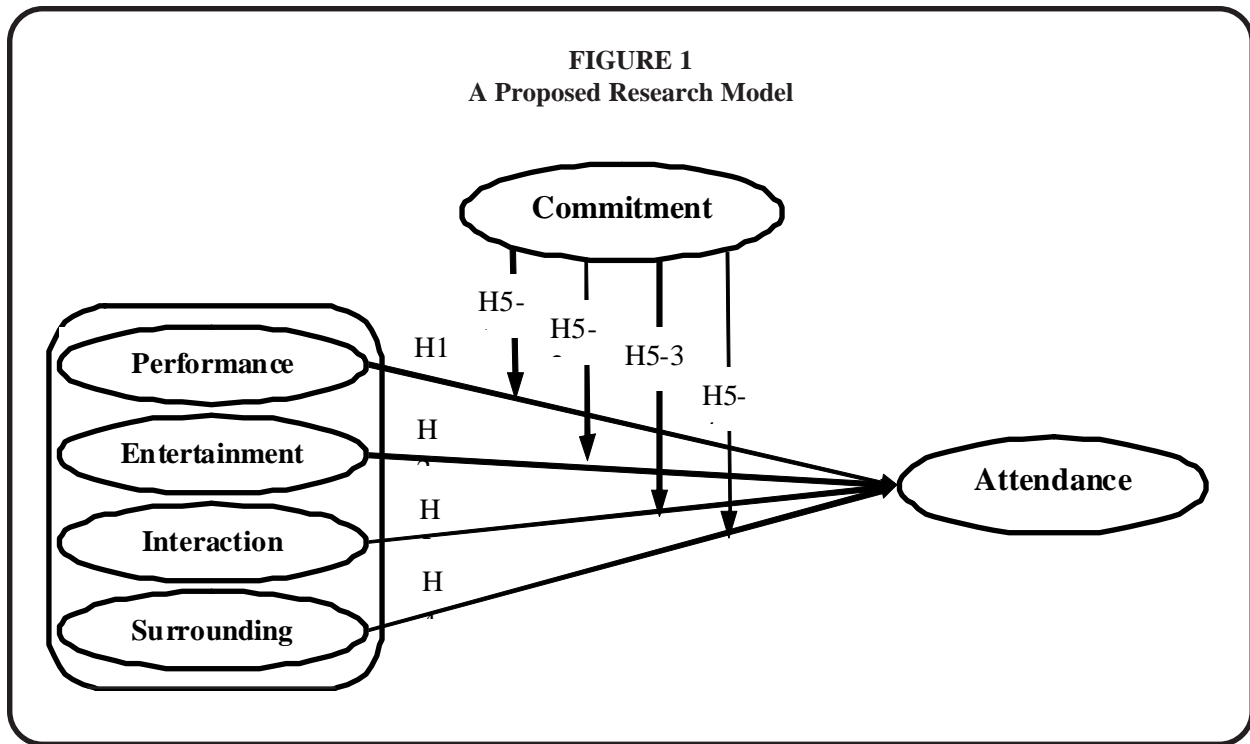
Based on the previous discussion the relationships between the constructs are depicted in Figure 1. They represent the hypothesized model. Specifically, the model consists of the sub-dimension of event quality (Game performance, Entertainment, Interaction with staff, and Physical surroundings) and sport consumption behavior (attendance).

METHODS

Sample Characteristics

Data were collected from both spectators who have recently visited a stadium or have experience in visiting a stadium in the past two years at a large Southeastern university at home women’s intercollegiate basketball

FIGURE 1
A Proposed Research Model



games to reduce the biased data. The women's basketball sample consists of 156 (55.3%) males and 126 (44.7%) females. The majority of the participants were 18–23 years old (74.1%), and Caucasian (White: 55.5%). The participants' attendances this season were 1–2 games (64.4%), 3–5 games (18.8%) and more than 6 games (13.8%).

Measures

Multiple measures for each construct were modified from items in existing scales: event quality (Ko 2005); commitment (Kwon and Trail 2003); and sport consumer behavior (Fink, Trail, and Anderson 2002; Kim 2009). All items were answered on a seven-point Likert scale format ranging from (1) "Strongly Disagree" to (7) "Strongly Agree."

Data Analysis Procedures

To test the measurement structure (i.e., event quality factors, commitment, and behavioral intention), we conducted confirmatory factor analysis (i.e., the comparative fit index (CFI), the standardized root-mean-square residual (SRMR), the root-mean-square error of approximation (RMSEA), Cronbach's α , correlation and the average variance extracted (AVE)) using AMOS 18.0. The direct effect of event quality factors on the behavioral intention, we test the structural equation model (SEM). Multiple-group SEM analyses examined the chi-squared difference test as well as the change or difference in the named alternative fit indices (CFI and RMSEA). Also, we

tested a model that examined change scores to determine whether findings remained robust.

RESULTS

Measurement Model Test

A CFA was conducted to examine the psychometric properties of the measures. The measurement model yielded an acceptable model fit ($\chi^2 = 363.90$, $df = 142$; $RMSEA = .075$; $SRMR = .046$; $CFI = .965$). Cronbach's alpha estimates ranged from .75 (commitment) to .98 (revisit intention). The AVE values ranged from .65 (commitment) to .92 (revisit intention; see Table 2).

Evidence of convergent validity is established by high factor loadings in the present study. Each measurement scale item's loading on each factor was greater than the suggested value of .70 (Hair, Black, Babin, Anderson, and Tatham 2005). Additionally, critical ratios of indicators of the constructs ranged from 5.7 to 11.2, which are greater than the significant value, 1.96 at $p < .05$ (Hair et al. 2005). To examine discriminant validity, an analysis of correlation between measured constructs was conducted. Correlations between constructs ranged from .18 (game performance and physical surrounding) to .78 (game performance and revisit intention) and were not excessively high (e.g., $< .85$) (Kline 2005). In addition, each squared correlation should be smaller than AVE (Fornell and Larcker 1981). All AVE estimates were found to be greater than the squared correlations. Therefore, it is concluded that the research constructs are sufficiently distinct from each other.

Structural Equation Modeling Test

Structural Equation Modeling was conducted to test the influence of event quality on sport consumption behavior. Figure X includes the direct effect of event quality (game performance, in-game entertainment, interaction with staff, and physical surrounding) on sport consumption behavior. The model fit was reported as: $X^2 = 363.90$ ($df = 142$), $X^2/df = 2.56$, SRMR = 0.04, RMSEA = 0.07, NFI = 0.96, CFI = 0.97. The model fit measures indicate that the proposed model's overall fit is good. Furthermore, all of the hypothesized paths except physical surrounding were significant in the hypothesized direction. Table X shows the path coefficients and statistical significance using Structural Equation Modeling. From the path coefficients, we could understand that the following hypotheses were supported: Game performance Consumption behavior ($\beta = .45$, $p < .000$); Entertainment Consumption behavior ($\beta = .34$, $p < .000$); and Interaction with staff Consumption behavior ($\beta = .17$, $p < .011$; see Table 1).

Multi-Group Structural Equation Modeling (SEM) Analysis

To test formally if there was a significant structural difference between the highly committed group and general group samples, multiple-group SEM was conducted using AMOS Version 18.0. This study's samples were college women's basketball spectators. We attempted to compare respondents of the high commitment group (commitment rating of 5.0 or higher) and respondents of the low commitment group (commitment rating lower than 3.0), however there was not enough representation from the low level commitment group. Thus, we compared respondents of the high level of commitment group and those of the general level commitment group.

To separate the highly committed group and general group, this study used mean scores of commitment items. The highly committed group's commitment mean scores were between 5.5 and 7. The general group's commitment mean scores were between 1 and 4.5. The authors discarded the group 4.5–5.5 in order to differentiate the two groups.

A preliminary stage involved testing for an invariant factor structure. The factor loadings were constrained to be equal for both groups. The difference in the chi-square statistic was insignificant ($\chi^2[14] = 18.448$); therefore, the factor structure between the highly committed group and general group sample can be assumed to be invariant. To test for structural invariance, we first allowed a free estimation of the structural coefficients in both the highly committed group and general group samples. Relaxing all equality on the structural coefficients gave a chi-square statistic of 544.317 ($df = 284$). To test whether the structural coefficients between the constructs in the highly committed group were similar to those in the general group sample, constraints on structure weights were added. The more we added constraints, the worse the fit became and the greater the chi-square statistic grew. This time, the difference in the chi-square statistic was significant ($\chi^2[18] = 47.883$, $p = .000$), showing that the causal links in the structural model differed significantly between the two samples.

Finally, the structural invariance for each individual structural path was tested to identify which of the links caused the structural difference. Significant differences in the chi-square statistic were found for 4 of the 4 individual paths: performance \rightarrow attendance ($p = .000$), entertainment \rightarrow attendance ($p = .001$), interaction \rightarrow attendance ($P = .000$), and physical surrounding \rightarrow attendance ($p = .000$). The multigroup analysis confirmed that there were structural differences in the model, in particular in the way the highly committed group and the general group samples perceived the links between all of the sub dimensions of event quality and attendance. Table 2 summarizes the results of the multigroup SEM analysis.

DISCUSSION

The Effect of Event Quality on Sport Consumption Behavior

The results of this research provide some interesting findings that further our knowledge of service evaluations, particularly in the context of sporting events. The findings from this study suggest that in collegiate women's

TABLE 1
Path Coefficient and Statistical Significance

Path	Unstandardized Estimates (B)	Standardized Estimates (β)	Standard Error	Critical Ratio	Significance Probability
Performance \rightarrow Attendance	.56	.45	.10	5.56	.000
Entertainment \rightarrow Attendance	.63	.34	.15	4.10	.000
Interaction \rightarrow Attendance	.28	.17	.11	2.56	.001
Surrounding \rightarrow Attendance	-.16	-.11	.09	-1.906	.057

TABLE 2
Structural Invariance for Each Individual Structural Path

Model		Model fit indices		Invariance test	
M0	Unconstrained model	$\chi^2(284)=544.31, p=.00$ RMSEA=.65, CFI=.93		-	
M1	Measurement weight	$\chi^2(298)=562.76, p=.00$ RMSEA=.65, CFI=.93		M1-M0: $\chi^2_{\Delta}(14)=18.44, p=.187$	
M2	Structural Weights	$\chi^2(302)=592.19, p=.00$ RMSEA=.65, CFI=.92		M2-M1: $\chi^2_{\Delta}(28)=47.88, p=.000$	
M3	Performance → Attendance	$\chi^2(307)=611.81, p=.00$ RMSEA=.65, CFI=.91		M3-M1: $\chi^2_{\Delta}(23)=67.49, p=.000$	
M4	Entertainment → Attendance	$\chi^2(307)=596.17, p=.00$ RMSEA=.65, CFI=.92		M4-M1: $\chi^2_{\Delta}(23)=51.86, p=.001$	
M5	Interaction → Attendance	$\chi^2(307)=606.54, p=.00$ RMSEA=.65, CFI=.92		M5-M1: $\chi^2_{\Delta}(23)=62.23, p=.000$	
M6	Surrounding → Attendance	$\chi^2(307)=615.14, p=.00$ RMSEA=.65, CFI=.91		M6-M1: $\chi^2_{\Delta}(23)=70.83, p=.000$	
Standardized total effect					
Group	Outcome	Performance	Entertainment	Interaction	Surrounding
High	Attendance	.46**	.05	-.08	-.17
General		.52**	.42**	.27**	.00

** Significant at 0.05

basketball, among the event quality factors, game performance ($\beta = .45, p = .000$), entertainment ($\beta = .34, p = .000$), and interaction with staff ($\beta = .17, p = .001$) positively influenced sport consumption behavior. This supports the findings of McDougall and Levesque (2000), who suggested that providing the core service should be the top priority of service providers.

However, this finding suggests that in a sports context, a critical service quality attribute is not under the control of marketers, as is usually the case for most other services. This finding obviously means that it is much more difficult for sports marketers to ensure that customers have a positive service encounter when they attend games and contests. Additionally, sports marketers should probably be even more vigilant in managing the variables they can control, in order to ensure that fans have positive experiences when games are not exciting and when the home team does not win.

In-game Entertainment is one of the most important products that maximize fans' game experiences and controllable aspects for sport marketers. Luckily for sport marketers, for collegiate women's basketball fans, entertainment does play a great role in attracting sport consumers ($\beta = .34, p = .000$). DeSchraver and Jensen (2002) asserted that entertainment value has significance and is positively related to attendance. Thus, sport marketers

should understand the importance of the value of promotional and entertainment features.

Interaction quality is the third factor that had significant effect on sport consumption behavior ($\beta = .17, p = .001$). Even though it has a slightly small effect on sport consumption behavior, it is indeed a very important factor which focuses on how the service is delivered (Brady and Cronin 2001). Human resources are very important at sporting events, where staff and volunteers form a key part of shaping the customer experience (Getz et al. 2001).

Numerous studies posit that the physical surrounding is one of the important factors positively associated with the sport consumption behavior (Wakefield and Sloan 1995).

In the current study however, the physical surrounding did not have a significant effect on sport consumption behavior ($\beta = -.11, p = .06$).

The author believe that the reason for the small R^2 value of interaction with staff and no effect of physical surrounding has a close relationship with the expected value of the sport event. Spectators do not pay or small amount of pay for tickets to the event, the expected service outcome could also be low. In future research, comparing both interaction with staff and the physical surrounding

factors between professional games and collegiate games would bring more in-depth understanding about the factor.

The Moderating Effect of Commitment on the Relationship Between Event Quality and Sport Consumption Behavior

In order to find out the group difference between the highly committed group and general group, a multi-group analysis was conducted. From the analysis, it was discovered that among the four paths of event quality, three paths (game performance, in-game entertainment, and interaction with the staff) showed significant difference between the groups. For the highly committed group, only the performance → attendance path turned out to be significant. For the general group, all three paths turned out to be significant.

Performance. Performance was important for the highly committed group of spectators ($\beta = .46$) to engage in sport consumption behavior, but it was found that performance was more important for the general group ($\beta = .52$) to engage in sport consumption behavior. This result shows the women's basketball team could provide a high level of game performance on a more consistent basis, not only would highly committed fans revisit the arena, but more general commitment fans would revisit the arena, too. Being that a saturated marketplace and level of team performance are impossible to control, in order to succeed in the sport industry, building a highly committed relationship with sport fans is of utmost importance.

Entertainment. Entertainment was important only for the general commitment group ($\beta = .46$) to engage in sport consumption behavior. This result illustrates that highly committed fans were not influenced by entertainment; however, general fans were influenced by entertainment. This could be explained by saying that the general committed fans were not coming to watch women's basketball games, but when in attendance, were enjoying their time in the stadium. This means that if the women's basketball team provides a high level of entertainment, they have more of a chance to attract the general fan to the stadium. In a saturated market, to increase the number of spectators, sport marketers need to focus more on various and effective entertainment options.

Interaction with Staff. Similar to entertainment, interaction with staff was important only for the general

committed group ($\beta = .27$). This result can be interpreted to say that whether the interaction level with the staff was high or low, highly committed fans will keep visiting the stadium. On the other hand, if interaction level with staff is high, general committed fans have a slightly greater chance to revisit the stadium. Although the effect of interaction with staff was not very significant, this is a controllable factor. Thus, sport marketers need to increase and improve the interactions that attendees have with the staff.

Physical Surrounding: Both highly committed fans and general committed fans were not influenced by the physical surrounding in collegiate women's basketball. There are some expected reasons. As we already mentioned, the collegiate sport fans' expectation about the physical surrounding is not very high because ticket prices are low and the stadium is not very big and/or complex. Although this study could not find the effectiveness of the physical surrounding, if stadiums can provide better physical surrounding services (e.g., clean restrooms, convenient parking, etc.), they could have a greater chance to attract more fans to the stadium. Therefore, sport managers should keep a focus on providing a high level of physical surrounding features.

LIMITATION AND FUTURE RESEARCH

This study has some limitations that should be considered for future research. First, the sample of this study was customers of only one collegiate women's basketball team and the majority of the participants in this study were college students. This might limit the generalizability of the findings from this study. Therefore, to increase the generalizability of the findings, future research needs to use broader and wider samples (e.g., men's basketball and professional team). The second limitation deals with the event quality factors. Various event quality factors exist, however, this research just focused on four factors. If this research used other event quality factors, the results could be different. Therefore, to find different and more effective results, future research needs to use different event quality factors. The third limitation in this research stems from only using commitment as a moderator. There are numerous factors that could moderate the influence of the relationship between event quality and sport consumer behavior (e.g., trust, perceived value, etc.). Therefore, to find more various and effective results, future research needs to use other moderating factors.

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AND SUSTAINABILITY DOES PAY OFF IN HIGHLY COMPETITIVE MARKETS

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SUMMARY

It is increasingly important for both management and academia to understand in which competitive environment firms should be particularly socially responsible and steer their operations on a sustainable path (e.g., Menon and Menon 1997; Neville, Bell, and Menguc 2005; Sánchez and Sotorrío 2007). Executives regularly raise the issue of how much corporate social responsibility (CSR) is enough and under which circumstances (Smith 2009). Anecdotal evidence from top management indicates that many firms express deep concerns about additional spending on activities related to CSR. Particularly in environments of both intense competition and dire economic straits, managers raise the challenging question about whether or not their CSR initiatives (e.g., ranging from the support of local communities via donating money to charitable purposes to reducing the carbon footprint) are worth the investment. For example, recent coverage by *Business Week* on corporate philanthropy cites top executives stating that CSR must become more cost-effective, contributing to the firms' economic goals (Warhurst 2008).

These managerial uncertainties about the effectiveness of CSR are mirrored in prior research, which draws an inconclusive picture of the role of CSR. In particular, how and under which conditions CSR leads to increased firm performance is still heavily debated (Vlachos et al. 2009). Previous studies report every possible form of impact that CSR can have directly and unconditionally on performance—positive, negative, or neutral. For example, while Wright and Ferris (1997) reported a negative effect of CSR on performance, Posnikoff (1997) identified a positive link and Teoh et al. (1999) found no significant relationship. McWilliams and Siegel (2000) held flawed model specifications responsible for inconsistencies across different research studies, then respecified their model accordingly, and arrived at a neutral relationship of CSR on performance. To further explain these discrepancies, some authors have introduced CSR as a moderating variable of the relationship between performance drivers and performance outcome variables such as economic

performance (Handelman and Arnold 1999) or customer attitudes (Vlachos et al. 2009). Yet other researchers find that the impact of CSR on performance is mediated by other variables such as customer satisfaction (Luo and Bhattacharya 2006). In summary, prior research does not arrive at a consistent depiction of the role of CSR. We claim that these inconsistencies may be due to a lack of consideration of the boundaries within which the indirect and conditional effect of CSR occurs. Moreover, despite calls for including boundary conditions for when CSR might serve as a moderator (Berens, van Riel, and Van Rekom 2007), little knowledge on potential limits of a moderation effect of CSR exists.

By introducing the level of competitive intensity as an important boundary condition to CSR, this research adds to the debate of the role of CSR as a moderator of the link between performance drivers and performance outcomes. Our research focuses on competitive intensity for three reasons: first, the impact of firms' socially responsible actions has been argued to be highly contingent on the competitive surroundings (McWilliams and Siegel 2000; Neville, Bell, and Menguc 2005); second, previous research suggests that firms should carefully consider their CSR investments, especially when under competitive pressure (Husted 2003); and third, the study of competitive intensity as a boundary condition to CSR is a timely matter (Berens, van Riel, and Van Rekom 2007), given that the effectiveness of CSR initiatives has been questioned by management, especially in times of economic downturn.

Our study, therefore, extends past research efforts and fills a gap in the extant literature at the interface of marketing and sustainability by simultaneously investigating the effects of marketing capabilities (the performance drivers in our study), competitive intensity, and CSR on firm performance. By means of a three-way interaction, our research demonstrates that in industries with high competitive intensity, marketing capabilities have a stronger positive impact on firm performance when CSR is high. References are available upon request.

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ENVIRONMENTAL CORPORATE SOCIAL RESPONSIBILITY AS A CORE COMPETENCE OF THE FIRM

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SUMMARY

Environmental corporate social responsibility (CSR) is gaining attention in the business-to-business (B2B) context as a potential core competence in the quest for competitive advantage. Research provides evidence of consumers' desires for environmentally responsible products and services. Yet little is known about how industrial customers value environmental attributes of products/services from their suppliers. If a firm can implement environmental CSR initiatives that are valued by its customers through its skills, knowledge and processes, in ways that are difficult to imitate, this core competence can be translated into a sustainable competitive advantage. Therefore, it is important to understand how customers value the environmental CSR initiatives of their suppliers. The purpose of this research, therefore, is to explore how environmental CSR efforts can differentiate a firm in terms of creating perceived customer value, and to better understand the role that innovation plays in the ability to differentiate.

We examine environmental CSR in the B2B context, specifically within the logistics service industry, because some transportation modal options appear to be more environmentally beneficial than others. In seeking to understand the importance of environmental CSR within the logistics service industry, a qualitative means-end methodology was adopted to probe deeper into the importance of environmental CSR attributes. This research was conducted in partnership with a rail company who provided a list of potential customers to interview. Ultimately, 23 managers from Fortune 500 companies responded and participated in the research. Depth-interviews were conducted with the 23 managers, lasting 45-110 minutes.

Data analysis was conducted through a process of coding and hierarchy mapping. The analysis revealed that environmental CSR can be leveraged as a core competence of logistics service provider (LSP) firms. The impact of customers valuing environmental initiatives was evident in the attribute, consequence, and end-goals phases of the means-end hierarchy. The findings provide some insight into what logistics service customers perceive as valuable and differentiating attributes of their LSPs' services.

Three themes of relationship, environmental initiatives, and innovation emerged as the participants discussed what they value in their LSPs. Participants discussed relationships in terms of a win-win partnership that results in consequential benefits to both parties. The ability of the service provider to create innovative solutions is key in differentiating between leader and laggard service providers. Finally, environmental CSR is one of the tools managers use to differentiate between their suppliers (specifically if the manager is environmentally-centric). The findings suggest that each of these three categories of attributes is important to the participating managers, and could serve to differentiate the service provider from competitors.

Interestingly, it also appears that these three factors are inter-related, as participants often linked environmental CSR and innovation together in their discussions, along with notions of partnering with an environmentally responsible service provider. The interviews reveal that many participants want to work with LSPs that will be their strategic partners. They expressed that innovation is tied to environmental initiatives – these initiatives lead to differentiation for their own companies in terms of environmental leadership.

At least three key areas of future research can be identified: the need for more theoretical grounding for environmental CSR research as it progresses; research investigating the relationship between environmental CSR initiatives, innovation, and business relationships; and further research investigating the relationship between environmental CSR and corporate performance. The link between environmental CSR and innovation has emerged as an important direction for further research that will have both practical and theoretical dividends. This research begins to give environmental CSR purpose other than being "good" or morally right. Environmental CSR is now moving into a realm that may be more comfortable for business managers, who better understand the language of terms such as core competence, customer value, competitive differentiation and profitability. References are available upon request.

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AN EMPIRICAL EXAMINATION OF THE DARK SIDE OF RELATIONSHIP MARKETING WITHIN A BUSINESS TO BUSINESS CONTEXT

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SUMMARY

Over the past few decades a large number of empirical studies have illustrated the benefits of adopting a relational perspective and implementing a Relationship Marketing (RM) strategy (cf., Palmatier, Dant, and Grewal 2007). However, there is an emergent body of literature, that suggests there might be a dark side to RM (e.g., Grayson and Ambler 1999; Hibbard et al. 2001; Moorman, Zaltman, and Desphande 1992). This small stream of literature suggests that implementing a RM strategy may, over time, be harmful to firms engaged in B2B relationships.

Literature Review

The most highly cited work, in relation to the dark side is the 1992 article by Moorman, Zaltman, and Desphande (1992). The authors explain that members in a long term (B2B) relationship may, over time, start to think too much alike, lose their ability to be objective, and develop higher expectations of their relationship partners. Such B2B relationships may also present more opportunities to the partners to act opportunistically. Grayson and Amber (1999) operationalized Moorman, Zaltman, and Desphande's (1992) dark side symptoms. Though they were unable to link their results to the Moorman, Zaltman, and Desphande's (1992) dark side constructs, they were able to provide empirical support of the dark side's existence.

Hibbard et al. (2001) extended the empirical dark side work by investigating the seminal relational constructs of trust, commitment, mutual dependence, shared values, and communication as they were related to performance over time. Their results show that as time passes, the benefits of a RM diminish as the correlations between relational constructs and performance were found to weaken. Pressey and Tzokas (2004) also found evidence of a dark side when they discovered that B2B relationships weaken over time. Anderson and Jap (2005) describe the dark side as something that subtly undermines relationships in which parties are confident and optimistic about their collaboration. Both Pressey and Tzokas (2004) and Ander-

son and Jap (2005) suggest that the variables that promote a good B2B relationship may also be the variables that eventually undermine these relationships.

Theory and Hypothesis Development

This abstract expands the above notion of the dark side by suggesting that relational constructs like trust and commitment may, over time, have a detrimental effect on a firm's ability to achieve its goals. This is due to firms confusing the positive elements of a strong B2B relationship with organizational performance, which can breed complacency or a narrow view of relationship functionality. Firms may also perceive that increased integration with exchange partners leave them exposed and susceptible to the opportunistic actions of their exchange partners. Thus, RM, in these situations may inhibit the development of efficiencies as firms respond to the cues of their relationships and not their industrial environment. The dark side then can be defined as the decrease in a firm's ability to obtain organizational goals resulting from the adoption of a RM strategy.

The dark side, in this abstract, is operationalized in terms of four specific dark side constructs. The first, *Relational Myopia*, results when two firms have embraced a narrow perspective regarding their relationship. *Complacency* encompasses feelings of undue satisfaction and an unwillingness to accept the need for change. *Vulnerability* is defined as one firm being susceptible to harm from the actions of one's relational partner. *Suspicion*, is defined as doubt one relational partner has about their exchange partner's actions or intentions.

It was hypothesized that the relational constructs of trust, commitment and satisfaction would have positive relationships with all of the dark side constructs while shared values would have a positive relationship with relational myopia over time. Relational myopia and complacency were hypothesized to have a positive relationship with relational strength while vulnerability and suspicion were expected to be negatively related with relationship strength. A positive relationship between relationship strength and performance was also hypothesized.

Methodology and Results

Data from a diverse set of B2B relationships ($N = 305$) was gathered to test the SEM model implicit in the hypotheses discussed above. The results support the notion of a RM dark side. The relational constructs were all found to have a positive relationship with the dark side constructs except vulnerability which showed no relationship at all. Also, only relational myopia was found to relate with relationship strength. None of the other dark side constructs related to relationship strength though relationship strength was found to positively relate with performance as expected.

Discussion and Future Research

Theoretical perspectives applied in the RM and B2B literatures have failed to account for the eventual manifestation of the dark side. Reconciling these results with the

volumes of contrary work already presented in the RM literature is accomplished by applying a sunset clause to these theoretical foundations. This sunset clause bridges the gap between the initial beneficial outcomes associated with a RM strategy and offers theoretical justification for the eventual onset of the dark side. More succinctly, such a perspective on the benefits of a RM strategy allows for the initial benefits associated with the strategy but urges caution and awareness as the relationship ages due to the eventual waning of these benefits and subsequent manifestation of the dark side.

Future scholars should consider alternative research settings that allow for the use of longitudinal and dyadic data. The study discussed here does not employ the use of these research tools though we believe that both will strengthen the results of further dark side studies leading to a greater understating of the dark side's onset within the B2B context. References are available upon request.

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THE ROLE OF MARKET ORIENTATION IN DEVELOPING RELATIONAL CAPABILITIES AND DRIVING PERFORMANCE OUTCOMES (EMPIRICAL EVIDENCE FROM RUSSIA)

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SUMMARY

Market orientation is considered an important driver of business success (Narver and Slater 1990; Kohli and Jaworski 1990). Notwithstanding the role of market orientation subconstructs on firm performance is not sufficiently studied, particularly in the context of developing economies. Main objective of this article is to focus on the role of market orientation subdimensions in the context of Russian economy in transition and to investigate potential mediating effect of firm's relational capabilities (Lorenzoni and Lipparini 1999; Sivadas and Dwyer 2000). The impact of market orientation (MO) on firm performance, considering mediating effect of relational capabilities is still providing insufficient research evidence (Jacob 2006), particularly in relation to the firms from transitional markets.

MO is one of the most central concepts in the marketing literature, starting from the 1990s onwards (Narver and Slater 1990; Kohli and Jaworski 1990). We use MO conceptualization by Narver and Slater (1990) hypothesize in line with existing research that there will be a direct and positive impact of MO on firm performance in Russia. Besides the hypothesized direct effect of MO on firm performance, our nomological model tests a mediating effect via the construct of relational capabilities. Teece and colleagues (1997) state in this context that in rapidly changing environments the firms are facing particular need to develop "the ability to sense the need to reconfigure the firm's asset structure and to accomplish the necessary internal and external transformation" (p. 520). This relational capability (i.e., reconfiguring a firm's asset structure vis-à-vis external forces) leads to the requirement to understand transactional or relational needs of external stakeholders (Coviello et al. 2002). This is driven by developing a customer orientation (Narver and Slater 1990), thus we posit that the level of customer orientation of a firm is positively related to relational capabilities of a firm. Closer attention to competition will enable the firm to develop capabilities to better manage in important business relationships. Furthermore, we hypoth-

esize that coordination between functions can stimulate not only learning within relationships, but does also develop the incorporation of market knowledge into processes and capabilities aimed at fostering collaborative business interactions. According to Lorenzoni and Lipparini (1999) there exists insufficient empirical evidence regarding the link between relational capabilities and firm performance, despite the growing literature on interfirm relationships. We hypothesize that those firms which have created relational capabilities in the organization aimed at a better customer integration and coordination of interfirm relationships will also have superior business results.

Empirical model testing was conducted on the base of a sample of 148 Russian industrial firms from 34 regions of Russia. Key respondents represented top management and marketing executives in the companies. The data was collected in form of face-to-face interviews. The overall fit measures and significant levels of the paths coefficient show a good fit of the model: $\chi^2 = 1.151$ ($p = 0.119$), RMR = 0.044, GFI = 0.908, AGFI = 0.874, CFI = 0.991, RMSEA = 0.031 ($p = 0.930$). The results of the model show that with regard to direct effects only one of the three components of MO has a significant effect on firm performance. Both customer orientation and interfunctional coordination significantly and positively impact on the development of relational capabilities; however the link between the interfunctional coordination is only supported with $p < 0.1$, thus indicating tentative corroboration. As expected the impact of relational capabilities on performance is significant and positive. Thus, firms investing in creation of customer-oriented processes and specific relational capabilities have better performance. Contradicting with theoretical assumptions, only one market orientation subdimensions (competitor orientation) has direct impact on business performance. Nevertheless, the other two dimensions - customer orientation and interfunctional coordination - have certain impact on performance via relational capabilities. Considering the results of our empirical study, we can imply that further research is required to conceptualize on the role of market orientation subdimensions and the role of relational capabilities in

driving firm success. Particularly important would be investigation on the link with firm's ability to interact not only with customers, but with multiple stakeholders

(Greenley et al. 2004). This research could provide a more comprehensive picture of organizational interactions in both developed and transition economies.

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CHARACTERISTICS OF SINGLE-ITEM MEASURES IN LIKERT SCALE FORMAT

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SUMMARY

The dominant paradigm of multiple-items scale development in marketing, as advanced by Churchill, Jr. (1979), has been challenged by several authors (Drolet and Morrison 2001; Rossiter 2002; Bergkvist and Rossiter 2007). Although the use of single-item measures is appealing, some authors suggest that single-item measures in Likert format are not appropriate. Specifically, Rossiter (2002, 2008) argues that the only appropriate scale for single-item measures is the semantic-differential scale. The Likert scale was called problematic and its use was discouraged because of the lack of a neutral point.

The Likert scale is one of the most popular scales in marketing and its status is unlikely to change. Therefore, as more researchers may decide to use it as a single-item measure, it becomes necessary to examine the characteristics of the Likert scale more closely. The research question this study answers is: Are single-item measures in Likert format usable?

A Likert item can be positively or negatively worded. Nunnally (1978) suggested that positively-worded items can be transformed into negatively-worded items and their scores reversed symmetrically afterwards. This practice continues, although it has been known that negatively-worded items introduce problems in multiple-item scales. The problems can be contributed to the positive-negative asymmetry. Positivity and negativity are not symmetrical. Cacioppo and Berntson (1994) advanced the concept of bivariate evaluative space, where positivity and negativity are distinct entities that can coexist independently. The biases associated with the processing of positive information were called the *positivity bias* (Markus and Zajonc 1985), and the biases associated with the processing of negative information were called the *negativity bias* (Kanouse and Hanson, Jr. 1987). The *positivity bias* is a cognitive process referring to humans' readiness to generate positive content (Peeters and Czapinski 1990) as an *a priori* hypothesis about reality (Peeters 1971; Markus and Zajonc 1985). On the other hand, the *negativity bias* can be summarized in four ways: (1) negative evaluations are stronger than equivalent positive evaluations, (2) negative intensity increases faster than positive intensity when approaching corresponding events, (3) the combination of positive and negative stimuli results in a more negative result than their algebraic sum, and (4) negative events lead to more complex cognitive processes (Rozin and Royzman 2001).

The basic premise I step on distinguishes between the positivity bias under positive wording and the negativity bias under negative wording in Likert scales. I take a gradual approach and examine the properties of the Likert scale in a positive-negative continuum: from positive to negative with different levels of intensities. Intensity herein refers to the extremeness of the argument with which a respondent needs to agree/disagree. Several hypotheses were formulated and tested. Data was collected from 153 undergraduate students at a mid-western university. The theoretical framework used to test the hypotheses was the theory of reasoned action (Ajzen and Fishbein 1980); attitudes affect purchase intentions, which in turn affect purchase behavior. Attitudes and purchase intentions were measured using Likert scales by asking the same question with five different levels of intensity from positive to negative. For example, the question(s) measuring attitude were "My attitude with BrandX is very positive/positive/neutral/somewhat negative/very negative." The collected data includes attitudes, purchase intentions, and simulated behavioral choice for three popular computer brands: Dell, HP, and Gateway. The reason for selecting three brands instead of one brand was to assure that the obtained results are not artifacts of a single brand.

The following results were found:

1. Positively and negatively worded items are not true opposites;
2. Items with neutral wording have a distinct conceptual meaning compared to items with non-neutral wording;
3. Reversed items have higher means and the difference between the means of reversed and non-reversed items with the same intensity increases as intensity increases (Figure 1).
4. All else being equal, a dependent variable is predicted best by independent variables with similar wording and intensity.
5. Negatively worded items contain a method factor that limits their ability to capture the measured concept.

Considering the results above, it can be concluded that the Likert scale is usable but it should be positively-worded with a fairly high level of intensity.

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COMPUTER BASED LIE DETECTION TECHNIQUE FOR SCALE VALIDATION

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SUMMARY

People's unwillingness to share personal information or to reveal their true feelings and beliefs is a core measurement issue in the study of human behaviors. Sensitivity issues are those aspects of individuals' lives for which there might be resistance to talk about, where social desirability bias might come into play. Social desirability bias (SDB) is a systematic error in self-report measures resulting from the desire of respondents to avoid embarrassment and project a favorable image to others (Fisher 1993). SDB is one of the most common and pervasive bias: it compromises experimental validity in psychology and social sciences (Edwards 1957). Social issues might expose individuals to others' judgments or opinions, hence they might be afraid to reveal their true feelings and beliefs. Many psychological and consumer behavior constructs expose individuals to such situations.

Consumption activities may convey deep symbolic meanings that go beyond the functional scope of these activities. Services and products are often used by people to express their identity and communicate it to others. Thus consumption becomes a mean to obtain social acceptance and thus people are driven to act accordingly to this desire of social approval: they will show off "adequate" consumption behaviors and will hide the "inappropriate" actions (Tajfel 1982).

Many aspects of consumer research involve constructs that are very sensitive for consumers but are very insightful for managers and scholars. One of these is the Public Self Consciousness scale which measures the degree to which persons recognize and are concerned about the way they are perceived by others (Fenigstein, p. 77). When given this scale, individuals have high pressure in answering. Even though they might be averagely confident about the way they are perceived from others, by the mere fact of answering to these questions in front of other people, they might revise their perceptions.

In these situations, consumers might be keen on lying in order not to reveal their real preferences and attitudes. Thus, it becomes crucial to be able to understand whether a person is lying or not. Explicit measures, in this case, are inadequate. Individuals, while completing a self-report questionnaire have the chance to hide themselves

unrevealing their real feelings and thoughts. In this way, they reply to the questions provided according to the socially desired answers.

In the paper we propose a methodological triangulation to validate explicit (self-stated) sensitive measures through implicit measure techniques designed for lie-detection purposes. A one-off, item by item, deception-test is our proposal to integrate the traditional validity tests for sensitive marketing scales.

In order to achieve this goal, we reviewed the existing literature on social desirability, the traditional approaches employed to overcome the related issues and the emerging neuroscience techniques. With this regard, observation and particularly new methods of brain scanning have been developed and the technological equipment has become more and more powerful and effective. Implicit methods like functional magnetic resonance imaging (fMRI), electroencephalography (EEG) or magnetoencephalography (MEG) offer a promising tool to investigate and better understand cognitive processes (Camerer, Lowenstein, and Prelec 2005). The emergence of neuroscience starts a new era in consumer behavior research. "Neuromarketing" enables us to obtain a more objective insight into human information processing because it offers implicit measures capturing consumer unconscious processes (Lee, Broderick, and Chamberlain 2007). Namely, the objective of neuromarketing is to analyze consumers' responses to marketing stimuli through neuroimaging tools (Lee, Broderick, and Chamberlain 2007).

We will focus on a specific technique which comes from the lie detection tradition, the Timed Antagonistic Response Alethiometer (TARA) and will apply this approach to validate a high sensitive scale. In this way we propose a new, practical solution to overcome the limits of the traditional approaches to eliminate the social desirability bias.

Recent developments of neuroscience show the use of implicit measures based on the principle of response time. This group of measures postulates that: truth telling involves only the activation of veridical beliefs while lying implies a specific decision and the construction of a falsehood. Hence, lying being a more complex task, requires more time.

Up to now, different techniques for implicit measures based on response time exist:

1. The Implicit Association Test (IAT) introduced by Greenwald, McGhee and Schwartz (1998), which is a timed computer based categorization task, designed to measure relative strengths of association among concepts or objects in memory.
2. The Go/No-go Association Task (GNAT), by Nosek and Banaji (2001). Conceptually similar to the IAT, the GNAT assesses automatic associations between concept (e.g., gender) and attribute (e.g., evaluation) categories. In contrast with the IAT, the GNAT obtains a measure of implicit social cognition without requiring the direct involvement of complementary or contrasting objects.
3. The autobiographical Implicit Association Test (aIAT), which is a further variation of the IAT, designed to assess which of two autobiographical events is true (Sartori, Agosta, Zogmaister, Ferrara, and Castiello 2008). The authors found that the aIAT has high accuracy in determining which of two events is true.
4. The Timed Antagonistic Response Alethiometer (TARA), which is another reaction-time-based lie-detection test (Gregg 2007). Like aIAT and IAT, the

TARA is a computer-based classification task. “It manufactures a situation in which honest respondents are able to complete a series of compatible classifications but in which dishonest respondents are obliged to complete a series of incompatible ones. Doing the latter is harder than doing the former. Consequently, dishonest respondents must go slower than honest respondents to achieve equivalent levels of accuracy” (Gregg 2007, p. 624). A difference with the aIAT is that the TARA is based on a between-subjects comparison rather than a within-subjects comparison. More important for us, while the aIAT is designed for autobiographical events (real, factual events), the TARA focuses on generic statements, including personal attitudes for example.

This study wants to be a first attempt to test the validity of sensitive scales. Findings demonstrate that referring to the tested items, there is no incentive to lie. Thus, we can conclude, regarding to this specific case, that the social desirability bias does not come into play. This process should be repeated for all the remaining 5 items of the Public Self Consciousness scale in order to eliminate those items where respondents might have high incentive to lie. In this way we can improve the construct validity of the variable and the final version of the scale could be revised according to the findings. We suggest employing this procedure *una tantum* and then to implement the scale in its explicit – depurated – version.

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COST-SENSITIVE LEARNING VIA PRIORITY SAMPLING TO IMPROVE THE ROI OF DIRECT MARKETING

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SUMMARY

Due to budget constraint, most direct marketers only contact a preset percentage (e.g., 20%) of the names in a company's database. Thus, the primary objective of modeling consumer responses in direct marketing is to identify those customers who are most likely to respond. This requires the researchers to produce a greater number of true positives in the upper deciles in the test data file. Until recently, statistical methods such as logistic regression have dominated the modeling of consumer responses to direct marketing. However, they have one major limitation, i.e., the lack of sensitivity to the unequal costs of misclassification errors (false positives vs. false negatives). Due to the low "response rate," direct marketing data typically have a small number of positive cases (i.e., buyers), compared with the total number of potential customers. Moreover, the distribution of customer sales and profit data is also highly skewed with a very long tail, indicating a concentration of profit among a small group of customers. The uneven distribution of classes and skewed distribution of profit highlight the problem of unequal costs of misclassification errors and suboptimal ranking of customers in direct marketing forecasting.

In general, researchers have used several strategies to deal with cost-sensitive classification. First, researchers may manipulate the estimation or training data by under-sampling the negative cases. Second, researchers may manipulate the output data from a model by adjusting the threshold value, e.g., using 0.8 instead of 0.5 as a cut-off point. The third solution is to incorporate the unequal costs of misclassification errors in the estimation or training process by providing a cost matrix to weigh samples in the learning algorithm. To develop a known cost matrix, one must determine the conditional risks first and sort the examples according to the conditional risks. This method can be very helpful when the exact costs of misclassification errors are more or less fixed and already known to researchers. When the costs of misclassification errors are neither uniform nor known, researchers have suggested the expected cost approach (Zadrozny and Elkan 2001) and the so-called cost-proportionate method to solve the cost-sensitive classification problem (Zadrozny, Langford and Abe (2003)). Both methods, however, could lead to an over-emphasis on the high profit customers, which are often the outliers in the data distribution and can

lead to over-fitting and result in suboptimal performance of a model.

To avoid sampling only a small number of negative cases (as in the cost proportionate approach), we simply apply a 1:1 ratio to under-sample the negative cases to achieve a balanced distribution of classes. Second, among the positive cases, we integrate the sample-dependent cost in the learning process by giving priority to the high profit customers in the resampling process. In priority sampling, we use the profit for each positive case as the cost in the sampling process. For a continuous random variable (x) such as customer profit, the probability density function $f(x)$ is the derivative of the cumulative distribution function $F(x)$. In this sense, we consider the profit distribution as a probability distribution that sums up to one. Since such a sample is likely only a small portion of the training data, this approach may not arrive at accurate estimates of the parameters and lead to overfitting. This is especially true when researchers apply K-fold cross-validation to test the performance of a forecasting method, as the distribution of profit values may vary from one sample to another. To solve this problem, we propose an ensemble learning approach that generates and combines a series of estimations using the same learning algorithm. To compare the performance of priority sampling with other methods, we conducted experiments with a direct marketing dataset from a U.S.-based catalog company. This database contains the records of 106,284 consumers in a recent promotion. Then, we use logistic regression as the baseline model to compare with the cost-sensitive methods.

The results of 10-fold cross-validation indicate that logistic regression achieves a response lift of 378.5 in the first decile and 275.3 in the second decile, followed by priority sampling (376.0 and 273.5) and the cost-proportionate method (368.7 and 270.8). The expected cost approach produces top two decile response lifts of 187.7 and 183.0, which are significantly lower than those of the other three methods. On average, logistic regression provides profit lifts of 603.9 and 380.1 in the top two deciles. The three cost-sensitive methods all provide significantly higher profit lift in the top decile. The expected cost approach produces top decile profit lifts of 626.1 and 385.0, which are significantly higher than those of logistic regression. By comparison, the cost proportionate method provides top decile profit lifts of 625.3 and 386.7. The priority sampling method records the highest average top

decile profit lift of 628.8, which is higher than that of competing methods by a few percentage points. The results suggest that cost-sensitive methods provide superior performance in selecting customers based on their potential profit, and that the priority sampling approach

achieves noticeable improvement in terms of the actual lifted profit than the competing methods. Priority sampling can be used for customer selection in direct marketing and help achieve more accurate target marketing activities to improve the return on marketing.

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DISCRIMINANT VALIDITY TESTING

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ABSTRACT

This research critically evaluates popular discriminant validity tests using real-world survey data from theoretical model tests. Using counterexamples, many of them were unable to gauge discriminant validity as it is frequently operationalized. None were trustworthy for gauging a suggested standard for adequate “reproducibility,” Campbell and Fiske’s (1959) criterion for discriminant validity. Suggestions are offered for adequately assessing discriminant validity in theoretical model tests using survey data, and for improving Average Variance Extracted.

INTRODUCTION

Convergent and discriminant validity are Campbell and Fiske’s (1959) seminal ideas of assessing multiple traits (variables) with multiple methods to gauge “reproducibility.” Convergent measures are highly correspondent (correlated) across different methods. Discriminant measures have low correlations with other variables. Campbell and Fiske argued that convergent and discriminant measures are necessary for “reproducible” study results – ideally, associations among variables that are within sampling variation of each other across multiple studies.

However, convergent and discriminant validity frequently are not assessed as Campbell and Fiske intended: using multiple methods. Perhaps because a construct is typically measured with a single method, a single measure in the study at hand, “adequate” reliability – reliability of at least 0.70; see Nunnally (1978) – is frequently substituted for its convergent validity, and measure “distinctness” – the target measure’s correlations with other measures are less than $|0.7|$, where “ $|$ ” is absolute value – is substituted for its discriminant validity (e.g., Ping 2004).

Other “single sample” discriminant validity criteria also have been used. Average Variance Extracted (AVE) was proposed by Fornell and Larcker (1981) to gauge the percentage of error-free variance in a measure. AVE is “occasionally used” (Ping 2004) to gauge discriminant validity by comparing a measure’s AVE to its squared correlations with other measures (i.e., its covariances using standardized latent variables). In addition, a correlation could be tested for discriminant validity by examining its confidence interval to see if it contains 1 (see Anderson and Gerbing 1988). The discriminant validity of X and Z, for example, also could be gauged by the difference in chi-squares of two measurement models,

one with the X-Z correlation fixed at 1, and a second with this correlation free (see Bagozzi and Phillips 1982).

However, using counterexamples the present research suggests that in “survey-data,”¹ the correlation-confidence interval, and the chi-square difference tests can fail to suggest discriminant invalidity, even in measures that have been judged to be conceptually indistinct, or that have nearly-perfect collinearity. And, a measure with a correlation less than $|0.70|$ can fail to be discriminant valid using Fornell and Larcker’s AVE-versus-squared-correlation discriminant validity criterion in survey data. Finally, a measure that is discriminant valid using Fornell and Larcker’s discriminant validity criterion, can fail to be discriminant valid using a suggested single-sample “reproducibility” criterion in survey data. (Other discriminant validity tests, such as a factor-loading test (see DeVellis 1991), have been proposed. These tests either are inappropriate for the externally consistent measures, in the Anderson and Gerbing (1988) sense, used in survey-data theoretical model tests, or they are inaccessible to many substantive researchers.) The following investigates popular discriminant validity tests using real-world survey data from theoretical model tests, and other matters related to discriminant validity and AVE.

DISCRIMINANT VALIDITY TESTS

As just mentioned, single-sample discriminant validity tests used by substantive authors have included examining the confidence interval for the correlation between X and Z, for example. Specifically, if the target correlation confidence interval is not likely to contain 1, this suggests its population correlation is unlikely to be 1, and this implies that X and Z are distinct – which could be used to suggest their “discriminant validity.”²

Other single-sample discriminant validity tests include a single degree of freedom test that compares two structural equation measurement models, one with the X-Z correlation fixed at 1, and a second with this correlation free. If the difference in the resulting measurement model chi-squares is significant, this suggests the X-Z correlation is not likely to be 1, and this implies X and Z are distinct – which also could be used to suggest their “discriminant validity.”

Correlation Confidence Interval Tests

However, these tests can produce untrustworthy results in survey data. Specifically, experience suggests that testing a correlation confidence interval for two Latent

Variables (LV's), X and Z for example, to see if it contains 1, usually suggests that X and Z are empirically distinct in survey data. Typical sample sizes (hundreds of cases) and the internal consistency requirement in survey data typically combine to produce small correlation standard errors that in turn produce confidence intervals are usually too narrow to include a correlation value of 1.

For example, in a survey with 200+ cases and several valid and reliable LV's,³ two LV's that were judged to be conceptually indistinct (the items of each LV differed by slight variations in item wording) and that had a correlation of 0.9988, produced a 95 percent correlation confidence interval of [0.9984, 0.9993]. In different words, the confidence interval for these LV's suggested they were operationally/empirically distinct with a 95 percent confidence. As a result, they might be judged to be "discriminant valid," even though they were judged to be conceptually, and operationally, indistinct.

Single Degree of Freedom Tests

A Measurement Model with Two LV's. A single degree of freedom test, could be applied in a measurement model containing the two target Latent Variables (LV's), or it could be applied in a full measurement model containing all the model LV's. Experience suggests that in a two-LV measurement model, a single degree of freedom test can produce untrustworthy test results in survey data. Specifically, two nearly collinear LV's that have their correlation constrained to 1 can fit the data significantly worse than when their correlation is free, which could be used to suggest the nearly collinear LV's are "discriminant valid." For example, in a two-LV measurement model from a larger survey-data model, two LV's that may or may not have been judged to be conceptually distinct (they were two exploratory factors of the same LV) had a correlation of .9295. In a single degree of freedom test, their correlation could not be constrained to 1 in LISREL (the fitted covariance matrix was not positive definite). However, constraining the correlation to 0.9795, instead of 1, produced a chi square difference with 1 degree of freedom that was significant,⁴ which suggested they were operationally/empirically distinct,⁵ and thus they could be judged to be "discriminant valid."

Then, two LV's, judged to be conceptually identical (both were from Factor 1 of the same LV) and having a correlation of 0.9969, were tested in a two-LV measurement model. Again in a single degree of freedom test, their correlation could not be constrained to 1 in LISREL. However, constraining the correlation to 0.9998, instead of 1, produced a chi square difference that suggested they were operationally distinct ($\chi^2_{1,1} = 1.0000$ ($\Delta\chi^2 = 218 = 249-31$, $df = 9-8$), and thus they might be judged to be "discriminant valid."

However, the chi square statistic is sensitive to sample size. So, the sample size was reduced in steps until the measurement model parameter estimates became unstable, comparing chi square differences at each step. Nevertheless, the chi square difference tests continued to be significant, suggesting that sample size did not affect these results.

A Full Measurement Model. A full measurement model containing all the study LV's produced similar results. Two LV's that may or may not have been conceptually the same (they were two factors of the same LV) had a correlation of .9274. While their correlation could not be constrained to 1 in the full measurement model, constraining them to a correlation of .9476 produced a chi square difference test with a significance of .9990. This suggested they were operationally distinct ($\chi^2_{1,1} = 0.9990$ ($\Delta\chi^2 = 11 = 6586-6575$, $df = 2090-2089$)), and they could be judged to be "discriminant validity."

Then, two sets of items that were judged to be conceptually indistinct (both were from Factor 1 of the same LV) and that had a correlation of 0.9998, were tested in their full measurement model. In this case their correlation could be constrained to 1, and the chi square difference with 1 degree of freedom was significant, which suggested they were operationally distinct ($\chi^2_{1,1} = 0.9999$ ($\Delta\chi^2 = 12 = 5626-5614$, $df = 1836-1835$)), and they might be judged to be "discriminant valid."

Again, because the chi square statistic is sensitive to sample size, the sample size was reduced in steps until the measurement model parameter estimates became unstable, comparing chi square differences at each step. As before, the chi square difference tests continued to be significant, suggesting that sample size did not affect these results. In summary, distinctness tests such as correlation confidence intervals or single degree of freedom tests, are untrustworthy for that purpose in survey data. Experience suggests that in survey data, these tests usually "confirm" distinctness for conceptually identical LV's, or nearly perfectly collinear LV's.

Other Tests

It is possible to show that a correlation that is less than [0.70], and that "passes" Fornell and Larcker's discriminant validity test, can be judged to have unacceptable "reproducibility," Campbell and Fiske's objective for discriminant validity. To explain, in survey data, experience suggests that with lower AVE in X, for example, and correlated X and Z, the unique-and-error-free variance (i.e., error-free variance that is unshared in the covariance between X and Z) of X can be less than 50 percent.⁶ This should amplify the variability of structural coefficients involving X across studies, beyond that which would be

expected with sampling variation. Stated differently, it is possible to show that with declined AVE and even moderately correlated X and Z, X's association with Y, for example, can be largely the result of the variances of other study variables (via covariances), and measurement error. This should produce less efficient (i.e., more variable) X-Y structural coefficients in subsequent studies (i.e., increased structural coefficient instability – reduced “reproducibility” in Campbell and Fiske's terms).

1. For example, the covariance between two LV's reduced the percent unique-and-error-free variance to a questionable level for “reproducibility” in Campbell and Fiske's terms. Specifically, the AVE's of two LV's in a real-world survey, were both 0.59, and their correlation was -0.59.

Note that both LV's were discriminant valid using Fornell and Larker's AVE's-versus-squared-correlation discriminant validity criterion. Specifically their covariance, the square of their correlation, was 0.33, which was less than both of their (convergent valid) AVE's. Parenthetically, their correlation was below |0.70|.

Removing the correlation between these two variables by scaling⁷ one LV to a zero correlation with the other, reduced its AVE to 0.47, and scaling the other LV to a zero correlation with the other (after reversing the previous scaling) reduced its AVE to 0.48. Thus, the amount of unique-and-error-free variance in the LV's was 47 percent in one, and 48 percent in the other.

This suggests that any structural coefficient involving X, for example, and any dependent variable, is (slightly) more the result of the variance of another study variable, and error variance, than it is the result of X's unique-and-error-free variance. This in turn should (slightly) amplify the variability of results beyond sampling variation in subsequent studies, and thus (slightly) decrease reproducibility in the Campbell and Fiske sense.

Summarizing, a correlation that is less than |0.70|, and “passing” Fornell and Larker's discriminant validity test, may not be adequate demonstrations of discriminant validity as Campbell and Fiske intended (i.e., “acceptable” reproducibility) in survey data.

IMPROVING AVE AND REPRODUCIBILITY

Fortunately, AVE may be improved by dropping cases, or by dropping the item with the largest measurement error variance in survey data. The result may reduce any insufficient discriminant validity/reproducibility difficulty.

One approach to dropping cases is to use a “Jack-knife-like” procedure (Efron 1981). Specifically, a case is removed from the data set, and AVE is computed for the

remaining cases. (In a maximum likelihood exploratory factor analysis, the “Percent of Variance Explained” by Factor 1 is approximately the same as AVE.) Then, the removed case is replaced, a different case is removed, and AVE is computed for the remaining cases. This process can be repeated for each of the rest of the cases to find the case that produces the largest AVE improvement.⁸

Additional AVE improvement may be obtained by repeating this process using the improved AVE data set (i.e., with the case that produces the largest AVE improvement removed), instead of the full data set. Specifically, a case could be removed from the first improved AVE data set, and AVE could be computed for the remaining cases. Then, the case just removed (not both cases) is replaced, a different case is removed, and AVE is computed for the remaining cases. This process could be repeated for each of the rest of the cases to find the largest AVE improvement with two cases removed (but, see Footnote 8).

This process could be repeated using combinations of the above procedures and Footnote 8, but experience suggests that dropping about three cases or approximately a .05 AVE improvement is about the most AVE improvement that dropping cases will produce in real-world data.⁹

Dropping one or more items also will improve AVE in survey data; frequently by more than deleting cases will. However, the procedure is “messy,” and the resulting set of higher AVE items can be less content or face valid than before items were dropped (i.e., the resulting set of items may match its conceptual and/or operational definitions less well). The results also may be less internally consistent – the single construct measurement model of the resulting items may fit the data less well.

Experience suggests that in survey data, more than one consistent subset of items from a full measure usually can be found. Thus, one alternative to dropping items is to create one or more additional subsets of items and gauge the AVE of each these subsets. For example, after replacing any deleted cases, an exploratory factor analysis of the full measure can be performed.¹⁰ Then for the Factor 1 items, the highest reliability subset of these items is found (there are procedures in SPSS, SAS, etc. to accomplish this, usually in the “reliability” procedures). If the AVE of the resulting highest reliability subset of items is unacceptable, cases can be dropped from this subset of items. (Dropping the item with the largest error term from the highest reliability subset of items usually reduces AVE.)

If model-to-data fit or content validity problems arise when items are dropped, combinations of one or more of the following procedures could be used.

Replacing any deleted cases, another consistent subset of items could be found using Modification Indices

(e.g., Ping 2004). If this subset has insufficient AVE, the item with the largest measurement error could be dropped, and/or case(s) could be dropped. Experience suggests that Modification Indices is sometimes better for this purpose than maximizing reliability. In any case however, AVE improvement seems to be limited to about 10 points (i.e., 0.10).

If AVE is still insufficient other itemizations could be found and examined for improved AVE. Specifically, any deleted cases are replaced, then, using the Factor 1 items, the item with the largest error term is dropped. Then, the resulting set of items is reitemized using Modification Indices or by maximizing reliability. After the AVE of the resulting items is examined, cases could be dropped to improve AVE. The process also could be repeated on the set of items minus the top-two largest error term items, etc.

INSUFFICIENT REPRODUCIBILITY

However, if the discriminant validity/reproducibility of an LV(s) is slightly below “adequate,” this may not always be “fatal” to publishing a model test. Experience suggests that not all reviewers accept Fornell and Larker’s criterion for discriminant validity (anecdotally, because it is somewhat inaccessible) (and “reproducibility,” as it is defined here, is new). Thus, if an LV’s correlations are not excessively large, that may be a sufficient demonstration of discriminant validity for some reviewers.

More important, the logic for possibly ignoring (slightly) low discriminant validity/reproducibility might be that many “interesting” theoretical model-testing studies involve a “first-time” model, and an initial model test, which together should be viewed as largely “exploratory.” This “first test” usually uses one or more new measures in a new model tested for the first time, etc., and insisting that new measures be “perfect” may be inappropriate because new knowledge would go unpublished until a “perfect” study is attained. AVE adherents of course might reply that concluding anything from measures that are not likely to be reproducible is ill advised, because there are so few replication studies.

In our opinion, (slightly) low discriminant validity might be acceptable in a very “interesting” “first-time” study, (1) if there are not major convergent validity problems, (2) the diminished discriminant validity is noted and discussed in the Limitations section of the study’s paper, (3) any significant effects involving the low discriminant validity/reproducibility LV(s) are held to a higher significance requirement (e.g., $|t| \geq 2.2$ rather than $|t| \geq 2.0$), and (4) any interpretations, and especially implications, involving the low discriminant validity/reproducibility LV(s) are clearly labeled as “provisional” and in need of replication.

Again, the logic would be that the model may be too interesting to suppress its first test. In different words, the focus of the study’s paper should be on the new theory developed. While the contributions also include a “first test,” more measurement work is needed on the low discriminant validity/reproducibility measures.

COMMENTS

For an LV, X for example, that fails Fornell and Larker’s AVE’s-versus-squared-correlation discriminant validity test with Z, experience suggests that all of X’s error free variance may not be contained in the covariance of X and Z (anecdotally, as some authors seem to believe) in survey data.

2. For example, two LV’s, X and Z for example, with AVE’s of 0.59 for X and 0.72 for Z, and a squared correlation of 0.67 (i.e., their covariance (squared correlation) was larger than one LV’s error-free variance – X’s AVE – a failure of Fornell and Larker’s discriminant validity test), had X’s variance scaled to a zero correlation between them (i.e., $K = 1$ in Equation a of Footnote 7), in a measurement model of X. X then had 21 percent unique-and-error-free variance, $\text{Var}(X)_{\text{Unique\&Error-Free}}$ (see Footnote 6) – a 0.21 AVE. After undoing the scaling of X, Z’s variance was scaled to a zero correlation between X and Z, and Z had 44 percent unique-and-error-free variance. In different words, with all the covariation between the LV’s was removed by scaling, there still was unique-and-error-free variance (AVE) in both LV’s (i.e., 21 percent unique-and-error-free variance in the smaller AVE LV, and 44 percent in the larger).

This could be interpreted as suggesting that the LV’s were operationally distinct (the “popular” meaning of discriminant validity – see Footnote 2). (In survey data, only if the variance of an LV is equal to its covariance with another LV is there complete operational indistinctness).

In survey data, experience suggests that improving an LV’s AVE does not materially change correlations with that LV.

The above “first-time study” argument also may apply when there are convergent validity problems (i.e., AVE is less than 0.50).

Scaling down a correlation may remedy a problem with Fornell and Larker’s AVE’s-versus-squared-correlation (discriminant validity) criterion, but it does not remedy a reproducibility problem in survey data (see Footnote 6). For example, the Example 2 LV’s had AVE’s of 0.59 and 0.72, and a correlation was 0.82 – their covariance, the square of their correlation, was 0.67, and

thus they failed Fornell and Larker's discriminant validity test. Scaling the larger AVE LV to 0.58 covariance (a 0.76 correlation), to make it pass Fornell and Larker's discriminant validity test, reduced its AVE to 0.66, and it now passed the Fornell and Larker discriminant validity test. However, subsequently scaling the 0.76 correlation to zero (i.e., without removing the previous scaling) produced an AVE of 0.44, which was the same (inadequate) amount of error-free variance as before.

SUMMARY AND CONCLUSION

Experience suggests that in survey data, "discriminant validity" tests such as correlation confidence intervals or single degree of freedom tests are untrustworthy for this purpose. In this research they both suggested "discriminant validity" for conceptually indistinct LV's (that also were nearly perfectly collinear).

Discriminant validity in the Campbell and Fiske sense (low correlations with conceptually distinct LV's) could be viewed in terms of the amount of unique-and-error-free variance (see Footnote 6) in correlated LV's after scaling (see Footnote 7), and the potential for instability in structural coefficient estimates. Stated differently, does the amount of covariance between two LV's reduce the percentage of unique-and-error-free variance of either (or both) to less than 50 percent, and thus increase the instability potential of these LV's structural coefficients? In two of the three examples above, correlations reduced unique-and-error-free variance percentages to questionable levels (i.e., less than 50%) for "reproducibility" in Campbell and Fiske's terms.

Experience suggests that a "correlation less than $|0.70|$ " criterion for discriminant validity is untrustworthy in model tests using survey data. Example 1 suggested that a correlation below $|0.70|$ may produce unacceptable percentage unique-and-error-free variance (reproducibility). And, a correlation larger than $|0.70|$ can produce an adequate unique-and-error-free variance percentage in survey data. For example, the AVE's of two LV's were 0.75 and 0.88, while their correlation was -0.81. (Their covariance, the square of their correlation, was 0.65, which passed Fornell and Larker's AVE's-versus-squared-correlation discriminant validity criterion – however, the correlation was considerably larger than $|0.70|$.) Scaling the larger AVE LV to zero correlation, reduced its AVE to 0.74, and scaling other LV (after undoing the previous scaling) reduced its AVE to 0.51. In different words, the amount of unique-and-error-free variance in the larger AVE LV was 74 percent, and the amount of unique-and-error-free variance in the smaller AVE LV was 51 percent. This suggests that their associations with another LV, Y for example, would be more the result of their unique error-free variance than the variance of Z (via its covariance with X), or error variance, which should produce (comparatively) less instability (differing results) in subse-

quent studies than if the unique-and-error-free variance were higher.

In addition, as Example 1 suggested, LV's with a correlation between LV's of less than $|0.70|$, and an acceptable performance on Fornell and Larker's AVE's-versus-squared-correlation (discriminant validity) test, still can have inadequate reproducibility, Campbell and Fiske's stated objective of validity, in survey data. Thus, LV's correlation versus $|0.70|$ or Fornell and Larker's AVE's-versus-squared-correlation (discriminant validity) test may or may not signal a problem with unique-and-error-free variance (reproducibility) in survey data, and thus neither may be an adequate demonstration of discriminant validity as Campbell and Fiske intended.

Example 1 suggested that failing to meet Fornell and Larker's AVE's-versus-squared-correlation discriminant validity criterion is not a necessary condition for inadequate discriminant validity in the Campbell and Fiske sense in survey data – the LV's "passed" the Fornell and Larker AVE's-versus-squared-correlation discriminant validity test, yet their unique error-free variance was less than 50 percent.

However in survey data, experience suggests that Fornell and Larker's AVE's-versus-squared-correlation criterion is sufficient for inadequate discriminant validity in the Campbell and Fiske sense. Stated differently, when a (standardized) LV's AVE is less than the squared correlation between it and another (standardized) LV, experience suggests that its unique error-free variance is inadequate (i.e., less than 50%) to ensure potentially adequate reproducibility in survey data.

Thus, while probably there can be no firm rule, experience with survey data suggests that lower AVE (i.e., below about 0.70) can produce potential reproducibility difficulties (i.e., an AVE below 0.70 typically is insufficient to avoid a unique error-free variance below 50 percent and the potential for structural coefficient instability in subsequent studies). Thus, if X's, for example, AVE is below about 0.70, it should be checked for adequate unique error-free variance regardless of the magnitude of its correlations with other LV's and even if it passed Fornell and Larker's AVE's-versus-squared-correlation (discriminant validity) test. Experience suggests that it is usually sufficient to determine X's unique error-free variance by scaling its largest correlation with the other LV's to zero. (Parenthetically, since AVE's in substantive studies are frequently below 0.70, this suggests that discriminant invalidity in the Campbell and Fiske sense may be considerably more likely than reported.)

To improve its discriminate validity/reproducibility, an LV's AVE may be improved in survey data by dropping cases. Dropping the item with the largest measure-

ment error variance or reitemizing also may increase an LV's AVE in survey data.

Insufficient discriminant validity/reproducibility might not always be considered "fatal" to publishing a model test. The logic for excusing (slightly) low discriminant validity/reproducibility in an "interesting" "first-time" study might be that insisting new measures be "perfect" may be inappropriate – new knowledge would go unpublished until a "perfect" study is attained.

Finally, any low unique-and-error-free variance (reproducibility) problem should be discussed in the Limitations section of the study's paper, and any discussion of interpretations or implications of a significant association involving a low unique-and-error-free variance LV should be prefaced with a caveat that these results are based on this LV's having less than 50 percent unique error-free variance, and thus the association may be an artifact of the study. For emphasis, a major study finding with low reproducibility may have occurred simply by chance.

ENDNOTES

- 1 The term "survey data" will be used in the paper to denote real-world survey data from theoretical model tests, rather than artificial (simulated) data, or data from experiments, to which these results may not apply.
- 2 Campbell and Fiske's notion of discriminant validity is evidenced by low correlations with other variables, rather than the popular criterion of a lack of a likely population correlation of 1 (i.e., empirical or operational distinctness, which will be termed "discriminant validity" with quotation marks).
- 3 Other study details are omitted to sidestep matters that are less important to the present purposes such as hypotheses, theoretical definitions, etc. Subsequent examples also will omit study details, and simply begin with a description of the target LV's.
- 4 The chi-square difference was 181, which had a probability of difference between the two models (1- α) of 1.0000 with 1 degree of freedom. (χ^2 equaled 388 for the constrained correlation model, and 207 for the unconstrained correlation model. The degrees of freedom were 54 for the constrained correlation model, and 53 for the unconstrained correlation model.) In subsequent examples this is abbreviated as $\chi^2_{1-.1} = 1.0000$ ($\Delta\chi^2 = 181 = 388 - 207$, $df = 54 - 53$).
- 5 In this and following examples, constraining the correlation to a larger value simply increased the significance of the chi-square difference.
- 6 The variance of X, for example, can be partitioned into $\text{Var}(X) = \text{Var}(X)_{\text{Unique\&Error-Free}} + \text{Cov}(X,Z) + \text{err}_{\text{Unique}}$, where $\text{Var}(X)$ is the variance of X, $\text{Var}(X)_{\text{Unique\&Error-Free}}$ is the unique-and-error-free variance of X (i.e., error-free variance that is unshared in the covariance between X and Z), $\text{Cov}(X,Z)$ is the covariance between X and Z, and $\text{err}_{\text{Unique}}$ is the unique error variance of X (i.e., error variance that is unshared in the correlation between X and Z). When $\text{Var}(X)_{\text{Unique\&Error-Free}}$ is less than 50 percent of the variance of X, the stability/reproducibility of X's structural coefficients should suffer because changes in X are primarily due to the variance of another

variable (via the covariance with Z, $\text{Cov}(X,Z)$), and error variance, $\text{err}_{\text{Unique}}$.

- 7 The correlation between two LV's can be reduced or eliminated using a "scaling" procedure similar to Residual Centering (see Lance 1988). The procedure involves averaging the indicators for X and Z, then regressing X, for example, on Z, to produce $Z = b_0 + b_1X$, where b_0 is the intercept, and b_1 is the regression coefficient of X. Subtracting a percentage of $b_0 + b_1X$ (i.e.,
 - a) $K*(b_0 + b_1X)$, where K is between 0 and 1) from the items of Z in each case scales (reduces) the covariance between the LV's X and Z.
- 8 Dropping the case that detracts most from AVE may not be judged to be a random process, and it may cast a shadow over sample "representativeness." An improvement would be to randomly select a case from the set of cases that detract most from AVE. Alternatively, cases could be deleted randomly and the first case that improves AVE could be dropped.
- 9 Dropping cases from a "representative" and typically small sample to improve psychometrics could be argued to be questionable. However, measure items are typically dropped to improve psychometrics (e.g., reliability and consistency) with concern only for the resulting (face) validity. Thus, in addition to randomly dropping cases, it may be appropriate to gauge the construct (collelational) validity of the study LV's when any case is deleted. (It is well known that dropping "outlier" cases changes correlations.)
- 10 Anecdotally, Maximum Likelihood (ML) extraction with varimax rotation is preferred in survey model testing. Experience suggests that a varimax rotation typically produces item clusters that are more likely to be externally consistent. If there are concerns about nonnormality, Principle Axis Factor (PAF) results, which do not assume normality as Maximum Likelihood does, could be obtained for comparison. Material differences between ML and PAF factor itemizations would suggest nonnormality may be a concern, and that PAF results should be used for itemization.

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SOCIAL YET POWERFUL: SOCIAL COMPETENCY AND ITS ROLES IN NEW PRODUCT DEVELOPMENT

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SUMMARY

Previous studies investigating the success factors of new product development have been very fruitful. Most of these studies explored the phenomenon from the firm/team level. Little has been done from the perspective of how individuals contribute to new product development and its performance. Yet any organizational output should, in theory, be imputable to specific individuals, and understanding the various individuals' respective contributions helps explain the collective outcome.

We argue that if making connections and combinations between people and the resources and ideas they carry are keys to new product development, then the social competency of those who champion NPD projects should be an important predictor of NPD success. People who have a rich stock of market knowledge, deep technical expertise, and well-developed social ability drive the process of new product development from concept to market. It is their social skills that allow these knowledgeable individuals to bring together the creative market and technical insight of NPD participants, and to move the new product concept through the various stages of the product development process and into successful commercialization. We designed a study to investigate the importance of individuals' social competency of on new product success and took a multistage-multi-informant approach to collect our data.

Our study contributes to marketing organizational research and product innovation literature by proposing a cross-level framework that bridges the macro and micro facets of organizational phenomena. Our cross-level model examines the impacts of individual influence on product

innovation from a social competency perspective. Our model indicates a positive link between social competency and NPD performance (the other individual-level variables such as technological competency, market knowledge, and learning show the same pattern).

Our findings suggest that failure of firms in product innovation should not be ascribed mainly to their failure in technology adoption and understanding customer needs, as suggested in much of the previous research and in anecdotal reports. Rather, it may be possible for firms to fail even when they have good understanding of technology and customer needs, if they do not have qualified product managers/champions with adequate social competency.

We also find that dynamic, turbulent, and uncertain technological environments have a negative impact on new product performance. Yet, we also documented that social competency can at least partly overcome the negative influence of technological dynamism on new product development. High technological turbulence elevates the importance of social competency in product innovation.

Our study findings illustrate the "active role" of learning plays both mediator and moderator roles. Researchers and new product managers may need to reevaluate their stances toward the role of learning per se in product innovation. Lastly, our results indicate that technological competency and market knowledge are moderators of social competency in its relationship to new product development performance. Key words: Social competency, technological competency, market knowledge, learning, new product development.

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SOCIAL CAPITAL AND MANAGEMENT LEARNING IN NEW PRODUCT DEVELOPMENT AND ITS INTERACTION WITH EXTERNAL UNCERTAINTIES

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SUMMARY

The present research examines the effect of elements of social capital on different types of top management team (TMT) learning as well as new product development (NPD) outcomes and their interaction with external environmental uncertainties. Social capital theory has recently been linked to learning in the context of NPD. As such, social capital theory argues that specific elements and characteristics of social relationships present valuable learning resources, thus emphasizing the importance of relational rather than technical assets of a firm. However, the function of social capital in organizational learning in NPD is currently still underexplored, given that prior research has almost exclusively viewed superior organizational learning as a direct consequence of overall social capital. This study addresses this limitation by examining how specific elements of structural, relational, and cognitive social capital affect exploitative and exploratory top management team (TMT) learning in the context of NPD. Moreover, the authors follow prior research that calls for a more fine-grained analysis of how social capital can positively impact NPD outcomes by analyzing its interaction effects with the external environmental context. Finally, the authors follow prominent calls by aiming to provide broader cross-national validity of findings in light of a corporate reality showing that NPD processes are by no means limited to one single national setting.

The authors develop and empirically validate a theoretical framework with large-scale survey data from the United States, Germany, and Australia. Overall, 675 firms participated in the survey across the three countries. Both non-response bias and common method bias was tested for and consequently ruled out. The authors further combined an assessment of the overall measurement model with an analysis of multiple country data examining cross-national equivalence of measures in order to ensure construct measurements were not culturally bound. As such, metric equivalence of measures was examined through a series of analyses on national, multi-group, and pooled-data level. Results indicated strong support for cross-national equivalence of the measurement scales used.

The authors further applied multiple regression analysis with the calculation of three-way interaction terms to test the hypotheses of the study. As hypothesized, indi-

vidual elements of social capital do by no means have identical effects on different TMT learning processes (i.e., exploitative and exploratory learning). Analyzing the structural elements of social capital, extra-industry ties positively impact on exploratory learning, but not on exploitative learning. Vice versa, intra-industry ties positively impact on exploitative but not on exploratory learning. Concerning the relational elements of social capital, competence-based trust is positively related to exploitative learning, whereas it shows no effect on exploratory learning. Contrary to expectations, loyalty-based trust has no effect on either forms of TMT learning. Finally, for the cognitive elements of social capital, solidarity is positively related to exploitative learning, but not to exploratory learning, whereas strategic commitment positively affects both exploitative and exploratory learning.

Analyzing the interactions of the model relationships with external environmental uncertainties, the effects of structural social capital on TMT learning as well as the effects of TMT learning on NPD outcomes are significantly moderated by the interplay of technology turbulence and demand uncertainty. As such, positive effects of extra-industry ties on exploratory learning and intra-industry ties on exploitative learning are significantly strengthened by high rather than low technology turbulence only in case demand uncertainty is high as well. Moreover, the authors confirm that the effects of TMT learning on NPD outcomes are also significantly moderated by the interplay of technology turbulence and demand uncertainty.

The present study thus addresses calls in literature to empirically test the effects of different elements of social capital on organizational learning in NPD and its interaction with situational moderators in order to provide more relevant recommendations to managers on how social capital can positively influence NPD outcomes. Results confirm previous findings that different elements of structural, relational, and cognitive social capital have different effects on different forms of management learning (i.e., exploratory vs. exploitative learning). Moreover, results confirm that the interplay of technology and market uncertainty significantly moderates the effect of structural social capital on organizational learning as well its overall effect on NPD outcomes.

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THE TAKEOFF OF ENVIRONMENTAL TECHNOLOGIES: AN EVOLUTIONARY ANALYSIS OF RELEVANT DRIVERS

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SUMMARY

Despite impressive advances in technological performance and products' competitiveness, environmental technologies are still underutilized. Understanding the conditions under which environmental technologies could be more easily embraced by companies and consumers remains a high-priority.

This research analyzes environmental technologies' diffusion problems through the theoretical lens of *technological dominance* (Anderson and Tushman 1990; Clark 1985; Dosi 1982; Schilling 1998; Suarez 2004; Suarez and Utterback 1995; Utterback and Abernathy 1975; Utterback and Suarez 1993). Accordingly, technological change is shaped by social, political, and organizational dynamics both at industry and firm level. In the context of environmental technologies, these dynamics consist in a repeated interaction over time between several factors, including firm capabilities, managerial willingness, institutional rules and competitive dynamics. In this research, the author first identifies which of these factors significantly affects the likelihood of takeoff for a new product incorporating environmental technologies. Secondly, the author tracks systematic patterns in the interaction between these factors over time.

Through these analyses, the research contributes to both corporate environmental management (CEM) literature and technological dominance literature. Regarding CEM, the study integrates resource-based and institutional arguments in explaining firm commitment to environmental management, as recently advocated by researchers in the area (Banajaree et al. 2003; Bansal 2005). Regarding technological dominance, the contribution is twofold. First, the study proposes a comprehensive framework of factors determining technological evolution, while previous contributions emphasized subsets (Suarez 2004). Second, the study provides an empirical test of this framework over time. Up to now research has mainly concentrated on factors' identification; little attention has been given to how these factors behave in different empirical situations and over time (Suarez 2004).

The author achieves these contributions by developing and testing an evolutionary framework of factors influencing the diffusion of environmental technologies. The framework includes three types of factors: firm factors (environmental performance, technological performance, product price, managerial commitment), institu-

tional factors (regulatory pressure, media pressure) and market factors (value net adoption, market penetration).

Data have been collected according to the historical method (Golder 2000; Tellis and Golder 1996). On the basis of extensive archival research, the author gathered longitudinal data for the described variables in three industries: automobile, lighting, and appliances.

Hypotheses' testing includes two analyses. First, a hazard function assesses the impact of the evolutionary factors on the likelihood of environmental technologies' takeoff. Second, a panel data model tests the effects of the evolutionary factors on environmental technologies adoption over time. The hazard model was estimated with a semiparametric partial likelihood method (Helsen and Schmittlein 1993). The panel data model was estimated following the random effects approach.

As to the hazard model, its estimation shows that both the environmental and the technological performance are positively associated with the takeoff of new products incorporating environmental technologies. This result has important implications for green product design. Additionally, the significance of top management commitment suggests that the board and its beliefs could represent a valuable distinctiveness of companies leading in CEM. Through practices like the formal declaration of values or the industry code of conduct, top management can foster both internal commitment and external acceptance of environmental technologies.

Results for the hazard model also support the role of market penetration as a determinant of environmental technologies' takeoff, thus implying imitative behaviors in markets in which environmental technologies are introduced. Accordingly, environmental technologies diffuse not only because of their technological performance, but also because of information cascades among customers.

The hazard model does not support the effect of regulatory intensity on the probability of takeoff. This is surprising, since previous literature on environmental commitment pointed at regulatory pressure regime as the most significant influencer of environmental technologies adoption. Several explanations can be proposed. One suggests that, in crafting regulatory policies, instrument choice might be more effective than the overall pressure in accelerating the adoption of environmental technologies.

Moving to the panel data model, the results provide further insights on the diffusion pattern of environmental technologies. In the introduction stage firm factors prevail. Balance in environmental and technological performance has the strongest effect of all factors on sales of new products incorporating environmental technologies. This effect holds during all the stages of the diffusion process.

Additionally, panel data findings show that institutional pressures – regulations and media – accelerate the diffusion process during its early years, but lose their effectiveness over time.

The initial momentum may depend on the role of institutional pressures in attenuating the initial uncertainties on the benefits, the assessment, and the reliability of environmental technologies.

As environmental technologies become institutionalized, the resource-based opportunities become more transparent. Consequently, firm factors increase their relevance. For example, pricing decisions become crucial. While in the introduction stage early adopters are driven by the superior environmental performance of the new technology, in the growth and maturity stage followers are driven by price and cost considerations.

In later stages, market factors – like value net adoption – gain importance. At this stage competing producers of environmental technologies need to secure further support for their specific offering, in the form of complementary goods or services. Although firms start looking for support to their environmental technologies before commercialization, suppliers in the value net often wait for a steady takeoff to full commit to environmental technologies. References are available upon request.

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INTRODUCING SUSTAINABLE NEW PRODUCTS: THE DRIVERS OF WILLINGNESS TO PAY

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SUMMARY

The focus of this paper is to analyze the drivers of willingness to pay when purchasing eco-friendly shoes. During the last century, the shoe market has undergone a huge transformation. Enhanced by global trade and the fashion industry the worldwide shoe consumption has risen from 2.5 billion pairs of shoes sold in 1950 to more than 20 billion pairs in 2005. As a result, the worldwide per capita consumption of footwear has also increased considerably, from one pair of shoes per year and person in 1950 to almost 2.6 pairs of shoes in 2005. What may sound like pleasant facts in times of an economic downturn is alarming taking into consideration the environmental problems linked with the manufacturing and disposal of shoes. Research on sustainable consumer behavior focuses on consumers' attitudes and beliefs about sustainability issues. Three important sets of attitudes that influence consumers' willingness to engage with sustainability issues (and thereof willingness to pay) are *Social Responsibility*, *Perceived Personal Relevance*, and (Lack of) *Trust*. These determinants, which are assumed to have a direct influence on *Willingness to Pay* are completed by *Lack of Product Benefit* being a direct factor as well. *Environmental Locus of Control* and *Product Information Demand* are assumed to have moderating effects. To analyze the determinants of willingness to pay when purchasing eco-friendly shoes, an online survey was conducted. The invitation to take part in the poll was posted in online shoe community forums and on sites for ecological (fashion) products and innovations. Altogether 147 valid answers were gathered. Fifty-two percent of all

respondents were female. The average age amounted to 31.6 years. The participants of the survey were mainly residing in Germany and Austria. The analysis was conducted with an ordinary least square regression (OLS) comprising the estimations of direct and moderated effects.

The analysis shows that there is a direct positive impact of *Social Responsibility* and *Perceived Personal Relevance* on *Willingness to Pay* for eco-friendly shoes. Thus, the more there is an understanding of the damage shoes cause to environment and society the more people are willing to pay for eco-friendly alternatives. The more people think eco-friendly shoes may have an advantage for them in a rational (health), psychological (conscience) or social (lifestyle, attitude) way, the more they are willing to pay. Regarding the *Lack of Trust* and the *Lack of Product Benefit* it was found that the willingness to pay a price premium for eco-friendly shoes decreases according to the level people start doubting about the trustworthiness of manufactures and about quality, design and availability of the shoes. The influence of *Lack of Trust* and *Lack of Product Benefit* on *Willingness to Pay* is enforced by the level of *Product Information* people demand. People who strongly doubt about trust and product quality and at the same time have a high *Product Information Demand* show the lowest level of *Willingness to Pay*. *Environmental Locus of Control* has no direct nor moderating effect on *Willingness to Pay*. Based on these findings several recommendations concerning brand management, pricing, communication and product design can be given when introducing sustainable new products (especially shoes) to market.

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THE IMPACT OF ADVERTISING, TRUSTWORTHINESS, AND VALENCE ON THE EFFECTIVENESS OF BLOGS

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SUMMARY

A blog is a web site where individuals or organizations can share their views and ideas on an ongoing basis. Blogs, along with other social media, have seen explosive growth over the last five years. Given that bloggers increasingly have advertising on their blogs, are writing about brands, and are reaching a growing and targeted audience, it is extremely important for marketers to understand how they can effectively use blogs to reach their target audiences.

There has been little empirical research on blogging. In our review of the marketing literature, we did not find any empirical research that focused on readers of blogs. Outside of the marketing literature, studies that have focused on blog readers have focused on the characteristics of readers or their motivations to read blogs. However, from a marketer's point of view, it is important to determine how readers respond to different characteristics of blogs. Many of these characteristics are under the control of the marketer and can influence the effectiveness of a blog. The purpose of our research is to understand how the effectiveness of a blog is affected by different characteristics of blogs. To achieve our objective, we examine the influence of: (1) the trustworthiness of a blogger on the perceived effectiveness of a blog, (2) the presence of advertising on the perceived effectiveness of a blog, and (3) the positive or negative valence of the blog on the effectiveness of a blog.

We performed an eight-group experiment to understand how the effectiveness of a blog is affected by different characteristics of the blogs. Blogger trustworthiness, presence of an advertisement, and valence of the blog were our manipulated variables, while effectiveness of the blog was our dependent variable. We used theories related to trust of the spokesperson, consumer responses to negative information, and consumer responses to advertising as a basis for developing our hypotheses.

A professional marketing research firm that maintains an online panel was retained to design and administer the survey. The blog content was about the financial services industry and the use of technology by the industry. Our sampling frame was comprised of the men and women who were part of the online panel that the market research firm maintained. The online marketing research firm posted the survey online and requested its panel members to participate in the survey. The sample was comprised of 404 usable responses. On average, each cell had 50 respondents by design. Analysis of variance (ANOVA) was used to analyze the data and test the hypotheses.

Our research demonstrates that while the presence of advertising on a blog decreases its effectiveness, the effectiveness of a blog is higher when the blogger is perceived to be trustworthy. We failed to find support for our hypothesis that a negative blog was more effective than a positive blog. However, our results show that when a blogger is trustworthy, a negative blog is more effective than any other blog. Our results also suggest that, a negative blog with no advertising, seems to be more effective compared to a positive blog with or without advertising.

This research makes several contributions to the marketing literature. One, it is one of the first empirical studies in marketing to focus on the readers of blogs. Two, it is the first to examine how different characteristics of blogs impact their effectiveness. Three, it is based on an online panel of respondents, making it more representative of the population that is exposed to blogs. Four, the research is theory-driven. Although blogs are a new and unique medium for marketers, our research suggests that marketing managers may be able to extend their current knowledge of the effectiveness of traditional media to blogs as well.

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THE IMPACT OF CONSUMER BUZZ AND SEARCH TRAFFIC ON FIRM VALUE

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SUMMARY

The impacts of consumer buzz and user online traffic are currently studied independently: studies on buzz investigate how consumer reviews affect product market results, while research on traffic focuses on consumer purchase conversion and value relevance. We integrate the two research streams and examine incremental explanatory power of buzz and traffic in a systematic model that accounts for dynamic interactions, competition effects, feedback loops, and neglected indirect value impact. Vector autoregressive analyses with firms from computer hardware and software industries show that both buzz and traffic metrics explain a significant portion of variances in firm economic value variables. Wear-in times reveal that buzz and traffic can be used as leading indicators for managers to take action before firm value is damaged. Findings support dynamic interactions between buzz and traffic as well as their direct and feedback connections to firm performance in a virtuous cycle. Furthermore, we quantify the indirect value impact of traffic channeled by buzz, as well as the indirect impact of buzz via traffic. Both buzz and traffic are mutually dependent on each other in affecting firm value. These findings suggest that future marketing research should consider a full system. Traffic affects buzz, and buzz drives more traffic. Like a magnet, consumer reviews attract more customers to Amazon.com. Actively listening to customer conversation expands the reach and impact of the brand community which, in turn, can lead to more positive word-of-mouth and firm value.

Our models provide actionable recommendations to managers. For example, we encourage managers to balance

investments in buzz and traffic to serve different financial goals. If the goal is to increase return, managers should allocate more resources in social media initiatives boosting buzz scores. To increase market capitalization, they should put more efforts in building site traffic, especially consumer stickiness. Yet, to reduce firm idiosyncratic risk and increase stock liquidity (investor interest), managers should pay relatively more attention to buzz volume. Managers should scrutinize and respond to own and competitors' customer metrics. Information technologies bring competitors closer and closer. Our results quantify the impacts of competitors' customer metrics on firm economic value. Rival effects play such an important role that competitors' buzz and traffic metrics may account for comparable percentages of the variations of firm value to own metrics. Further, timing effects of buzz and traffic are not just historical estimates. Rather, managers can act upon timing effects as a leading alarm signal, i.e., detect potential financial risks in advance so as to mitigate subsequent negative effects. For example, as buzz rating has a shorter wear-in time on firm return than reach, managers can more quickly prevent firm value losses by taking corrective actions improving consumer buzz ratings.

In conclusion, we integrate the two parallel research tracks and reveal that traffic and buzz metrics explain a significant portion of variances in firm economic value variables. Strong dynamic interactions between traffic and buzz as well as their indirect performance effects suggest that future research and practice should not isolate these customer metrics in search of the full value of social media marketing.

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DETERMINANTS OF SOCIAL MEDIA USAGE: AN EMPIRICAL INVESTIGATION

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SUMMARY

Social media tools are offering numerous opportunities for organizations and individuals to interact with each other. As such, this communication medium can potentially change marketing communication by providing new opportunities to reach out to customers (Curtis et al. 2010). Yet many factors associated with the usage of social media sites such as social structure and influence of social ties within the virtual community need to be explored (Hossain and de Silva 2009). This study extends previous research in three ways. First, Technology Acceptance Model (TAM) factors are evaluated in the context of social media usage. Second, social media usage was selected as the dependent variable with the dramatic growth of online social networks (Zeng et al. 2009). Finally, this study develops and empirically tests three alternative models capturing the relationships among social media involvement, ease-of-use, usefulness, security, and social media usage.

Three competing models of social media usage behavior were proposed and investigated. The proposed alternative models integrate involvement and security into the TAM. The primary difference among the three competing models is the nature of mediation effects. Usefulness shows a differential role in determining social media and information technology usage (Yi et al. 2006). Thus, the three competing models test the proposition that either social media involvement or usefulness exhibits a characteristically different role from the other variables in its respective model. The “Direct Impact” model posits that each of the determining factors directly yields social media usage. No hierarchy is hypothesized among the four determining factors of social media usage. In this model, all four determining factors are depicted as playing similar roles showing direct effects on social media usage. The “Usefulness Mediated Impact” model posits that only usefulness has a direct impact on social media usage and that all other determining factors have an indirect impact on social media usage, mediated by usefulness. As a dominant extrinsic factor, only usefulness is considered to have a direct and positive impact on social media usage. Usefulness is directly influenced by the other three factors, ease-of-use, (Wu and Wang 2005) social media involvement, and security (Heinrichs et al. 2007; Weiss 2009). . . . The “Dual Mediation Impact” model posits that

usefulness and involvement have a direct impact on social media usage. Usefulness also has a direct effect on social media involvement. Ease-of-use and security have an indirect impact on social media usage mediated by usefulness.

Among various empirical applications of structural equation models, this study adopted the model comparison approach (Lim et al. 2005). This process requires the specification and test of alternative a priori models using the same set of data. Such models may represent competing theoretical hypotheses developed based on previous conflicting findings or uncertainty about the expected relationships among variables. To test the three competing models, a self-administered questionnaire method was used. Useful responses of 50 (28% males and 72% females) were received from 165 possible respondents of graduate students of a midwest university resulting in a 30.3 percent response rate. Data collection was in an online survey setting with email notification.

Data were analyzed by structural equation analysis via LISREL (Joreskog and Sorbom 1989, 1993). In testing the three alternative models, overall fit of each of the model as well as their individual coefficients were evaluated and compared. The “Direct Impact” model fit was not statistically significant and the fit indices indicated a lack of fit. The “Usefulness Mediated Impact” model also indicated a poor fit. The “Dual Mediation Impact” model fit was statistically significant and the fit indices indicated a good fit. Involvement has a direct and positive impact on social media usage. Surprisingly, usefulness has no significant direct effect on social media usage. Usefulness has a direct and positive impact on involvement. Ease-of-use and security have a direct and positive impact on usefulness. Ease-of-use and security showed no significant direct effect on involvement.

These results suggest that involvement is a mediator of the effects of the other three TAM factors on social media usage. This finding may be due to the nature of social media site and usage that is different from e-commerce and other web sites. Social media usage requires users’ active participation and involvement. It also deals with user generated contents and two-way communication that requires users’ active processing of information.

The best fit model of this study can be the starting point in developing a comprehensive theory of social media usage. This study also provides some insights to business practitioners. Online social media sites offer significant business values and opportunities for marketing communication. This study found the importance and

critical role played by social media involvement in social media usage for online social media networks. Increasing member involvement in their network sites would have significant impact on revenue and attracting advertisers. References are available upon request.

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A LONGITUDINAL STUDY OF THE IMPACT OF RANKING PRODUCT REVIEWERS: USING EXTRINSIC REWARDS TO MOTIVE INTRINSIC BEHAVIOR

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SUMMARY

User generated content (UGC) in the form of product reviews is an uncompensated and voluntary consumer activity, sustained by the combination of intrinsic pleasure derived from its production and extrinsic recognition of UGC producers. Theory suggests that intrinsically motivated behavior satisfies basic human needs related to autonomy, competence, and social relatedness (Ryan and Deci 2000). (Skinner 1953). In lieu of compensation, UGC production is typically rewarded through public recognition emanating from the product reviewing community. The purpose of this study is to examine the tension created by offering extrinsic rewards to encourage intrinsically motivated behavior and to document the nature of the impact external intervention can exert on UGC production levels.

The context for this study is *Amazon's Top Reviewer Community* and the automated recognition system Amazon administers for that community. Although Amazon has largely surrendered control of product review content to the individuals who generate it, they have retained control over the feedback system that recognizes reviewer contributions. Amazon's attempt to guide its reviewer community through recognition-based feedback is complicated by the fact that even seemingly minor attempts to influence reviewer activity can significantly change participation levels, community interactions, and the motivation to produce UGC (Deci and Ryan 1980; Dellarocas 2003).

To investigate these issues this study proceeds in two phases: (1) an initial netnographic analysis (Kozinets 2002) of message postings on Amazon's Top Reviewer Forum and (2) a longitudinal analysis of actual UGC production levels in the year prior to, and immediately following announced changes made by Amazon to its recognition system. Sixty-two product reviewers were followed over a two-year period with an analysis of the content of their forum postings occurring within the 36 hours immediately following the announced changes. In addition, the actual number of product reviews, reviewer rank, and buyer generated "helpfulness" ratings were tabulated over the two-year period. For purposes of analysis, two subgroups were then formed, comprised of reviewers who had increased their year-over-year UGC production levels versus those whose production levels

were either unchanged or reduced following the announced modifications to the community recognition system.

The netnographic analysis conducted in the first phase of this study supported the characterization of UGC production as intrinsically motivated behavior. Attempts by Amazon to 'guide' this voluntarily generated content was interpreted by some reviewers as informational, designed to assist them in making progress up the community ranking system, and to enhance the integrity of this community resource. Others, however, described a sense of being controlled by Amazon's intervention, to the point that the intrinsic motives needed to sustain continued production appeared to be threatened.

Controlling for their lifetime product review levels, mean differences in UGC activity comparing those who increased their activity vs. those who maintained or reduced it over this two-year period was analyzed. Changes in community rank and reviewer helpfulness ratings were also statistically tested using MANCOVA. The results indicate significant differences in participant reaction – both behaviorally and motivationally – to Amazon's intervention.

The results suggest that UGC production is seen largely as an interesting and enjoyable hobby by those who were most engaged in its production. The social embeddedness of the content generation experience appears to be as important as the perception of autonomy among contributors who increased reviewing levels following the announced changes. Individuals who approach UGC production from this perspective seem to experience a great deal of pleasure from both the act of generating content as well as from their interaction with their peers and their readership. These social benefits coupled with the inherent pleasure they derived from reading, writing, and *telling a story* kept members of this group wedded to their new found avocation.

Those who perceived this activity as something more than a hobby, however, were most likely to be hostile to external attempts to guide UGC production. Intervention was seen as a threat to their personal freedom and as an attempt to disrupt their self-described role as a 'trusted advisor' to their many readers. The individuals most vulnerable to this interpretation evidenced weak or negative social connections with their peers which likely

reduced the overall value they experienced and helps to explain the measurable reduction in their reviewing activity.

UGC production creates a valuable service for firms that sponsor it and an interesting hobby for those most likely to produce content over the long term segment

which appears to appreciate being connected to like-minded people. The most prolific reviewers tend to see UGC production for what it is – a valuable economic activity that aids decision makers and links hobbyists by facilitating rewarding social interactions.

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FOSTERING BRAND EVANGELISM IN RESELLER SALESPEOPLE

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SUMMARY

Extra-role behavior is an important concept that has been studied extensively in an organizational context, but we argue that it has much broader implications for marketing strategy. A significant portion of activity that affects a firm and its performance occurs outside of its boundaries. For example, companies in many industries sell through a network of channel intermediaries, whereby much of their sales are generated by salespeople that neither belong to nor are controlled by the company itself (i.e., reseller salespeople). The manufacturer in this situation is only indirectly related to the reseller's salespeople, but relies on them to represent its products effectively. Furthermore, these salespeople often sell brands from multiple manufacturers, some of which compete directly with one another. The extent to which a reseller's salespeople focus on the manufacturer's brand versus that of a competitor is of vital importance to the manufacturer, and we suggest that this focus can manifest itself into not only in-role but also extra-role behaviors. By stepping

outside the narrow historical confines of studying extra-role behavior of individuals within a single organization, we are able to look at a broader picture of stimulating and capitalizing on extra-role behavior of relevant individuals outside the boundaries of the organization (i.e., reseller salespeople). Specifically, we build and test a model capturing "long-arm" influence strategies to influence brand-specific extra-role behavior of reseller salespeople, behavior we term *brand evangelism*. Salespeople who practice brand evangelism not only expend in-role effort behind a brand, but engage in the extra-role promotion of a brand to management, coworkers, and the public at large. The results of our analysis, using a sample of 479 independent dealership salespeople, indicate that manufacturers may create brand evangelists in dealer salespeople through strategies that positively influence salespeople's brand identification, brand attitudes, and attitudes toward the manufacturer's representative. In addition, the increased in-role performance stimulated by these strategies further contributes to brand evangelism by positively affecting job satisfaction.

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INVESTIGATING THE MARKETING-SALES INTERFACE: PROMISING AREAS FOR FUTURE RESEARCH

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SUMMARY

Introduction

The widely accepted literature on market orientation emphasizes the need for effective interfunctional interfaces (Kohli and Jaworski 1990; Slater and Narver 1994). One of the key interfaces is the one between marketing and sales; since the effectiveness of a firm's marketing strategies as well as firm performance greatly depends on how these two functions work together and how smooth, well-coordinated and conflict free this interface stays (Guenzi and Troilo 2007; Smith, Gopalakrishna, and Chatterjee 2006). While marketing and sales should be well equipped for effective cooperation since they both serve customers in complementary fashion; in practice this interface is not always harmonious and constructive (Beverland, Steel, and Dapiran 2006; Kotler, Rackham, and Krishnaswamy 2006; Rouziès et al. 2005). Over a decade ago, a Marketing Science Institute workshop on interfunctional interfaces identified the marketing-sales interface as one of the critical areas that need to be addressed (Montgomery and Webster 1997), which has sparked a renewed interest in researching the marketing-sales interface. In this paper, we assess the current body of knowledge and define new directions for future research in this area.

Fifteen Years of Empirical Research

Although recent times have witnessed a surge of interest in the marketing-sales interface, this is partly caused by several groups of authors publishing multiple papers based on the same datasets. Nevertheless, considering the recent growth in this field it is interesting to assess the current state-of-the-art of research into the marketing-sales interface. Where are we right now and which new directions can be discerned from the already published empirical studies? Looking at the literature, we identified three major areas of interest:

- **Interfunctional coordination and conflict.** Several studies have focused on interfunctional coordination and conflict and found that the marketing-sales interface is frequently rocky, conflict-laden and adversarial (Beverland, Steel, and Dapiran 2006; Cespedes 1993; Lorge 1999; Strahle, Spiro, and Acito 1996). Research-

ers have attributed the frictions between these two departments to various factors such as goal differences, cultural differences, physical separation and poor communication.

- **Organizational configurations.** Several authors have recently taken research in a new direction by identifying taxonomies of marketing-sales configurations that are found in organizations, including their effects (Kotler, Rackham, and Krishnaswamy 2006; Biemans and Makovec Brencic 2007; Homburg, Jensen, and Krohmer 2008; Biemans, Makovec Brencic, and Malshe 2010).
- **Interface effects on firm performance.** Several recent studies look at the effects of the interface on various elements of firm performance (Guenzi and Troilo 2006; Le Meunier-Fitzhugh and Piercy 2007a, 2007b; Troilo, De Luca, and Guenzi 2009). For instance, Malshe and Sohi (2009) report that marketing and sales personnel need to be equally invested in the process of strategy making for it to show positive results in the field.

Exploring New Directions for Promising Research

While significant progress has been made in understanding the nuances of the marketing-sales interface and the strategically important role it plays within the firm, a closer look at the extant research highlights the need for more in-depth work in this area.

1. **Focus on B2B firms.** Most studies of the marketing-sales interface only look at B2C firms, or use a combined sample of both B2C and B2B firms without analyzing the differences (Dawes and Massey 2005; Guenzi and Troilo 2006; Massey and Dawes 2007a, 2007b). But the characteristics of B2B marketing make it plausible that a focus on B2B firms is needed, using an exclusive B2B firm sample (see, e.g., Biemans and Makovec Brencic 2007; Biemans, Makovec Brencic, and Malshe 2010).
2. Firms without a formal marketing department. In current research, it is common practice to limit the sample to firms with a separate marketing department. But especially in B2B firms, marketing is often

dispersed in the organization, with marketing activities carried out by non-marketing personnel. Indeed, a recent study shows that many small B2B firms lack a formal marketing department, with marketing activities being carried out by CEOs and sales managers (Biemans, Makovec Brencic, and Malshe 2010). Future researchers should focus on the marketing *function* instead of the marketing *department*.

3. Service firms. Although, the services marketing literature argues that the intangible nature of services requires more integration between organizational units (Zeithaml, Bitner, and Gremler 2008), current research has failed to address the marketing-sales interface in service firms. Selling goods differs significantly from selling services, but the definition and characteristics of a salesperson may also differ between service industries.
4. Multiple-country studies. Most investigations of the marketing-sales interface are limited to firms in one country. But even studies with data from multiple countries fail to explore the differences between countries, even though some authors suggested that culture may influence the marketing-sales interface (Rouziès et al. 2005). A recent study found some differences between countries that can be explained by cultural differences (Biemans, Makovec Brencic, and Malshe 2010). Given that work is taking sales and marketing managers across the globe, they are likely to interact with their sales (or marketing) counterparts in other countries and firms would benefit

from more insight into the influence of cultural and non-cultural variables on the marketing-sales interface.

5. Organizational learning. Recent advances in the sales literature suggest that sales is not just the “operational side of marketing”; because salespeople have close relationships with customers, they interact with them daily, and they have a large amount of local customer knowledge. Garcia-Murillo and Annabi (2002) argue that firms are generally unable to capture the knowledge gained through interactions between salespeople and customers and propose a three-step by which companies can obtain this knowledge. These ideas should be extended to the marketing-sales interface arena to investigate how marketing and sales together may facilitate or impede the processes of organizational learning.
6. Role reversal between marketing and sales. Several scholars have highlighted the need to reconsider the role of the sales force in organizations (Le Meunier-FitzHugh and Piercy 2007a; Piercy and Lane 2008). These observations suggest a more strategic role for sales, which further emphasizes the need for an effective and harmonious marketing-sales interface. In contrast to the traditional marketing literature, a reversal of roles may occur, with sales taking the initiative by developing new customer approaches, which are only later recognized and formalized by marketing.

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DYNAMIC PERSPECTIVE OF CUSTOMER LOYALTY: THE LEVERAGING EFFECTS OF RELATIONSHIP DURATION AND VARIABILITY OF RELATIONSHIP INVESTMENT

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SUMMARY

Most scholars and managers generally agree that customer relationships are fundamentally dynamic in nature, (Heide 1994; Jap and Anderson 2007; Jap and Ganesan 2000); however, extant research models the effect of relationship marketing (RM) on performance without specifying how associations among factors within this model may vary as relationships evolve (Morgan and Hunt 1994; Palmatier et al. 2006; Palmatier et al. 2009). Poole and Van de Ven (1989) remark that the addition of the temporal dimension improves extant theory. This current research heeds their advice by adopting a dynamic perspective to shed light on the important moderating role of the evolving historical context of the customer relationship on the development of customer loyalty in a service setting.

Gratitude, “the emotional appreciation for benefits received,” has recently been identified as an important mediating mechanisms between relationship investments, relationship-specific benefits provided by the seller to a customer, and important relational outcomes (Palmatier et al. 2009, p. 1). Feelings of gratitude are “highly sensitive to customer attributions” which may depend on the relationship’s evolution over time (Palmatier et al. 2009, p. 6). Attribution research has shown that humans engage in more attribution activity when presented with novel situations characterized by greater uncertainty, such as the very beginning of a customer relationship (Folkes 1988; Kelley 1973; Weiner 1985). Additionally, surprising incentives elicit greater positive emotional responses than expected incentives (Valenzuela et al. 2010). Surprise amplifies emotions (Elster 1998; Kahneman and Miller 1986) and has been shown to be a powerful factor in consumers’ responses. While a relationship is new, customers should have less preconceived beliefs that limit processing of new information, be more susceptible to surprise which enhances emotions, and be motivated to engage in more causal search. Thus,

H1: The positive association between relationship investments and gratitude is attenuated as the duration of the relationship increases.

In addition to the age of the relationship, relationship investments may also result in differing levels of customer gratitude based on the relationship investments made in previous periods. In addition to novel situations, occurrences that are unexpected elicit greater attribution activity (Folkes 1988; Weiner 1985). Delivering relationship incentives so that they are lacking a consistent recognizable pattern over the course of a relationship increases the possibility that subsequent investments will remain surprising to the customer. Although people try to update their previous mental models when a surprising occurrence occurs, research has also demonstrated that people have difficulty learning patterns that have even a small random component (Mellers 1980).

H2: The positive association between relationship investments and customer gratitude is greater as the variability in relationship investments received over the customer relationship increases.

The link between perceived service quality, “the customer’s assessment of the overall excellence or superiority of the service” provided by the seller over the course of the customer relationship (Bolton and Drew 1991b, p. 376) and trust, “confidence in the exchange partner’s reliability and integrity” has been well established (Morgan and Hunt 1994, p. 236). Although the first impressions may have a lasting impact, the cognitive basis of trust is built by observing consistent relevant information (McAllister 1995). As the relationship duration increases, customers have more information to incorporate into their assessments of service quality. Thus,

H3: The positive association between customer perceptions of service quality and trust is greater as the duration of the relationship increases.

The hypotheses are tested using a scenario based, multiple episodes, repeated measures, longitudinal experiment. A unique aspect of collecting data over time in an experiment is that the data is in a nested structure, with multiple responses across time periods nested within each participant. To overcome the limitations of traditional methods for analyzing nested data, the model analysis

uses hierarchical linear modeling, which accounts for the lack of independence across cases completed by the same participant (Raudenbush and Bryk 2002; Singer and Willett 2003). Participants were randomly assigned into scenarios that were the same except for the pattern of relationship investments over time (used to create variance). Participants were told they were business travelers and then went on a series of flights. After reading about each flight episode in which they may have been given a relationship investment they were asked to rate their perceptions of service quality, gratitude, trust, and loyalty using Likert scales.

Results supported all three hypotheses. Findings indicate that although the positive association between relationship investments and gratitude is attenuated as relationship duration increases, sellers can leverage this positive association by varying the relationship investments they provide over the course of the relationship. Furthermore, at least in the beginning stage of a customer

relationship, the positive relationship between perceptions of service quality and trust is greater as the relationship duration grows. These finding highlights the importance of carefully planning the delivery of relationship investments as the customer relationship evolves and being cognizant that trust cannot be earned with just a good first impression. Finally, the results validate the existing static model of relationship marketing in a dynamic experiment by showing that trust and gratitude, in turn, drive customer loyalty. An interesting finding revealed by accounting for previous levels of our dependent variable is that although previous levels of trust and loyalty have a carry-over effect to future levels, gratitude decays and does not have a significant carry-over effect. This highlights the importance of using gratitude to elicit reciprocal behaviors in the short term or facilitating its impact on trust and loyalty which are less fleeting. A limitation of this study is that it is scenario based and thus future efforts should validate the findings in the field. References are available upon request.

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THE IMPACT OF INTERNET MARKETING ON FIRMS' ONLINE PERFORMANCE: EUROPEAN EVIDENCES

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ABSTRACT

The need for enlargement of the marketing tools is common knowledge. Nevertheless, literature regarding on-line firms' performance driven from adoption of integrated internet marketing tools is scant. Thus this research attempts to bridge this gap, by testing a conceptual model using a SEM in a large sample of European firms.

INTRODUCTION

The paradigm of marketing is constantly evolving (Kotler 2000), and many of its mutations arise from the application and use of information technology and communication (ICT) (Griffith and Palmer 1999; Peters 1998) and the Web has introduced a set of tools that revolutionize marketing, so the higher the degree of innovation the greater marketing improvements. The passage to interactive marketing is the reason cited by many authors as the driver of change in the paradigm of marketing (Day and Wendler 1998; Lii et al. 2004; Tapscott et al. 2000).

However, despite the growth of the Internet, research in this area still has some gaps (Eid and Trueman 2002). It has been suggested that, despite the attention given to e-commerce and the Internet, the empirical or statistical data in this area remains limited (Huizingh 2002; Lii et al. 2004). The objectives of this paper have been to contribute to assess the impact the combined use of ICT tools in Internet marketing (IM), such as Customer Relationship Marketing (CRM), Enterprise Resource Planning (ERP), Knowledge Management (KM) and Supply Chain Management (SCM). This paper discusses the results of an exploratory survey conducted among a large sample of European companies. Using structural equation analysis, it explores the relationship between e-business performance and IM initiatives, when enclosing in IM a set of technological tools.

This paper has five sections and is organized as follows. Section 1 presents a brief background of this research. Section 2 defines Internet marketing, its advantages and its differences from traditional marketing; it also describes some of the benefits of employing ICT tools inside an organization. An evaluation framework is developed in section 3. In the last two sections we conclude our study, reiterate the major points and suggest avenues for further investigation.

LITERATURE REVIEW

The Internet has introduced a wave of changes, not only on how to trade and do business (Barnes and Cumby 2002; Brännback 1997; Kimilo lu 2004) but also the internal and external characteristics of companies (Pires and Aisbett 2001). In this context, companies must develop a new marketing approach that is suited to the new era of information technology and communication (Pires and Aisbett 2001; Eid and Trueman 2002).

There are several references to this concept in the literature. Some of these concepts are interactive marketing (Deighton and Glazer 1998; Haeckel 1998; Mizerski and Forrest 1996), one-to-one marketing (Peppers and Rogers 1993, 1995), database marketing (Peterson et al. 1997), real-time marketing (McKenna 1995), digital marketing (Parsons et al. 1998) and Internet marketing (Cox and Koelz 2004; Kimilo lu 2004; Strauss et al. 2003). All these forms of marketing have at least one common characteristic: the use of databases with information about consumers, enabling the creation of strategies oriented to the client and minimizing the cost of transaction.

It appears that the impact of Internet marketing can be seen in the following forms (Rettie 2001): the use of new technologies to improve traditional processes, new forms that replace the traditional methods, and new tools for marketing.

According to Ettenberg (1999, cf., Joergensen and Blythe 2003) the Internet poses the greatest challenge for marketing in recent decades. In this light, Biswas and Krishnan (2004) points the last years as those where more substantive changes occur in the way companies and individuals exploit the Internet. Among the researchers who focus on this issue, there is no consensus in relation to an evolving paradigm (Burke 1997; Dickson 2000; Miller 2000). Some researchers believe that the Internet led to a rupture process based on a proactive stance face to technology and that there is a strong link between traditional and Internet marketing. Others suggest an evolutionary process and the current paradigm of the evolution of marketing in order to adapt to the changing environment.

The research on Internet marketing is not as advanced as research in other areas of marketing (e.g., consumer behavior and international marketing) in part because the

vast majority of studies in this area are conceptual. Some authors have questioned the real impact of the Internet marketing base (Peterson et al. 1997). However, there is a considerable number of works that try to exploit the full potential of marketing (see, Brynjolfsson and Smith 2000; Malhorta and Peterson 2001; Pitt et al. 2002).

When compared to traditional marketing (see, Table 1), Internet marketing offers a host of additional benefits, such as lower costs (Baker et al. 2001; Park and Suresh 2005); a closer relationship with the client (Kalota et al. 2001; Mohammed et al. 2003; Strauss et al. 2003), and redesigning of the distribution circuit (Chircu and Kauffman 1999; Sen and King 2003).

In the case of cost reduction, it appears that this is the application of CRM, ERP, direct marketing and the use of electronic forms of trading. According to Strauss et al. (2003), we can enumerate still other changes at the level of marketing in firms' process by the fact of adopting the technologies associated with the Internet. The first change is in the amount of power passing into the hands of customers, thanks to increased competition and greater consumer demands. It has resulted in the need for greater strategic focus on consumer demand and a customization of the offer.

The geographical coverage based on the elimination of distance is the second parameter. This leads to the opening of markets and the possibility of interaction among various stakeholders that requires an act of marketing supported with technology tools (Afuah and Tucci 2001).

There are several key differences between the traditional and Internet marketing paradigms. One of the first definitions presented and adopted by the American Marketing Association considers the Internet marketing as providing the full range of activities online, based on an interactive dialogue which results in the planning and implementation of strategies to design, price, promotion and distribution of ideas, goods and services that satisfy consumers and organizational goals (Hunt 1991).

To Laudon and Traver (2002) Internet marketing uses the Web – in tandem with traditional channels. The development of positive and long-term relationships with customers (online and offline), establishes a competitive advantage. Internet marketing can also be defined as the way in which the interactive capabilities of multimedia and the World Wide Web are explored with a view to having a permanent interaction with customers (Watson et al. 2000).

TABLE 1

Dimension	Traditional Marketing	Internet Marketing
Temporal perspective	Focus on short-term	Focus on long term (Håkansson, 1982; Dwyer et al., 1987; Buttle, 1996; Huhtinen & Virolainen, 2002)
Predominant function of marketing	Marketing mix	Marketing mix with the support of: <ul style="list-style-type: none"> • CRM (Wu & Wu, 2005; Kincaid, 2003; Chang et al., 2005) • ERP (Payne, 2002) • RM (Gummesson, 1994; Cann, 1998) • KM (Grossman, 2006; Ratchev et al., 2003) • SCM (Park & Suresh, 2005; Gimenez & Lourenço, 2004)
Distribution model	Traditional distribution	Disintermediation and <i>cyber intermediation</i> (Sen & King, 2003)
Communication model	One to many or one-to-one	"many-to-many" (Hoffman & Novak, 1996, 1997)
Value Creation	Information was an element of support	Information has value, is an asset (Park & Suresh, 2005; Amit & Zott, 2000)
Competitive basis	Operational efficiency	Strategic positioning (Porter, 2001; Chaffey et al., 2000)

Mohammed et al. (2003) describe Internet marketing as the construction and maintenance of this relationship, using online activities that allow the exchange of ideas, goods and services and that meet the objectives of both parties. These authors also found in previous studies five common elements. The first element is the integration of strategic development into in the e-business organization and in line with business strategy.

The establishment of the relationship with the client is the second element. According to Mohammed et al. (2003) the purpose of Internet marketing is to establish and maintain relationships with customers online, but without neglecting the off-line customers.

The third point concerns the transaction which, in traditional marketing, occurs off-line and in the Internet marketing may occur both in the virtual market and face to face, giving companies greater opportunities for contact and interaction with customers. This complimentary between the physical and virtual markets drives organizations to manage the use of multiple channels more carefully.

The scale on-line appears as the fourth element that blurs the barriers of time, cost and location and that develops innovative Internet marketing strategies. However, Mohammed et al. (2003) insist that many strategies of Internet marketing, despite a focus on virtual features, need to integrate the physical components and are therefore considered traditional marketing.

The fifth and final point is that the satisfaction of all parties is essential to establish a lasting relationship. Considering these researches as references and its contri-

butions to a broad definition of Internet marketing, Imber and Toffler (2000) consider Internet marketing as all the processes of creating and maintaining a satisfactory relationship between organizations and their customers through online activities that allow the exchange of ideas, products or services.

However, the challenges are not confined to the establishment of relationships between firms and consumers and even internal departments. Several authors advocating diminish the importance of the marketing mix in support of marketing activities, and instead suggest the addition of customer relationship management (Chang et al. 2005; Hamid 2005; Kuo and Liu 2005; Pan and Lee 2003), knowledge management (Danziger and Hull 2000; Gupta and Mumick 2005; Strauss et al. 2003), enterprise resource planning (Klaus et al. 2000; Payne 2002) and supply chain management (Donthu and Garcia 1999; Gallaugher 1999; Park and Suresh 2005).

The correct use of information technologies and communication technologies and integration into the Web platform will enable the achievement of competitive advantages (Porter 2001).

Despite the growing importance of Internet marketing and its accompanying technological tools, there is still a lack of practical models for measuring the impact of the combined use of these tools. If the implementation of these systems exceeds the results and tactical control, in relation to the organization's strategic intent, analysis of the impact on performance is critical and we need to develop new on-line models and performance indicators (Amit and Zott 2000; Craig and Jutla 2001; Hoque 2000).

TABLE 2

Strategy dimension	Internet Impact	Tools to employ
Global market	Instantaneous global coverage	Website and e-CRM
Global products and services	“Glocal” posture Customized offer Global offer	Website (e-marketing-mix); e-CRM; KM; ERP and SCM
Location of activity	Elimination of the location dimension Virtual networks	ERP; SCM; email; Intranet and extranets
Global marketing	Multilingual Site Global awareness Cultural adaptations	Website; e-marketing-mix; e-CRM and KM
Drives competitive global	Ease of monitoring competition Rapid response Choosing the right mix Definition of global parameters	KM; e-marketing-mix; e-CRM; SCM and ERP

EVALUATION FRAMEWORK AND HYPOTHESES

The digital era presents enormous challenges, especially if firms consider the gathering of information about customers, suppliers, markets, and supply, and the easy processing of information about company processes, products, and services. All of these can be easily spread to the public and applied in customized offers.

Literature review showed evidences that organizations tend to change in order to meet the increasing competitiveness of global markets, applying new business models and more innovative practices (Mohammed et al. 2003; Strauss et al. 2003; Wu and Wu 2005). In this sense, companies tend to establish a marketing mix adapted to the new reality (Eid and Trueman 2002; Kuo and Liu 2005; Strauss et al. 2003) integrated with other tools that enable this new environment to achieve a sustainable competitive advantage.

The need to adjust the marketing is even truer in the context of the Internet, where the empirical evidence points to improvements in organizational performance resulting from the adoption of Internet marketing and the use of new technological tools (see, Chang et al. 2005; Gupta and Mumick 2005; Park and Suresh 2005; Payne 2002; Wu and Wu 2005). From the set of tools available, it was chosen four whose impacts are more reported in the literature, we have established that the Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), Knowledge Management (KM) and Supply Chain Management (SCM) influence the Internet marketing and that IM influences the results achieved by companies in the context of e-business.

The validation of the model is done by using factor and cluster analysis, plus averages means differences to validate hypothesis one and using a structure equation model to test hypotheses two and three. The measurement model is done by using Confirmatory Factor Analysis (CFA). We will see later that the observable variables

(indicators) we selected are measures of four latent variables (factors). Therefore, we assume that the online firms' performance is explained by the use of integrated Internet marketing strategy, which is concerned with the adoption of integrated IM containing CRM, KM, ERP, and SCM components.

The following table summarizes the research questions raised and the hypotheses set, considering as a theoretical base for the development of these postulates, the existing literature around the internet marketing and information systems.

In the literature, references to contextual determinants of organizational performance and the adoption of technological tools associated with Internet marketing appear with great frequency (Boyle and Alwitt 1999; Chaffey 2004; Strauss and Frost 2001; Turban et al. 2004).

This work follows an adaptation of the model presented by Tornatzky and Fleischer (1990), later improved by Moini and Tesar (2005). It makes the assessment of technological and organizational environment through three key dimensions – the organizational context, technological context and the surrounding context – were set on two assumptions. However, the work of these authors did not cover the gap found by Xu et al. (2004) on the influence of contextual variables in the way employers act in terms of Internet marketing, and an additional hypothesis was considered.

Also, the performance of online businesses has been the subject of several studies. Grembergen and Amelinckx (2002) did not use traditional accounting and financial tools as a standard of performance, due to the indirect, intangible and even strategic benefits associated with e-business. The literature review found that online performance has been linked positively to non-financial performance measures such as quality (McKeen et al. 2005; Tiago et al. 2007), innovation, productivity and sales (Tiago et al. 2007). So we will follow in the last authors'

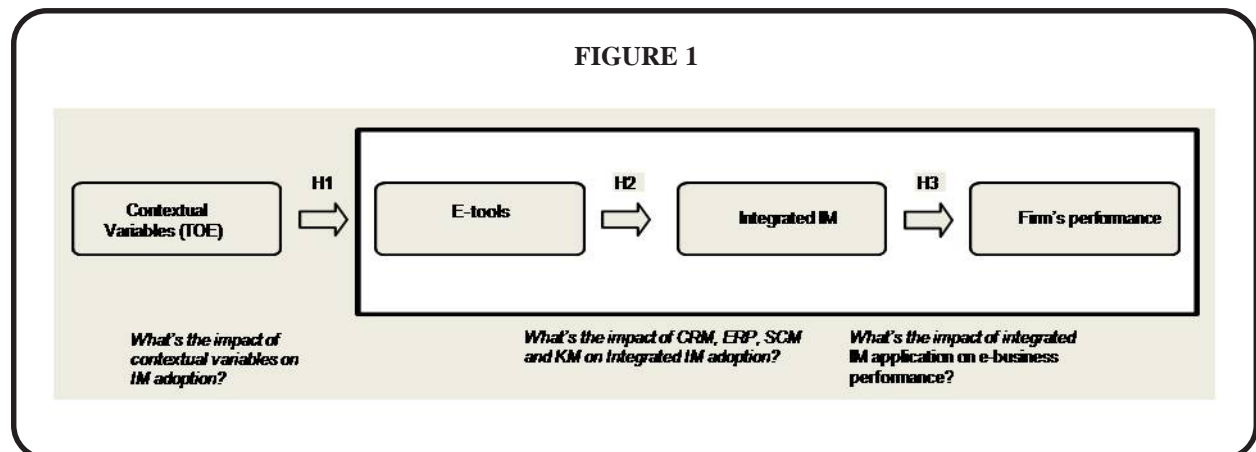


TABLE 3

Research Question (Authors)	Hypothesis
What is the impact of contextual variables in the form of action online? (See, Tornatzky & Fleischer, 1990; Moini & Tesar, 2005; Xu et al., 2004; Porter, 2001; Quelch & Klein, 1996; Chandy & Tellis, 1998; Dewar & Dutton, 1986; Crook & Kumar, 1998; Chandy & Tellis, 1998; Pavitt, 1990)	H1: Online business approach depends of contextual factors.
	<i>1 a): The online sophistication varies depending on the markets served.</i>
	<i>1 b): The online sophistication varies depending on the industry of belonging.</i>
	<i>1 c): The online sophistication varies depending on the technological level of the country of origin.</i>
	<i>1 d): The online sophistication varies depending on the dimension of the firm.</i>
What is the impact of technological tools in Internet Marketing? (See, Chang et al. 2005; Gupta & Mumick, 2005; Hamid, 2005; Karayanni, 2003; Khalifa & Shen, 2005; Park & Suresh, 2005; Payne, 2002; Wu & Wu, 2005)	H2: The technological components have positive impact on integrated Internet Marketing.
	<i>2 a): The CRM has a positive impact on integrated Internet Marketing.</i>
	<i>2 b): The KM has a positive impact on integrated Internet Marketing.</i>
	<i>2 c): The ERP has a positive impact on integrated Internet Marketing.</i>
What is the impact of integrated Internet Marketing in the performance of e-business?	H3: Integrated internet marketing has a positive impact on e-business performance.

steps, using both infrastructure and processing dimensions as elements of performance measures.

METHODOLOGY AND RESULTS

To validate these assumptions, data was collected from a sample of 9192 European companies covering five dimensions of analysis: (1) infrastructure and information technology and e-communication skills; (2) using e-business and e-commerce; (3) barriers to e-commerce; (4) impact of the sale and demand on-line; and (5) derived expectations and impact of e-business. The choice of Europe as a field of study due to the reduced number of jobs in the internet context produced at European level (Zhu et al. 2004). The data employed in the empirical research comes from e-Business W@tch annual survey (2003). The data cover 25 European countries (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, U.K., and Norway).

Initially we used a set of descriptive statistics that allowed for a greater sensitivity to the data (Sekaran 2000). Such descriptive statistics also acted as guide for the multivariate statistics (Hair et al. 1998). Of the methods of analysis available, three techniques were appropriate for this work: factor analysis, cluster analysis, and structural equation model (SEM).

Some notes about the sample used. Around 59 percent of the firms were small or micro-sized. The industry distribution of sample is similar to that of the original sample. The two most heavily represented sectors are business services and tourism, 11.6 percent and 11.5 percent respectively, closely followed by all the others, with the exception of the craft and trade sector (only about 6% of the sample).

A factor follow by a cluster analysis were performed to verify companies' profile in terms of Internet sophistication adoption. All of the classification measurements used in the analysis was found to be significant (see, ANOVA analysis, Table 4).

TABLE 4

	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
Online sales	2342,64	2	0,49	9189	4777,60	0,00
E-business	55,62	2	0,99	9189	56,29	0,00
Online purchases	99,51	2	0,98	9189	101,69	0,00
Procedures' modifications	2362,51	2	0,49	9189	4861,01	0,00

Cluster analysis allowed us to identify three groups of firms: one in which online activity centers on general sales and business (n = 7,851); one in which the emphasis is on the procedures' modifications (n = 451), and one in which the focus of online activity is on purchasing (n = 890).

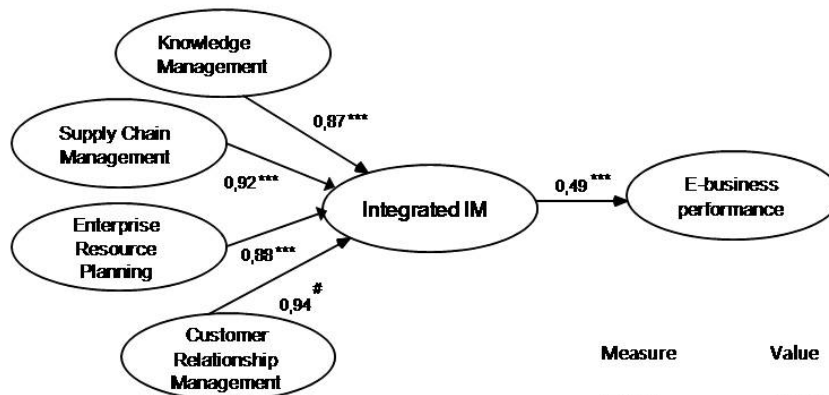
To interpret the relation between the explanatory variables and the dependent variable of sophistication use of Internet marketing, we tested the groups' mean differences regarding the contextual variables considered in the hypothesis one and performed a Chi-square test.

Therefore, results partially support hypothesis one. They confirm the influence of contextual variables in Internet marketing practices, but no support was found

regarding the influence of the technological level of the country in IM practices.

The model was estimated by the maximum likelihood method in the AMOS package. The model goodness of fit may be considered acceptable according to the values of some goodness-of-fit index, although the chi-square test statistic ($\chi^2 = 75,750$; $df = 13$; $p\text{-value} = 0,000$) is significant, implying a bad fit. However, this test is known to have serious limitations – namely its dependence on the sample size and on the number of indicators. In general, for large sample sizes the chi-square statistic is significant, and in the present case the sample size is very large (n = 9.192). Several goodness-of-fit tests were conducted to access whether the empirical model could explain the

FIGURE 2



Key for significance measures:

*: $\alpha > 0.10$

**: $\alpha > 0.05$

***: $\alpha > 0.01$

#: for model identifiability, this path coefficient was set to 1 in the unstandardized case.

Measure	Value	Suggested (Hair et al. 1998)
RMSEA	0.023	< 0.05
NFI	0.994	> 0.9
TLI	0.989	> 0.9
CFI	0.995	> 0.9
GFI	0.996	> 0.9
AGFI	0.989	> 0.9

observed data. The measures for global model fit included in Figure 2 suggest that our model fits the underlying data quite well and that the hypothesis paths were all statistically significant

After global model fit has been assessed, the numerical results were evaluated in order to test their support of the research question. The numerical results can be obtained directly from the path coefficients of the structural model (Figure 2).

Our findings support the conceptual framework regarding to hypotheses two and three. Thus, this finding lends empirical support to the concept that e-business performance can be improved by investment in integrated Internet marketing. Similarly, KM, SCM, ERP and CRM contribute 87 percent, 92 percent, 88 percent, and 94 percent to Internet marketing construct, respectively. The significant relationship achieved in the e-business success construct provides empirical support to the theoretical views that e-business performance needs to be measured with economic and market-based criteria.

DISCUSSION AND CONCLUSIONS

This research is designed to answer the research question: how do organizations take advantage of Internet marketing by integrating new technology tools and improving their online performance? The literature review showed that only a few works assuming a corporate perspective have examined the contributions of Internet marketing to e-business performance. However, the majority of these works were confined to specific industries. The goals of the current study were therefore: (1) to determine whether the implementation of CRM, ERP, SCM and KM is positively linked to integrated Internet marketing; (2) to identify the relationship between integrated Internet marketing implementation and e-business performance; and (3) to determine which contextual variables affects the adoption of Internet marketing activities.

Thus, this work contributes to the theory of Internet marketing by extending the dimensions of influence considered to the integration of CRM, ERP, SCM, and KM. Simultaneously, it adds to the knowledge of assessment of organizational performance, since it expands the research to the field of e-business, testing the applicability of different metrics from traditional accounting. The results also lead to a deeper understanding of Internet marketing.

It was possible to draw some conclusions about the way European companies are using Internet marketing, and about the impact of Internet marketing on the performance of organizations.

The analysis validated the approach advocated by some authors on the influence of certain contextual vari-

ables in how organizations operate on the Internet. The type of market action (Porter 2001; Quelch and Klein 1996), company size (Chandy and Tellis 1998; Damanpour 1992; Dewar and Dutton 1986; Pavitt 1990;), industry membership (Crook and Kumar 1998; Grover et al. 1993; Iacovou et al. 1995; Premkumar et al. 1997) and the level of technological sophistication of the organization (Chandy and Tellis 1998, Damanpour 1992; Dewar and Dutton 1986; Pavitt 1990) are key determinants of intervention approach in virtual markets. Nevertheless, no support was found for the belief that the level of technological development in the country of origin influences the form of companies operating in cyber environments.

The results of this study also confirm the importance of the four technology tools selected and its importance for Internet marketing as instruments combined. It was possible to establish the contribution of Internet marketing in the performance of organizations in the virtual business. The values obtained validate the hypothesis of a positive influence of Internet marketing on the performance of e-business and confirmed the results of previous studies (Griffith and Krampf 1999; Ju-Pak 1999). Managers should ponder the use of both competencies to improve everyday e-business processes. Nonetheless, the size of the effect for the combined use of these tools was smaller than was expected.

The third set of lessons that can be drawn from this work pertains to the contribution of Internet marketing to the online performance of organizations. Our contribution to the confirmation of the metric approach proposed by Amit and Zott (2000), Hoque (2000) and Craig and Jutla (2001) on the assessment of organizational performance in a digital environment should be noted. The values reflect the positive influence of Internet marketing on the results achieved by organizations in the online activities, which contradicts the conclusions of other studies (Cunningham et al. 2006; Griffith and Krampf 1998; Ju-Pak 1999). In summary, this study offers a technological concept of Internet marketing that is reflected in its positive outcomes.

However, these findings should be viewed in light of some limitations. Further work is clearly needed to examine the interaction of these integrated tools and e-business performance over time or in smaller sample sets. Doing so will allow us to know if the relationship is equally strong in all countries, and which contextual factors affect this relationship.

Aside from these considerations, it would be interesting to compare European firms with firms from other parts of the world, or to compare the results of online firms to those of brick-and-mortar firms. Certainly, there is scope for further research in this area.

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SMEs USE OF RELATIONAL GOVERNANCE IN EXPORT CHANNELS

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SUMMARY

The internationalization literature focuses on the factors that facilitate or hamper the initiation of exporting by SMEs (e.g., Leonidou 2004; Pope 2002). However, there is a lack of studies providing insights on the sustainability of exporting for SMEs. Yet, many SMEs discontinue exporting because of insufficient resources (Crick 2002, 2004).

This research investigates lower resource consuming processes that facilitate the sustainability of exporting activities for smaller firms. It focuses on the effectiveness of relational governance mechanisms such as bilateral norms that SMEs can use to govern their business relationships with overseas intermediaries.

Norms as Quasi-Governance Mechanisms

Relational norms are behavioral expectations shared by the parties in an exchange (Rokkan, Heide, and Wathne 2003). Macneil (1980) posits that socially bonded firms use relational norms to govern relationships, and Rokkan, Heide, and Wathne (2003, p. 212) note that norms act as contracts and “prescribe behaviors directed at maintaining the relationship.” Because they are bilateral in nature, norms epitomize bilateral governance and act as a substitute to formal governance mechanisms used to perform governing functions such as monitoring and incentives.

In export research, norms are assumed to lead to productive behaviors and discourage opportunism. Yet, it should be noted that none of these assumptions has been formally tested in the literature. Furthermore, the literature does not specifically examine the implementation of relational governance by SMEs. As a consequence, there is a lack of knowledge on the effectiveness of norms to manage cross-border relationships for the smaller exporting firms.

Conceptual Model

The conceptual model analyzes how norms, such as continuity expectations and equity help the exporter govern cross-border relationships by examining their impact on the behaviors of the foreign distributor. First we propose that norms help the importer improve its distributive performance. Second, we explore how norms provide a shield against importer opportunistic behaviors. Finally, in order to better understand the process by which norms

are effective, we posit that opportunistic behaviors mediate norms’ influence on importer role performance.

Our hypotheses are:

- H1a: A norm of continuity expectations has a positive effect on importer role performance.
- H1b: A norm of continuity expectations has a negative impact on importer opportunistic behaviors.
- H2a: A norm of equity has a positive effect on importer role performance.
- H2b: A norm of equity has a negative impact on importer opportunistic behaviors.
- H3: Opportunistic behaviors have a negative impact on importer role performance.

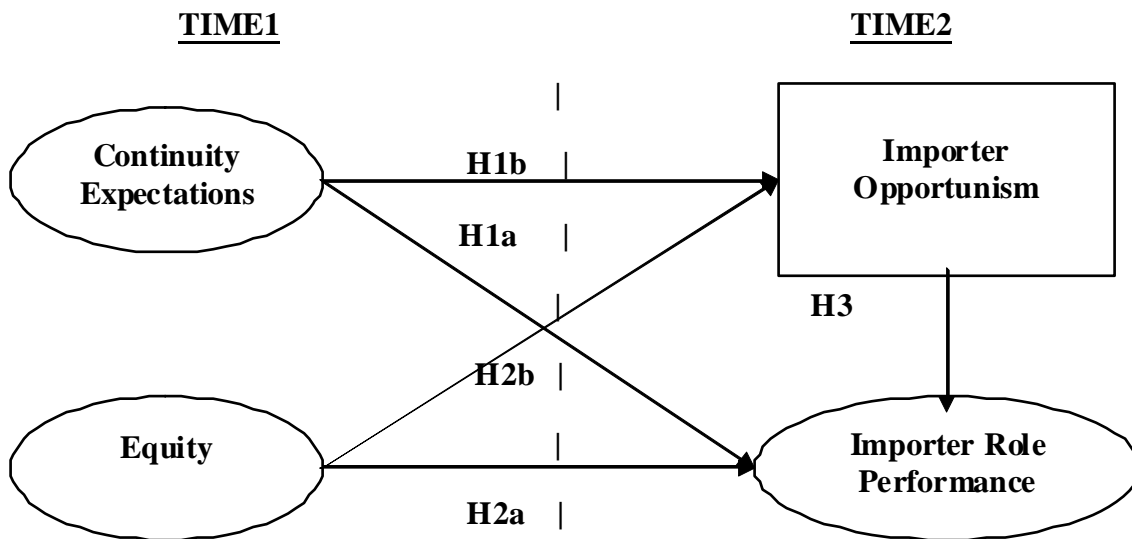
Methodology

To test our hypotheses we collected the data in two consecutive surveys of French exporters. Data were analyzed using structural equations modeling with SmartPLS (Ringle, Wende, and Will 2005). The investigation of mediation required the analysis of two models depicted in Figure 1. The first one (M1) is a direct model, the second one (M2) is a mediated model corresponding to our conceptual model.

We conducted two consecutive surveys separated by two years. In the first survey, we collected data that correspond to the relational norms: continuity expectations and equity. In the second survey, we collected data that correspond to importer opportunism and distributive performance. A total of 122 firms completed the second survey (for a response rate of 43.9 percent, or 11.8 percent of the original sample). Of these firms, 86 percent (105 firms) were small or medium-sized enterprises with fewer than 250 employees (European Commission 2005), and exports generated an average of 38.4 percent of their revenues. The responses from these 105 small and medium firms were retained for the analysis.

We measured the norm of continuity expectations using the scale developed by Johnson, Shohi, and Grewal (2004) and adapted Gilliland and Bello’s (2001) scale to measure equity. To assess distributor role performance, we adapted Kumar, Stern, and Achrol’s (1992) global

FIGURE 1
M2 Mediated Model



Note: The data for dependent variables were collected two years after the data for independent variables.

TABLE 1
Results of the Structural Models

Hypothesis	Link	Standardized Regression Weights (t value*)	
		Model 1 Direct	Model 2 Mediated
H1a	Continuity Expectations → Importer Role Performance	.28 (2.81)	.08 (.73)
H1b	Continuity Expectations → Importer Opportunism	-.31 (3.22)	-.31 (3.26)
H2a	Equity → Importer Role Performance	.21 (2.00)	.10 (.98)
H2b	Equity → Importer Opportunism	-.17 (1.69)	-.17 (1.70)
H3	Importer Opportunism → Importer Role Performance	-	-.64 (5.76)
	R ² Importer Role Performance	.16	.50

*Significant at $p = 0.05$ if $t > 1.64$ (one-tailed)

scale of reseller performance. Finally, a new formative instrument was developed to measure opportunism by deriving items from John (1984), Obadia and Vida (2006), Rokkan, Heide, and Wathne (2003), and Williamson (1985).

Once the instruments were validated, we evaluated two structural models in order to demonstrate the mediation hypothesis. The results are summarized in Table 1.

H1a and H2a were supported in both models confirming the negative impact of behavioral norms on importer opportunistic behaviors. H3 (in M2) found strong support, confirming the negative influence of opportunism on importer role performance. As for H1b and H2b (influence of norms on importer role performance) we found different results in the two models. In the direct model M1, both hypotheses were supported. However, in the mediated model M2 (corresponding to our conceptual model),

these links become non-significant, indicating a mediating effect of opportunistic behaviors (Baron and Kenny 1986).

Conclusions

The findings of our longitudinal study suggest that behavioral norms act primarily as a shield against importers' opportunistic behaviors confirming Crosno and Dahlstrom (2008) views of norms' impact. However, continuity expectations and equity are found to have no

direct impact on importer role performance and as such, cannot substitute all coordination efforts in exporter-importer relationships.

This study suggests that behavioral norms such as continuity expectations and equity do protect exporting SMEs against importers' opportunism and may offer a solution when appropriate resources are not available to enforce formal governance mechanisms. References are available upon request.

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MANUFACTURER-RESELLER E-BUSINESS ARRANGEMENTS: THE IMPACT OF INEQUITY ON RELATIONSHIP PERFORMANCE AND MODERATING ROLE OF DEPENDENCE

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SUMMARY

Introduction

Manufacturer-reseller relationships are undergoing a dramatic transformation as manufacturers attempt to capitalize on the proliferation of web-based business software, commonly referred to as e-business tools. However, the way(s) that e-business adoption could change the relationship dynamics has not been studied in the channel context. As e-business tools are becoming the de-facto means for *interorganizational* information sharing, communication, and payment systems, it also becomes very important to examine the impact of these changes on the relationship itself. For example, are the benefits of the new technology equally shared between partners? How are the resources required to successfully adopt the technology shared? Does the adoption of the technology open the relationship to new forms of opportunism? This study investigates the impact of perceived inequity of e-business arrangements on relationship performance from a reseller's perspective and the moderating role of reseller dependence of the perceived inequity-performance linkage.

Theoretical Model and Hypotheses

The model reflects our thesis that e-business arrangements could be perceived by the reseller as a "double-edged sword." Using a grounded theory approach (Glaser and Strauss 1999), two themes emerged from the depth interviews. First, the reseller enjoys the benefits of a more efficient ordering process, while secondly, the reseller perceives that it is giving up some strategic information to the manufacturer in the process as part of the exchange. This tension is reflected in reseller's perceptions about inequity in the e-business arrangements, and this may negatively impact its relationship performance. Importantly, reseller dependence on manufacturer moderates these performance consequences:

H1: The higher the reseller ordering benefits, the lower the perceived inequity.

H2: The higher the reseller ordering benefits, the higher the relationship performance.

H3: The higher the end-user intelligence, the higher the perceived inequity.

H4: The higher the perceived inequity, the lower the relationship performance.

H5: When reseller dependence is high, then the link between perceived inequity and performance is weaker than when reseller dependence is low.

Methodology and Results

Using a sample of 224 resellers of computers, software and peripherals we tested out model using Amos 5.1 statistical package. The chi-square for this model is 1.56 with 1 degree of freedom, CFI is .99, and RMSEA is .05. All the structural paths in the model are significant and in the expected direction. This provides support for H1–H4. Hypothesis 5 was tested using a 3-step hierarchical regression following a general procedure for testing for moderation suggested by Baron and Kenny (1986). The cross-product term was significant in the third step of the hierarchical regression ($B = .06$, $p = .05$) suggesting support for H5.

Discussion

Equity perceptions seem to be important in implementing novel channel arrangements, such as e-business tools, as suggested in previous channel research (Frazier, Spekman, and O'Neal 1988). In general, the findings support the thesis that e-business arrangements could be a double-edged sword for resellers. On one hand, resellers may benefit from more efficient electronic interactions; on the other hand they may give up strategic information to the manufacturer, such as strategic information about end-user accounts. Manufacturer's end-user intelligence gathering may increase manufacturer's information bases of power as well as enable them to attack and eventually take over the largest and fast-growing end-user accounts. This leads to increased perceptions of inequity by reseller, because the manufacturer is reaping more benefits from the transition to the e-business operations. Such perceived inequity may poison the relationship and to restore the equity balance, resellers may withdraw from the relation-

ship and the performance suffers the consequences of such withdrawal.

Importantly, not all resellers are able to afford to restore the equity equilibrium. Our results suggest that higher reseller dependence on the manufacturer in terms of product line, revenue and profits has a moderating effect. In other words, resellers that are highly dependent of the focal manufacturer will more likely continue the

relationship despite the perceived inequity of distribution of benefits from e-business arrangements. This last finding provides support for the general notion that new, technology enabled business processes and procedures do not function in isolation from “old” organizational variables (Jap and Haruvy 2008). It also underscores the importance power-dependence dynamics even in the face of “technology revolutions.” References are available upon request.

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SHARED VALUES IN INTERFIRM RELATIONSHIPS

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SUMMARY

Limited research has examined the role of shared values on channel outcomes. In this paper, we integrate the literature on social influence theory (Kelman 1958), organizational fairness (e.g., Colquitt et al. 2001), and the extant research on marketing channel outcomes to forward and empirically test a conceptual framework that positions shared values among channel partners as an important means to accomplish channel objectives.

In our framework we recognize that perceived fairness is of considerable importance to parties in interfirm relationships as these perceptions allow channel members to make assessments about the likelihood of their outcomes and treatment in the future and thus has important implications for channel performance. We propose that perceived fairness and relationship quality (trust, satisfaction, and commitment) help shape partner values. Shared values promote a wide range of cooperative behaviors that can be beneficial in achieving channel objectives. Hence we not only suggest the antecedents of shared values in channel relationships but also extend the research of Kumar, Scheer, and Steenkamp (1995) by going beyond the role of fairness in promoting relationship quality to examine additional outcomes.

Our proposed framework highlights the role of perceived fairness in influencing relationship quality (i.e.,

trust, satisfaction, and commitment). These key outcomes have an effect on shared values - the identification with the values of the channel member. We also suggest that while the development of shared values is contingent on perceived fairness in channel relationships, these values develop only in the presence of relationship quality. Further a presence of shared values leads to a range of cooperative behaviors on the part of the downstream channel member in that it promotes both specified in-role behaviors and voluntary extra-role behaviors.

The model is tested with a sample survey from the U.S. Automotive franchise dealers. An iterative data collection process yielded 241 completed surveys for a 52 percent response rate. Multi-item measures from the existing literature were appropriately modified to measure the constructs in our framework. In accordance with Gerbing and Anderson's (1988) recommendations, we followed the two-step approach of first evaluating measures and then estimating the proposed structural model. Results indicate that perceived fairness is important in developing relationship satisfaction, trust, and commitment. Further satisfaction, trust, and commitment mediate the relationship between perceived fairness and shared values. In addition, a congruence of values between channel partners promotes cooperative behaviors in the form of in-role and extra-role behaviors in channel relationships. Theoretical and managerial implications are discussed.

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SLOTING PAYMENTS AND CHANNEL STRATEGY: AN ANALYSIS BASED ON FINANCIAL RESTATEMENTS PURSUANT TO FASB EITF 01-9

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ABSTRACT

Slotting type payments constitute a large part of marketing budgets of CPGM firms. Despite three decades of research, confusion persists about the causes and consequences of slotting fees. One part of the problem is a lack of data about the dollar value of slotting payments made by firms. A second part is a preoccupation with market power v. efficiency explanations which may be too general to apply across complex channel phenomena. This paper addresses both these problems. It analyzes data on slotting payments disclosed by firms pursuant to FASB EITF 01-09. It looks beyond the power v. efficiency arguments to include managerial considerations. It also uses analytical models that allow for parameter heterogeneity, thus incorporating a measure of diversity of situations faced by firms in their industries and channels. The results show that slotting payments are positively related to manufacturer profit margins but negatively related to market share after controlling for firm heterogeneity with net-sales. Further, slotting is negatively related to advertising, but positively related to R&D and SG&A expenses.

BACKGROUND AND HYPOTHESES

Despite a significant amount of research, an understanding of the economic drivers and consequences of slotting fees remains elusive. A limitation of all the studies is that the dollar amount of slotting allowances paid/received by the firms could not be ascertained. This study takes advantage of the directive by Financial Accounting Standards Board (FASB) in 2001 that firms retrospectively restate their financial statements, treating slotting as a reduction in revenue rather than a marketing expense. This allowed for the first time a measurement of the dollar amounts paid by manufacturers as slotting type payments, in the “restatement” years.

Market Power and Efficiency

The variables gross profit margin and market share are used to test basic hypotheses relating to the market power v. market efficiency arguments. Market share is a direct indicator of market power. The empirical problem is to differentiate the effects of power and efficiency in

observed manufacturer profit margins and market share. To do this we derived the following *mutually exclusive* hypotheses:

- H1a: If retailers dominate the terms of exchange and slotting fees act to reduce retail competition, slotting payments will be positively related to manufacturer market shares and profit margins.
- H1b: If retailers dominate the terms of exchange and slotting fees act to shift channel surpluses downstream, slotting payments will be positively related to manufacturer market shares but negatively related to profit margins.
- H1c: If manufacturers dominate the terms of exchange and slotting fees act to eliminate some competitors, slotting payments will be negatively related to manufacturer market shares but positively related to their profit margins.
- H1d: If manufacturers dominate the terms of exchange and slotting fees serve to protect large inefficient manufacturers, slotting payments will be negatively related to manufacturer market shares and negatively related to their profit margins.

Marketing Strategy and the Promotion Mix

The concept of a push v. pull distribution strategy has been around for a long time, and there is a long stream of literature that has studied interrelations between elements of the promotional mix. Here we study three variables in relation to slotting – manufacturer expenditures on advertising, selling and R&D – and test the following hypotheses:

- H2: The higher a firm’s expenditure on advertising, the lower its slotting payments.
- H3: The higher a firm’s expenditure on R&D, the lower its slotting payments.
- H4: The higher the firms selling expenditure the higher its slotting payments.

METHOD

Data

Data for the years 1998–2004 was collected from SEC 10-K filings and COMPUSAT for CPM firms, for Gross Profit Margin (GPM), Advertising (Adv), Selling General Administration (SGA), and Research and Development (RD) expenditures. The difference in previous and re-stated Net Sales gives the dollar value of slotting payments as defined by FASB. Firm Market Share (MS) was calculated relative to total sales of all companies in each SIC group. The final sample consists of 199 observations from 40 firms identified as making slotting promotional from restatements in response to EITF 01–09. Because of the variations in the number of years for which companies restated financials, the average values of the variables are used in the analysis.

Analytical Model

Conventional regressions estimate constant slope parameters to explain how covariates affect the dependent variable. We assume parameter heterogeneity and use a *functional* coefficient regression model indexed by a scalar index variable (Durlauf, Kourtellos, and Minkin 2001). We consider two models – (1) for market power and efficiency, and (2) for the marketing promotional mix:

$$\log(\text{slotting}_i) = \gamma_1(s_i)MS_i + \gamma_2(s_i)GPM_i + \varepsilon_i \quad (1)$$

$$\log(\text{slotting}_i) = \gamma_1(s_i)\ln(\text{Adv}_i) + \gamma_2(s_i)\ln(\text{SGA}_i) + \gamma_3(s_i)\ln(\text{RD}_i) + \varepsilon_i \quad (2)$$

where the index variable s_i denotes the logarithm of firm net-sales.

RESULTS

Figure 1 graphs the local correlation curves associated with our local estimates of GPM and MS and their relationship to slotting fees. In the case of GPM, we see a positive and significant relationship with slotting fees paid. The value of the parameter increases from 20 to

about 27 as the log of net-sales increases up to a value of 20. There after the coefficient remains positive but declines somewhat in magnitude to about 23. In the MS case, as the log of net-sales increases, the coefficient value relating MS to slotting increases linearly, going from negative to positive.

Figure 2 shows the estimates of the local correlation curve associated with our local value of promotion and new product. Advertising is negatively related to slotting, and the higher a firm's net-sales, the stronger the negative relationship. In the R&D case, the relationship with slotting fees goes from a positive one to a negative one, as firm net sales increase. It seems investing in a new product strategy is not effective in limiting slotting payments for smaller firms, but as for larger firms the coefficients are negative and increasingly negative as firm sales increase. Taken together the results support H2, and H3 weakly, and suggest that advertising and R&D do act as *complements* to each other (as a “pull” strategy), and work to reduce the amount of slotting fees the firms have to pay. SG&A is positively related to slotting payments, and the positive relationship becomes more pronounced as firm sales increase. H4 is supported; SG&A seems to complement slotting payments as part of a channel push strategy.

CONCLUSION

First, the results indicate that industry and firm specific characteristics are important in understanding the relationship between slotting payments and market processes. It makes a case for parameter heterogeneity in the modeling and estimation methods. Second, market power and efficiency considerations are intermixed in channel phenomena. Slotting appears to act as a profit shifting/sharing mechanism in the channel, but manufacturers with more market power can resist this pressure. Third, managerial considerations and strategic tradeoffs are important in determining slotting payments. As firm sales increase, those allocating more resources to advertising and R&D in a push strategy, pay progressively fewer dollars in slotting. Investment in slotting appears to go hand in hand with a push strategy that emphasizes selling and marketing to the trade.

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FIGURE 1
Market Power v. Efficiency

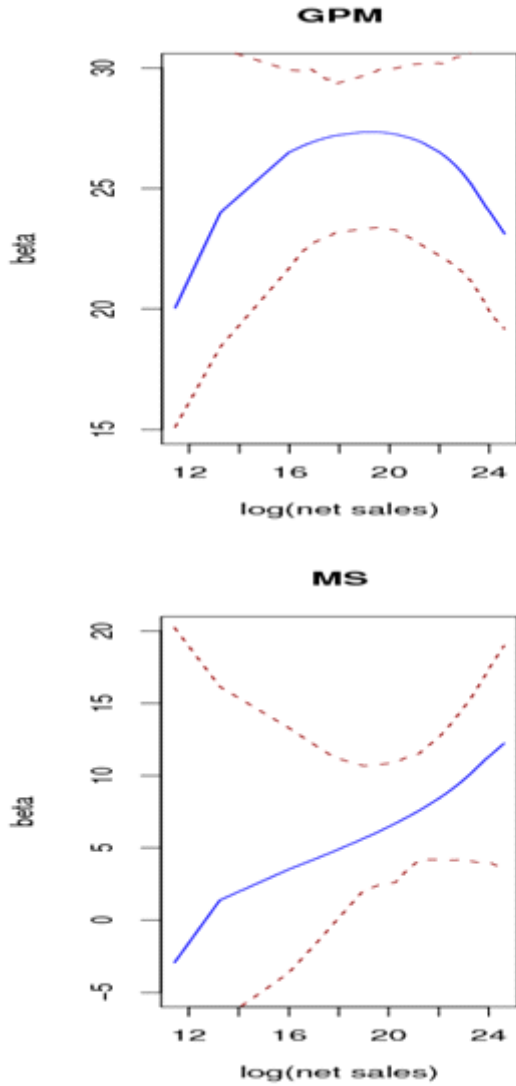
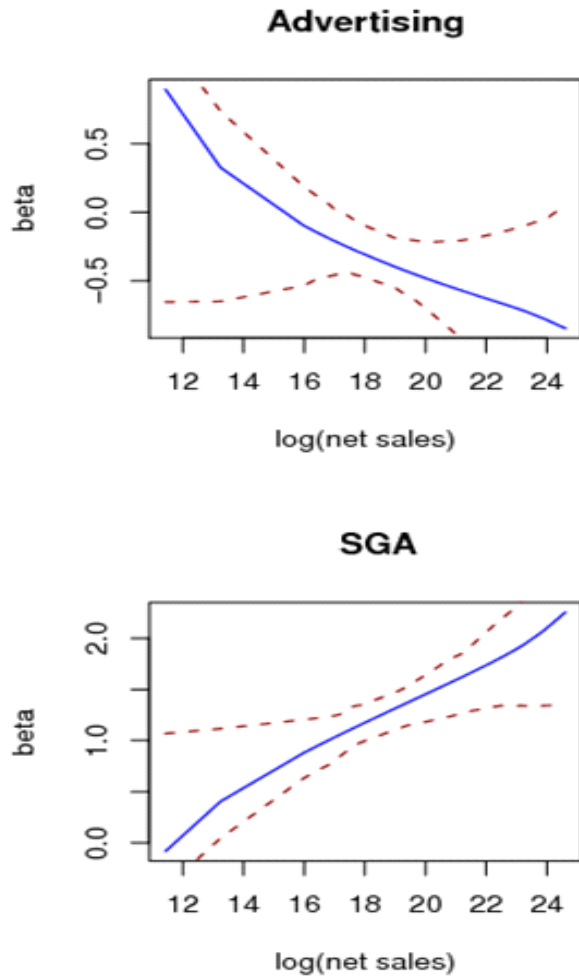


FIGURE 2
The Promotional Mix and Slotting Fees



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FAMOUS PEOPLE PARTICIPATION IN SOCIAL MARKETING PROGRAMS: A RESEARCH FOCUSING ON PUBLIC HEALTH

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ABSTRACT

This paper analyzes celebrities' motivations to endorse public health campaigns. We found that most celebrities feel motivated to participate in AIDS campaigns because of their relationship with the disease and the stigma attached to this cause, which can suggest positive discrimination. The paper also discusses some inhibitions of famous people endorsing HIV prevention. Finally, the paper shows when and why celebrities can expect a fee by endorsing social marketing, despite their social role. The research results may be helpful for negotiations between institutions and celebrities in social marketing programs.

INTRODUCTION

Since the beginning of time, stigma and discrimination have walked side by side with illnesses (Valdisserrri 2002). In the case of HIV/AIDS, the initially diagnosed social context resulted in attitudes and behaviors of stigma and discrimination being associated with these conditions (Kalichman et al. 2009). These feelings have indeed been reported by volunteers who help people living with HIV or take part in prevention actions (Omoto and Snyder 2002).

Influencing lifestyles to improve health leads to cost reductions in healthcare and treatments. That is why health professionals and institutions should not limit themselves to therapies but have to help modify lifestyles and behaviors (Rothschild 1999). The use of social marketing can be a strategy (Walsh et al. 1993). Health promotion campaigns are examples of social marketing programs which have been successful in influencing people's behavior for the purpose of societal benefit (Morris and Clarkson 2009). When celebrities are suffering from health problems, the fact is noticed by the media, as Magic Johnson living with HIV, the cancer and Alzheimer of Reagan, the eating disorders of Princess Diana, the breast cancer of Kylie Minogue or Parkinson disease of Michael Fox (Chapman and Leask 2001). People became advised about those diseases, which are not more unknown, because of the relationship the public have with those celebrities (Casey et al. 2003). Famous people, as important agents in the marketing process, can benefit the effectiveness of social marketing, with the notoriety they confer to those campaigns. Several celebrities have endorsed these kinds of activities, namely AIDS prevention campaigns, includ-

ing Bono, Jeffrey Sachs, and Paul Farmer, who founded the Global Fund on AIDS (Richey and Ponte 2008). While celebrity endorsements benefit the effectiveness of communication campaigns (Erdogan et al. 2001), both for commercial brands and social ideas, they also boost the celebrity's own personal image, in a process of value cocreation (Seno and Lukas 2007).

Because illness is, in general, a stigmatized word, health promotion should be particularly discussed among social marketing. Moreover, healthcare is a sector which requires academic research, namely the study of the differences and similarities with the other sectors (Berry and Bendapudi 2007). Bearing in mind the effectiveness of celebrity participation in social marketing, the research analyzes motives for celebrity endorsement to public health. Being aware of the social stigma and discrimination particularly toward HIV and AIDS, this paper also sought to ascertain whether famous people who had been involved in AIDS initiatives bore evidence of such feelings of stigma and discrimination and whether this fact could truly inhibit them from taking part in social marketing campaigns. The research also discusses the impact their participation had on their lives, both personal and professional. This information may be helpful for negotiations between health institutions and celebrities.

Next we present a brief review of relevant literature, namely about HIV stigma and the role of celebrities in marketing, including social marketing focusing on public health. Then, we present the methodology and the main results of the research.

REVIEW OF RELEVANT LITERATURE

HIV Stigma

Stigma and discrimination have walked side by side with illnesses in general, from syphilis to cholera or leprosy (Valdisserrri 2002). This is no less true of HIV/AIDS, to the extent that fighting HIV stigma and discrimination is considered a main priority by the United Nations Organization (2001). People still have misconceptions about HIV transmission, which fuels the fear of being infected and, consequently, the fear of coming into contact with people who live with it (Dias, Matos, and Goncalves 2006).

The social context around the first HIV diagnosis meant that people who lived with the infection experienced stigma and discrimination (Dias, Matos, and Goncalves 2006; Herek 1999; Johnny and Mitchell 2006; Kalichman et al. 2009; Karchner and O'Connell 2002; Klein, Lee, Campbell, and Mulford 1999; Parker and Aggleton 2003; Taylor 2001; Valdiserri 2002). The Human Immunodeficiency Virus (HIV) was first diagnosed in 1981, in the United States of America, among homosexual men, leading the medical community to initially call it "GRIDS" GayRelated Immune Deficiency Syndrome (Clarke 2006). HIV was later diagnosed among heterosexuals from Haiti, injected drug users and hemophiliacs. The virus was associated with metaphors of plague, death, fear, guilt, and shame (Ponte 2004) and AIDS was seen as a punishment for homosexuality or deviant behavior (Clarke 2006). Furthermore, the mass media have perpetuated this misconception, associating HIV vulnerability with homosexuals in particular (Clarke 2006; Lupton, Chapman, and Wong 1993; Ponte 2004). Nowadays, HIV infection is known as a global epidemic that does not differentiate the possibility of transmission between gender, age, race or wealth.

Volunteers who participate in HIV prevention services also report feelings of stigma and discrimination toward them from their social networks (Omoto and Snyder 2002). A comparison between volunteers in HIV services and volunteers in intensive care services with cancer patients revealed that the stigma reported by volunteers with similar roles was higher for those who cared for people living with HIV (Snyder, Omoto, and Crain 1999). The fact that volunteers involved in HIV prevention are punished by their own good actions may result in inhibition for those taking part in AIDS prevention campaigns, mainly those who have stronger social networks (Snyder, Omoto, and Crain 1999), even though society bestows added value on volunteering (Ferreira, Proenca, and Proenca 2008).

These and other inhibitions might also occur with famous people. Celebrities such as Rock Hudson or Freddie Mercury were among the first in the world to be diagnosed with HIV and show business got also involved on this social problem. Magic Johnson announced publically he was HIV positive, but he was neither the victim of stigma nor did his image lost credibility. On the contrary, his problem served to emphasize that AIDS is not a disease of the guilty, but something that can happen to anyone, anywhere in the world, from heterosexuals to famous people or even to heroes, as he was considered (Casey et al. 2003).

Marketing and Celebrities

A celebrity brand endorser is "an individual who enjoys public recognition and who uses this recognition

on behalf of a consumer good by appearing with it in an advertisement" (McCracken 1989, p. 310). Celebrities are associated with their fame and credibility (Goldsmith 2000) and this association process can be directed toward brands and activate positive attitudes among consumers toward endorsed products (Amos, Holmes, and Strutton 2008; McCracken 1989). This means that business can become more profitable using celebrity brand endorsement (Erdogan, Baker, and Tagg 2001), while brands can also contribute to a celebrity's increased fame. Seno and Lukas (2007) highlight reciprocity of brand equity between the celebrity image brand and the commercial brand through a cobranding process. According to the authors, that process only happens when the relationship is based on the credibility and attractiveness of both the person and the product. The authors consider five factors in characterizing celebrity product associations: credibility, attractiveness, congruency, multiplicity and activation (Seno and Lukas 2007). However, the risk of negative reputation sometimes targeting well-known people can activate potential problems in celebrity endorsement (Till and Shimp 1998). On the whole, though, Agrawal and Kamakura (1995) concluded that business is greatly favored in terms of financial return and brand equity.

The equity effect of product endorsement by celebrities also occurs in social marketing. Famous people are seen as social models especially by teenagers (Biskup and Pfister 1999; White and O'Brien 1999; Wicks, Nairn, and Griffin 2007). Celebrities are frequently used by social marketers to promote behavior changes (Basil and Brown 1997). Their activism has been developed since the sixties with the purpose of solving social problems, such as poverty or disease (Huddart 2005; Richey and Ponte 2008). George Harrison, Mick Jagger, and Bob Geldof are examples of this activism, as are Bono, Oprah Winfrey, Mia Farrow, George Clooney, and Don Cheadle (Huddart 2005; Richey and Ponte 2008; Waal 2008).

Also, in social marketing, endorsed celebrities are called to be social good examples to be followed by people. That good example of life can seem sometimes difficult to control from institutions that invite famous people to join a cause. Shane Warne, an Australian celebrity who was paid to promote quit smoking pills appeared smoking publically several times during the contractual period with the laboratory. Although he convinced young people quit smoking, the reliability of the advertisement was lost with that incident (Chapman and Leask 2001). Although good examples of life can be effective, also bad examples from famous people can be educative. The television commercials where Magic Johnson promoted HIV prevention had a great impact on Americans (Basil and Brown 1997). Researchers state that Magic Johnson gave efficacy to HIV prevention messages because of the new image the infection gained after his statement a problem that can affect anyone regardless of sexual orien-

tation. People's identification with Magic Johnson promoted the increase of safe sex behaviors (Basil and Brown 1997; Brown and Basil 1995; Kalichman and Hunter 1992). This case suggests that celebrities can be an effective resource in promoting public health issues (Casey et al. 2003). The same authors emphasize that the effects of a similar association do not have to be positive and depend on the type of messages, the level of social responsibility and the identification process between the celebrity in question and the public (op. cit.). The effectiveness of celebrity endorsement advertisements depends on the attitudes toward the endorser (Silvera and Austad 2004).

Social Marketing in Public Health

The first social marketing work was done in the sixties, more specifically in India in 1964, and involved public health issues. A family planning campaign was carried out in which the number of condoms distributed to people was derestricted and the cost of the condoms lowered (Dholakia 1984). International public health programs introduced marketing techniques, namely by advertising contraceptive methods and condom placement assessment assurance in the media (Walsh et al. 1993).

Influencing lifestyles to improve health leads to cost reductions in healthcare and treatments. That is why health professionals and institutions should not limit themselves to therapies but have to help modify lifestyles and behaviors (Rothschild 1999). The effectiveness of social marketing in public health is recognized in the literature (Morris and Clarkson 2009) as an important strategy to promote individual changes, such as quit smoking, manage the infections transmission by health workers (Maha et al. 2006), drugs and alcohol consumption prevention (Jones and Rossiter 2002), as well as healthy nutrition and sports practice advertising (Gordon et al. 2006). Social marketing has been also important to tuberculosis treatment adherence (Grier and Bryant 2005) and leprosy control (Wong 2002). Nowadays, public health is the area in which social marketing is most commonly discussed (Walsh et al. 1993), not only through health promotion practices, but also with the efforts to assure health assessment, by reducing the price of products that have a social benefit. Social Marketing in public health has been successful in AIDS control (Chance and Deshpandré 2009), and in the social world development (Duhaime et al. 1985). Public health campaigns require good message architecture and correct broadcasting through appropriate channels. The media are frequently used for this purpose (Abrons and Maibach 2008).

METHODOLOGY

The purpose was to understand the interviewees' participation, perceptions, motivations and inhibitions, as well as the consequences of endorsing social marketing.

For these kinds of achievements the research had to take the form of a qualitative exploratory analysis so that personal interviews, one of the most popular instruments of qualitative research (Carson et al. 2001), could allow for open data collection (Flick 1999).

Twenty-seven confidential and in-depth interviews were conducted between 1 June and 31 December 2008 with well-known Portuguese people from the arts, show business and sports who had at least one experience in social marketing focusing on public health. These twenty-seven celebrities appear frequently in the Portuguese media, namely on television, in VIP magazines and on websites about celebrities. The interviewees are aged mainly between 31 and 50 years old (51.8%). Fifty-nine percent are women and 63 percent are actors/actresses. The selection of the interviewees was based on the celebrities' accessibility and availability for the research. The condition was the experience on endorsing social marketing campaigns focusing on public health.

First of all, an interview guideline was created, as suggested by Miles and Huberman (1994), but flexibility was allowed in order to obtain further information from the experiences of the interviewees (McCracken 1988). The interviews took approximately one hour each. This allowed for a valuable data collection process, which would not be possible in an enquiry.

We proceeded to analyze the content of the interviews, creating answer categories as recommended (Carson et al. 2001) and crossing data through the different control groups of interviewees. The control groups were established according to the following criteria: demographics, such as age, gender, and occupation; their own image perception as a celebrity; participation frequency and context; cause preference; social marketing experience focusing on HIV; opinion on celebrity roles and compensation; opinion on social marketing relevance; fear and general inhibitions about endorsing causes; and experience of discrimination in the case of social marketing endorsement focusing on HIV prevention. These control groups were established so that we could understand the differences in attitude among the celebrities interviewed. A number was attributed to each celebrity with no logical order, so that the famous people interviewed would be assured confidentiality.

As an exploratory study, this research should not be generalized because it presents results which are limited to the celebrities interviewed and limited to the Portuguese context.

DISCUSSION

The research analyzes motives for celebrity endorsement to public health campaigns. Results focus on the

context and causes most endorsed and discuss the relevance of celebrity's participation with or without a fee. At the end, we analyze the celebrities' inhibitions about endorsing certain activities, with a particular attention to HIV/AIDS, and the implications that the participation had on their lives, both personal and professional.

Celebrity Endorsed Activities

The celebrities were chosen according to their experience in health related social marketing endorsement. The celebrities interviewed had all been involved in health promotion, even if it were not widely known. Twenty-two celebrities out of twenty-seven (81.4%) recall at least one social marketing endorsement focusing on HIV, which is interesting because of the social stigma and discrimination associated with HIV and AIDS (Kalichman et al. 2009; Parker and Aggleton 2003). This can mean positive discrimination that is a special motivation to endorse activities that are usually seen in a negative way and consequently discriminated. Table 1 presents the interviewed individuals involved in each of the fifteen categories of health problems identified. The table shows that the interviewees took part in a total of 76 social marketing campaigns, including governmental actions. Three campaigns were compensated, all of them promoted by commercial brands. This fact might suggest that some celebrities expected a fee for governmental social marketing programs, but they accepted the endorsements free of charge nonetheless.

HIV infection, leukemia and breast cancer are the topics most endorsed by celebrities, bearing evidence of the personal relationships between famous celebrities and these diseases. Although most celebrities state that their motivation does not vary with changing health themes (59.2%), they recognize that the most serious diseases, such as AIDS and cancer, require special attention: "Cancer can happen to anyone" (interviewee no. 9); "For cancer there is no warning and it has nothing to do with behaviors" (interviewee no. 13); "HIV is a behavior-related problem of behaviors and can be prevented, so I think I can do something about it" (interviewee no. 18).

Among famous people, television personalities are those who present the most diversity in health-related social marketing endorsement, immediately followed by actors. This fact may be linked to the reliable image these professionals usually have in public opinion, but it may also underline the fact that celebrity credibility is one of the most important factors when choosing people for marketing endorsement (Goldsmith 2000; Seno and Lukas 2007). The effectiveness of celebrity credibility in marketing is one of the main reasons for inviting famous people to join a cause (Basil and Brown 1997; Seno and Lukas 2007).

Social Marketing Endorsement Context

Results show that social marketing endorsements occur as a consequence of an invitation from an institution or as the result of a close relationship between famous people and the organization that is developing the activity. Thirteen of the interviewed celebrities mention a special motivation to participate in certain topics because of their personal relationship with causes such as "Cancer first, because I have suffered from it. I am highly motivated because of that" (interviewee no. 6).

The literature reveals several examples of celebrities motivated to endorse a cause because of a close relationship with it. These include the case of Magic Johnson, with the AIDS prevention campaigns (Basil and Brown 1997; Casey et al. 2003; Clarke 2006), George Harrison, who helped children in Bangladesh because of a friend from that country, Mick Jagger with the concert on behalf of the earthquake victims in Nicaragua where his wife was from (Huddart 2005) and Don Cheadle, with his involvement in the Darfur conflict after his performance in the movie *Hotel Rwanda* (Waal 2008).

Some context allows for social marketing endorsement, while others only raise obstacles. The main context reported by interviewees as encouraging them to participate tends to be the seriousness of the cause, the possibility of preventing the disease and the impact on people's lives. The main impediment is lack of availability, inadequacy of the message, the possibility of economics or politics benefitting from the campaign and the unreliable nature of the institution involved.

Social Marketing Endorsement Relevance

Most celebrities (85%) believe famous people should endorse social causes because they have a social role to play, but four people interviewed do not share this opinion, supporting the idea that this kind of involvement is part of an individual action linked to awareness and is not related to celebrity status. They add that this is the reason why it is not fair to criticize famous people who do not take part in social marketing, even though they recognize that well-known people may help in public health campaigns, as the literature shows (Biskup and Pfister 1999; White and O'Brien 1999; Wicks, Nairn, and Griffin 2007).

The interviewed celebrities shared the opinion, also discussed in the literature, that famous people who endorse a given cause are expected to set a social example regarding the behaviors associated with the said cause (Wicks, Nairn, and Griffin 2007). As a result of this view interviewee no. 1 says "some celebrities are not in a position to be an example for public health, because of their lifestyle." This idea reflects the importance that Seno and Lukas (2007) attribute

TABLE 1
Celebrity Participation in Health Prevention Campaigns, Both Compensated and Pro Bono

Social Marketing Actions	People Involved			Pro Bono Involvement			Compensated Involvement		
	No.	% People	% Actions	No.	% People	% Actions	No.	% People	% Actions
Leukemia/Cancer	12	44.4	15.8	12	44.4	15.8	0	.0	.0
Breast Cancer	9	33.3	11.8	9	33.3	11.8	0	.0	.0
Uterine Cancer	4	14.8	5.3	4	14.8	5.3	0	.0	.0
Lung Cancer	1	3.7	1.3	1	3.7	1.3	0	.0	.0
Cardiovascular	6	22.2	7.9	5	18.5	6.6	1	3.7	1.3
Nonsmoking	5	18.5	6.6	4	14.8	5.3	1	3.7	1.3
HIV Infection	22	81.4	28.9	22	81.4	28.9	0	.0	.0
Osteoporosis	6	22.2	7.9	6	22.2	7.9	0	.0	.0
Obesity, Diabetes	2	7.4	2.6	1	3.7	1.3	1	3.7	1.3
Drugs Prevention	2	7.4	2.6	2	7.4	2.6	0	.0	.0
Children's health	2	7.4	2.6	2	7.4	2.6	0	.0	.0
Blood Donation	1	3.7	1.3	1	3.7	1.3	0	.0	.0
Tuberculosis	1	3.7	1.3	1	3.7	1.3	0	.0	.0
Renal Diseases	1	3.7	1.3	1	3.7	1.3	0	.0	.0
Senior Health	2	7.4	2.6	2	7.4	2.6	0	.0	.0
Total no. of Actions	76		100	73		96.0	3		3.9
Interviewees	27	100		25	92.6		2	7.4	

to matching famous people to the object of the marketing program in which they take part. Celebrity endorsement implies risks and one of the most serious is that the famous person may be seen as unreliable by not setting an example (Agrawal and Kamakura 1995; Till and Shimp 1998). Concerned about this situation, interviewee no. 15 criticizes "If people were compensated, they would be professionally responsible for the social example they give in public health with social marketing endorsement."

Compensation

The interviewees tend to uphold that social marketing endorsement should be compensated in cases where endorsements benefit commercial brands or are developed by government institutions. Despite the social role of celebrities, two people think they ought always to be paid for social marketing participation, and eight celebrities defend compensation when the campaign benefits companies. Interviewee no. 5 says "I don't like social marketing with a central focus on business or brand promotion." In fact, those who have been compensated for social marketing campaigns explain that the activity led to specific advantages for certain brands by promoting specific behavior changes, despite the societal benefit. In

addition, four of the famous people interviewed show some resistance to endorsing social marketing promoted by the State, explaining that there is a government budget for health promotion campaigns which includes most payments of participants' salary, namely directors and crew members. In this case, one would expect that the celebrity's fees would also be respected or, in exchange, that any tax benefits would be attributed to the celebrity in question. However, even without a fee, they have all been involved in such initiatives.

Although most interviewees believe that celebrities should not be paid for social marketing endorsement, which is seen as part of their social role, they emphasize that the pro bono concept should not be exclusive to well-known people. They add that all those taking part in pro bono campaigns should do the work without payment, not only celebrities. However, the interviewees sustain that when a campaign has a budget and contemplates the salaries of those involved, it should also compensate the famous people making the endorsement: "Nobody proposes pro bono work to an advertising agency because it is not accepted. Celebrities began endorsing causes for no fees and now those who want to be compensated are frowned upon" (interviewee no. 18).

TABLE 2
Opinions on Service Fees in Social Marketing Endorsements

Opinion on compensation in social marketing endorsements	No. of people
“Celebrities should be paid.”	2
“Celebrities should not be paid”	13
“Celebrities should not be paid, unless the action benefits commercial brands”	8
“Celebrities should not be paid, unless the action benefits commercial brands. If the action is promoted by the government, celebrities should be given tax benefits”	4
TOTAL	27

Inhibitions

Apart from context obstacles, there is also the celebrity’s psychological inhibition in endorsing certain social marketing programs. Most of the celebrities interviewed who had been asked to participate in health-related social marketing, especially focusing on AIDS prevention programs, reported inhibitions to participate in health prevention campaigns. This was particularly pertinent if they had to exhibit their body, if there was a need for them to undress publically, when contact with suffering was required or even if they felt that the public would identify them with the disease: “I would not endorse a cause if it obliged me to reveal my body unreasonably” (interviewee no. 5); “I would not enjoy talking about my private life as a behavior example” (interviewee no. 25); “There are issues that make me sad. I do not like endorsing that kind of marketing campaign” (interviewee no. 3).

The social stigma and discrimination around HIV, as well as the fact that some HIV-positive celebrities have taken part in prevention campaigns – following in the footsteps of Magic Johnson (Casey et al. 2003), could ultimately affect famous people’s availability to endorse the cause, as a result of brand image management issues. This research shows that most of the interviewees deny this possibility, which is consistent with the high number of individuals interviewed with experience in HIV prevention actions: “I did not have any inhibitions. On the contrary, I consider it is necessary to talk about these issues and break away from all the taboos there are in society about this” (interviewee no. 20); “We have to face HIV as a health problem and not with moral judgments about individuals’ choices” (interviewee no 16).

Two celebrities interviewed reported a specific inhibition when participating in social marketing programs focusing on HIV and AIDS. One of them (interviewee no.

3) explains that he had personal problems regarding direct contact with suffering. However, this fact is not exclusive to HIV prevention campaigns, since it occurs in other areas of public health. Another celebrity cites fear of being associated with HIV positivity, a fact which could affect endorsement of the cause (interviewee no. 5). The latter point, regarding public misconception was also quoted by another celebrity as cause for apprehension (interviewee no. 26), even though it would not affect his/her participation in HIV prevention campaigns. This person thinks that the public truly believes that celebrities taking part in HIV prevention programs may be HIV positive. Nevertheless, the possibility of public misconception does not deter this person from taking part in these initiatives.

Implications for Celebrities’ Lives

The vast majority of the interviewees (21 people) state that they do not benefit professionally as a consequence of social marketing endorsements, including those of HIV and AIDS prevention campaigns. Although they deny that social marketing could concede them professionally opportunities, they do tend to admit that their personal image may be improved. Sixteen interviewees recognize a better personal image among the public. Nevertheless, they emphasize that this is a natural consequence of taking part in such initiatives and is not their reason for doing so. However, the literature acknowledges that the ambition to achieve public recognition could in itself motivate people to take part in social marketing activities (Ferreira, Proenca and Proenca 2008). Table 3 shows the distribution of opinion on life implications, diverging from the research of Omoto and Snyder (2002) in relation to the perceptions about stigma reported by volunteers in HIV/AIDS prevention services.

The five interviewees without experience in HIV prevention actions concluded that their involvement in health campaigns promoted a better image of themselves

TABLE 3
Opinions on Life Implications for Celebrities Related to Social Marketing Endorsement

Life implications for celebrities related to social marketing endorsement	No. of people	
	Yes	No
Did it promote professional opportunities?	6	21
Did it improve your personal image among the public?	16	11
TOTAL		27

among the target public, as shown in Table 4. Out of the twenty-two famous people who have participated in HIV prevention campaigns, eleven also concluded that their public image improved, therefore confirming the theory of value cocreation between the social marketing product and celebrities as well as the experience of Magic Johnson when he endorsed the HIV prevention campaign as someone who was HIV-positive (Basil and Brown 1997; Casey et al. 2003). The other eleven famous people interviewed who had AIDS prevention experience reported irrelevant associations from the public. These results suggest absence of theme specificity on HIV compared to other public health diseases, which does not corroborate the analysis about the risks celebrity take when they endorse stigmatized causes (Casey et al. 2003).

The two famous people interviewed who report negative perceptions from specific types of public, who are not necessarily their main fans, also report a positive perception of their image from their target public. These negative associations include, in their opinion, direct connotations with being HIV-positive. However, these feelings do not lead to any inhibition regarding future participation in this area: "People think I may have engaged in risk behaviors, because of my lifestyle, and associate me with AIDS, but I am not afraid of this and carry on endorsing these activities" (interviewee no. 22); "People follow an actor's

life and they approach me with concerns about the characters I play. I believe the public thought about my health situation when I participated in an AIDS prevention campaign" (interviewee no. 26).

CONCLUSIONS

Results from twenty-seven interviews with Portuguese celebrities, all of whom had social marketing experience in public health issues, suggest they feel particularly motivated to endorse prevention campaigns about the most serious diseases, such as cancer and AIDS prevention. The personal relationship between famous people and these causes, the serious nature of cancer and the social stigma attached to AIDS are all factors that motivate them. The results also suggest absence of theme specificity as well as absence of prejudice against HIV. This may indicate positive discrimination, instead of negative discrimination as it could seem with the literature analysis. On the other hand, despite the social role they think famous people should play and the historically pro bono endorsement policy from famous people to social causes, some of the interviewees believe that certain services should be compensated, namely when these initiatives are promoted by companies or by the Government and when other professionals are paid in the same initiative. The interviewees consider that these campaigns do not result in more professional opportunities,

TABLE 4
Public Image Perceptions of Social Marketing Involvement by Celebrities

Public Image perceptions according to social marketing involvement by celebrities				
Interviewees with experience in social marketing focused on HIV prevention		Interviewees without experience in social marketing focused on HIV prevention		TOTAL
Indifferent	11	Indifferent	0	11
Positive	11	Positive	5	16
Negative	2	Negative	0	2

but concede that by participating in them, may create a positive image of celebrities.

The information gathered may prove helpful in future negotiations between institutions and celebrities insofar as it may pave the way for celebrity involvement in social marketing programs. Health Institutions, both nonprofit and public, may be able to understand celebrity expectations and concerns, especially fee expectations to social marketing developed by brands or by the State, as well as the private life exposition concerns.

Future research could explore this issue regarding the absence of social discrimination toward HIV and AIDS from famous people, as well as the possible existence of positive discrimination on that point. It could prove useful

to compare this study's results with research conducted on a larger group of celebrities, comparing results between famous people with global appeal and regional famous people, for instance, both with or without experience in social marketing. It could also be interesting to make a cross-cultural perspective, studying a similar group of celebrities from other countries.

As an exploratory study, this research presents results which are limited to the celebrities interviewed. Although the use of confidential interviews was considered the best method for this research, insofar as it allowed us to obtain valuable information from famous people regarding this issue, we must also admit that the interviews may have prevented the interviewees from verbalizing certain delicate aspects.

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INFORMATION SEEKING PROCESS FOR OTC PRODUCTS: A FINITE MIXTURE APPROACH ANALYZING CONSUMER HETEROGENEITY

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SUMMARY

Information search is an important part of the decision process for most consumers considering the purchase of OTC products. The choice of an OTC product gives consumers a sense of control when making decisions about their health, which is not the case with prescription drugs (Akcura, Gönül, and Petrova 2004). However, consumers often have an uncertain feeling of what is really good and healthy for them because they lack comparative or experiential knowledge. In order to reduce this feeling of uncertainty and their incompleteness of information, they use different sources of information, e.g., they turn to a doctor, seek out a pharmacist or ask people of their social reference group. Through these interactions consumers minimize the risk of an inadequate self-treatment which can lead to potentially serious consequences.

Since the 1960's numerous models have been developed in order to explain the behavior of information seeking (Engel, Kollat, and Blackwell 1968; Howard and Sheth 1969). Thereby, sources of information are of special importance in order to explain the extent of information seeking (Lessig and Park 1978; Bearden, Netemeyer, and Teel 1990; Childers and Rao 1992; Aggarwal and Mazumdar 2008). Given consumer heterogeneity in variety and extent of information seeking, we want to investigate which sources consumers use and how consumers differ within their decision making process to buy OTC products. Thus, we perform a Finite-Mixture approach to determine customer segmentation with regard to their information behavior.

In order to reach the first study's goal, we conducted a couple of short qualitative in-depth interviews with consumers. We asked them to describe their information seeking process regarding the OTC product(s) they just bought. In addition we also asked pharmacists to shed light on which sources of information are commonly used by consumers. The analysis of the data discloses five sources of information which are typically used: the pharmacist, the doctor, the social reference group (e.g., family and friends), the internet, and the media (e.g., magazines, journals, newspapers, and TV-ads).

In our second study we explore the impact of each source of information (for example, the doctor or the

internet) on consumers' extent of information seeking. As consumers do show heterogeneity with "respect to their judgments they make and the process involved in making such a judgment" (DeSarbo et al. 1997 p. 336) we, furthermore, uncover unobserved structures regarding the use of the five sources of information. An approach for capturing unobserved consumer heterogeneity is combining a Finite-Mixture analysis with the method of multiple regressions. This procedure simultaneously estimates the impact of each source of information and evaluates classes amongst consumers' information seeking process at the same time. Hence, we set up a multiple linear regression model integrating the extent of consumers' information seeking as the dependent variable and the five sources of information which are available to the consumer as independent variables. To run a Finite-Mixture analysis and test the proposed relationships a large data set was generated by conducting an online survey. Participants were acquired from a random population and were asked to fill out a questionnaire. A number of fit criteria guarantee reliable and valid measurement of the model variables.

As a result, three different latent classes can be found that differ in the preferred way of seeking information. First (1), "expert knowledge seekers" who value the recommendation of health professionals like doctors or pharmacists. Second (2), "independent do-it-yourself seekers" who prefer mainly the internet and to a minor degree the media as a source of information. And third (3), the "immediate cure seekers" for whom the pharmacist and people of their reference group are crucial in order to get fast advice. Our results shed light on a challenging issue that is important for consumers, the pharmaceutical industry, and health policy makers.

As we consider the information seeking behavior for initial purchases of OTC products, the investigation of consumers' repurchase behavior might be an interesting research topic. Furthermore, a comparison of the information seeking behavior of multiple OTC categories would be instructive. In addition, further research might consider the influence of advertising during the information seeking process.

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RELATIONSHIP MARKETING IN THE PHARMACEUTICAL INDUSTRY

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SUMMARY

Introduction

Managers and academics are increasingly interested in understanding the linkages between resources deployed in developing marketing assets, such as brands and customer relationships, with the firm's market effectiveness in terms of share and margin gains (Vorhies and Morgan 2003) and financial performance (Rust et al. 2004). From this perspective, the marketing literature provides a well-developed theoretical rationale and a growing body of empirical evidence linking relationship marketing with competitive advantage for the firms that use this strategy (Palmatier et al. 2007; De Wulf et al. 2001; Reynolds and Beatty 1999).

Theoretical Framework

The main focus of the current research is to understand the impact of relationship marketing activities by pharmaceutical firms in their effort to influence the physician decision making process and increase the brand's value. This study will examine relationship benefits, relationship investment, salesperson characteristics (similarity and expertise), and relational dependence as indicators of relationship quality in the pharmaceutical industry.

Hypotheses

Hypothesis 1: Relationship quality is positively related to physician value to the brand.

Hypothesis 2: Relationship benefits are positively related to relationship quality.

Hypothesis 3: Relationship investment is positively related to relationship quality.

Hypothesis 4a: Pharmaceutical sales rep similarity is positively related to relationship quality.

Hypothesis 4b: Pharmaceutical sales rep expertise is positively related to relationship quality.

Hypothesis 5: Relational dependence is positively related to relationship quality.

Research Methods

To assess the hypotheses, a review of data available through secondary sources was conducted. Also, primary data was collected via a survey of U.S. physicians. The physician sample consisted of a random sample of primary care, internal medicine and specialists. The specialists included cardiologists, gastroenterologists, obstetricians/gynecologists, oncologists, and psychiatrists. Brand value was measured by objective profitability data (per prescription) obtained from secondary data sources for each brand in this study. GfK Market Measures assisted in collecting the survey data and provided the list of physicians for the survey from their panel and administered both the pretest and main survey.

Data Collection

For the main data collection, 3364 invitations were sent out to physicians from the firm's mailing list. To boost response, an incentive in the form of a sweepstakes, offering one of two chances to win \$250, was used. This resulted in 518 respondents being qualified based on time spent in clinical practice and disease and brand familiarity. Therefore, the response rate for qualified physicians was 15.40 percent.

Psychometric Analyses

Before being submitted to the structural equation model, the data were psychometrically analyzed using confirmatory factor analysis. The confirmatory factor analysis fit the data well with a $\chi^2 = 2760.08$ with 785 d.f., CFI = .93 and RMSEA = .07. The AVE estimates ranged from .65 to .93. The CR estimates ranged from .92 to .99. Discriminant validity was assessed by comparing the AVE for each construct with the squared correlations between each of the constructs (Fornell and Larcker 1981). All constructs passed this discriminant validity test.

Hypotheses Testing

Two full information structural equation models were used to examine the hypotheses. The first model tested relationship quality as a mediator between the antecedents and physician value to the brand. It demonstrated a $\chi^2 =$

3405.03 with 804 d.f., CFI = .93, and RMSEA = .07. The final model tested the direct effects of the antecedents directly on physician value to the brand, without mediation through relationship quality. This model demonstrated $\chi^2 = 4372.78$ with 804 d.f., CFI = .90, and RMSEA = .08. Based on these fit indices, it can be stated that the fully mediated model fits the data better than the direct effects model.

Results

Support was found for hypothesis 1, where we hypothesized a positive relationship between relationship quality and physician value to the brand ($Y = .27, t = 6.50$); hypothesis 3 where we hypothesized a positive relationship between relationship investment and relationship quality ($Y = .24, t = 8.38$); hypothesis 4a where we hypothesized a positive relationship between pharmaceutical sales representative similarity and relationship qual-

ity ($Y = .26, t = 5.25$); and hypothesis 5 where we hypothesized a positive relationship between relational dependence and relationship quality ($Y = .45, t = 12.30$).

Discussion

The results from our study demonstrate support for the notion that relationship marketing principles may be useful mechanisms for building brand value for pharmaceutical brands. This study found support for the positive relationships between three of the antecedents (relationship investment, pharmaceutical sales representative similarity, and relational dependence) and relationship quality and for the positive relationship between relationship quality and physician value to the brand. This demonstrates that marketing practices focused on building relationships are useful for building brand value in the pharmaceutical market. References are available upon request.

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THE ROLE OF SUPPORT MECHANISMS IN THE PROCESS OF IDENTITY TRANSITION OF HIV-POSITIVE PEOPLE

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ABSTRACT

This study examines identity transition in HIV-positive people through their engagement with various support mechanisms. The findings demonstrate that identity transition is the result of how consumers rework, negotiate and transform their roles, actions, and cultural meanings through their consumption of support mechanisms.

INTRODUCTION

... I am better off for what I am today from what I was before ... there's been more positives than negatives and that's the thing, like I couldn't ... five years ago I couldn't sit down and talk about this to someone. ... I can feel like I am a better person toward myself and a better person toward other people. [Tom]

This thinking in terms of "I" as individual and "other people" as society reflects dialectic of identity. This quote encompasses contradictions, changes and transformations in the self and also identifies the relational interaction between the individual and society. First of all "An identity is a definition, an interpretation, of the self. ... People who have problems with identity are generally struggling with the difficult aspects of defining the self, such as the establishing of long-term goals, major affiliations, and basic values" (Baumeister 1986, p. 4).

What is less explicit, the underlying meaning of this passage suggests that the construction of personal identity occurs through an endless process of consumption where the individual's identity is reconstructed. It is debatable whether the individual is in control of this process, as an essential part of identity formation is rooted in individuals developing social relationships over time. Thus, aspects of identity are co-produced through the individuals' involvement in social networks. Furthermore, Warde (1996) stated that identities are achieved through affiliation to groups, however the process by which this occurs deserves more attention.

Disruption to one's life through a loss of "good health" is compounded by inhibited potential for maintaining pre-existing interactions with society (Dean 1986), which results in a redefinition of one's identity that focuses on what they have lost rather than what they still

"own" (Asbring 2001). Thus once the initial identity trauma (i.e., events that interrupt existing identity) subsides, individuals continue on a journey of redefinition where they come to grip with their new illness state. This identity transition also occurs in relation to other traumas (i.e., undesired possessions), such as personal crises – divorce (McAlexander et al. 1993), job loss (Price et al. 1998), death of love ones (Gentry et al. 1995; Stevenson and Kates 1999) or natural disasters (Mason and Pavia 1998). However, there has not generally been extensive discussion of illness in consumer behavior literature and how it shapes identity (Mason and Scammon 1999), although some research on this has been undertaken (Mason and Pavia 1998; Wong and King 2008).

Extending this line of argument we suggest that acquiring undesired possessions such as illness, requires mandatory behavioral change and are accompanied by a host of consumer behaviors and consumer practices that revolve around these focal possessions. While HIV-positive people vary quite significantly in their individual identity, they share a common identity (i.e., HIV-positive) which is often closely associated with such notions as stigma, marginalization and isolation (Alonzo and Reynolds 1995; Sontag 1991). Some researchers have suggested that there is a disability culture in society that stigmatizes individuals with an illness (Adams et al. 1997; Millen and Walker 2001; Goffman 1963), potentially reinforcing a negative self-image of individuals with an illness. Being diagnosed with an illness, such as HIV is a point of conflict, contradiction, ambiguity and sometimes ambivalence which immediately has impact upon self. Asbring (2001), Millen and Walker (2001), and Rimmon-Kenan (2002), have suggested that an illness can result in people feeling damaged.

While some people who become infected acquire a more central position among the HIV positive population (Goffman 1963), others attempt to keep significant distance between themselves and others, both within the HIV-positive community and within the broader community, i.e., they isolate themselves from all communities (Carrico et al. 2006). Being diagnosed as HIV-positive, therefore, results in one acquiring undesired possession. Specifically this research is aimed to understand the role that various support mechanisms plays in identity transition of HIV-positive people.

RESEARCH METHOD

The research goals of this project guided the methodological procedures. Of course it needs to be acknowledged that identity evolves over time. Therefore, while we focus on their current identity, the hermeneutic research process means that we inevitably learn about the progressive evolution of identity. From a hermeneutic perspective, the stories informants tell about their experience is a prime locus of discovery (Thompson 1997). Given that identity is the product of interaction of inner self with the social world, the informants – as “self-narrators” – were relating their life stories while emphasizing some events and highlighting particular facets of these events. Diagnosis with a significant illness such as HIV is a pivotal event in an individual’s life, which is retrospectively portrayed with significant details concerning emotional and cognitive states. Informants interpreted their stories and specifically addressed their grounding in the current stage of their illness experience in terms of their relationships within the social environment, such as the use of support mechanisms and perceptions of their roles in society. These narratives constitute the main two elements in the hermeneutical circle – personal life history as a text and interpreted meanings of living with HIV. These two elements are linked through personalized cultural frames of reference and dialogical transformations which interact on a reciprocal basis. It is important to note that this element is a dynamic category that encompasses the personalized transformation of identity under the influence of social conditions and links personal history to interpreted meanings of living with HIV (Alonzo and Reynolds 1995).

Information flyers were used to promote the project directly to individuals through a range of community-based organizations in order to recruit respondents for this study. In addition, support workers agreed to disseminate information about the project to clients. Individuals who were interested in participating in the study, phoned or emailed researchers directly to arrange times and locations for an interview. As our study is based on interpretivist research conventions, our sampling plan was purposively designed. Our aim was not to attain a statistically representative sample; rather we sought variance in the respondents’ experiences based on their lifestyle, marital status, gender, and periods of living with HIV. Data collection and analysis occurred simultaneously. When theoretical saturation (Strauss and Corbin 1998) was achieved the process of recruiting respondents was terminated. This process resulted in 15 self-selected HIV-positive people residing in or near the capital in one state of Australia, who are the key informants for this study. The participant profiles are presented in Table 1.

Of the respondents in this study, 12 individuals had acquired HIV from 10 to 25 years ago; however three

were relatively recently diagnosed with the virus (7 weeks, 17 months, and 20 months). The sample is nearly evenly distributed between female and male informants (7:8). The majority of our informants are currently working part time. Interviews were conducted in various locations, based on the preference of the respondents. Each interview lasted from 1.5 to 3 hours and informants were compensated for their time.

The data collection followed the conventions of phenomenological interviewing. Each interview started with the respondent telling their life story, thus allowing each participant to discuss experiences in their own words (McCracken 1988). Many interviewees discussed aspects of their childhood years, relationships with their parents, siblings, extended family members and friends. All interviewees specifically emphasized the “turning point” in their lives when they were diagnosed with HIV. They also discussed the circumstances in which they acquired the virus, how they came to be diagnosed and their initial reaction to this dramatic event. The discussion naturally required that they reflect on their inner self, close associates, as well as how they currently perceive themselves and define their identity within the broader society.

These life stories served as a basis for the second component of the interview, which involved dialogical exchange between interviewer and interviewee to gain further understanding of the meanings of life living with HIV, drawing on the experiences related by each individual. This dialogue was a natural continuation of their life stories where informants were asked to discuss and reflect on specific aspects of their life with HIV and how it shaped their identity, especially in terms of how the individual interacted with friends, family, and support organizations. Hence, a diverse range of internal and external influences on identity transition were discussed with a specific focus on those forces that promoted or impeded adjustment to living with their HIV-positive status.

ENGAGEMENT WITH SUPPORT MECHANISMS

In response to trauma, our informants described that they consumed or drew on a number of social support mechanisms that affect their identity transition. These included family, friends, peer support and instrumental support. The importance of these factors has also been noted in the literature on identity transformation (Stryker and Burke 2000). Authors, such as Dean (1986) have found that engagement with social support as form of consumption can both directly affect the individuals’ identity, but also indirectly affects identity by shaping the social environment in which those affected operate. Involvement with social support has also been found to influence the health outcomes of individuals as well as how they view themselves (Gonzalez 2004).

Family Social Support. The discussion of how people redefined their identity after becoming infected with HIV revealed that people changed the way they viewed themselves as well as how others viewed them. There are extensive support mechanisms that people can draw on (Vandehey and Shauff 2001), of which family is possibly one of the most important (Bor et al. 1993). However, interactions with their family can be both positive and negative. Negative interactions were found to be detrimental to individual's identity trajectory.

In Cathy's case there was a sense of fear and animosity toward her from some family members. This too directed her to seek out new consumption from support mechanisms that she previously had not engaged with.

Cathy: I had disclosed to my mother on the phone and I told her don't tell my brother and my older sister because they are not emotionally mature enough to handle it. I know it would send them crazy because they live very small lives . . . my mother did tell them and when I came home they were sterilizing the toilet seats and so forth. She (my older sister) said "you've f'd your life up now." . . . Now that sort of thing is very wounding to a person.

The problem of lack of support becomes even more complicated when individuals are forced, because of ill health, to rely more heavily on friends and family, as well as maintain intimate relationships with family members, especially children.

Mike: So then when I got home I told my wife and she said "oh we'll be fine we'll work through it." The very next day she got out a pair of latex gloves and said "here, wear these around your children." So my life as I knew it was just about over and my other family, when I disclosed didn't want anything to do with me, because I was HIV-positive.

Some informants preferred not to disclose their HIV status. While this may minimize the potential stress in relationships, it also means that individuals are not able to draw on the types of support and resources they might need from family members. Thus redefinition on one's identity is possibly more difficult, as there is a "secret self" and a separate public self (Kalichman et al. 2003).

Sue: Family would've been nice. But obviously I didn't tell them and up to this date they don't know, so it's a secret.

Sue grew up in a very conservative family where values and principles were not argued and challenged. In contemplating her decision whether to share her status with close family members she always remembers her father's extremely negative comments on HIV-positive people.

Friends as Social Support. The burden of HIV if family members disengage from those with HIV, infected people may need to rely more extensively on friends for resources and support who may become even more important in the case of HIV than in other illnesses or undesired possessions (Kalichman et al. 2003; Vandehey and Shauff 2001).

Hillary: . . . when I found out I couldn't go back home because I was living with mum and dad at the time. I stayed with a girlfriend . . . I needed to talk a lot, but I needed to talk with friends, people who were very close to me, but not family because that was too close. . . . I did call Positive Women [a support group], but that took a while.

In the case of Hillary she was fortunate to have trusting relationships with accepting and supportive friends. Others such as Fred, who made a decision to be open about his status with his friends, felt that it enabled them to be more content with their new identity.

Fred: I tell lots of my friends. . . . When I tell people I ask them to, you know, treat it confidentially because I like to control who knows. . . . It feels much better because every time I tell someone it becomes less of a secret and it's sort of a relief, yes. . . . So if I want to be myself with somebody I need to tell them about HIV.

However, it appears that there are limits to the benefits that a supportive friendship network can provide, especially if they are not HIV-positive and are thus unable to relate or fully appreciate to all experiences and emotions.

Fred: I don't have close friends like that [HIV-positive] . . . it would be nice to be able to talk to some people about how they cope. . . .

Some informants had negative reactions from their friends, which potentially further influences their change in identity (Schrimshaw and Siegel 2003). In particular, this means that such individuals not only have to deal with issues associated with the illness without the support of friends, but that they also must develop new relationship networks.

Dave: I lost friends along the way. People have chosen to not consider being my friend anymore but that's their loss. I don't feel I've hurt anyone. I try not to.

Tom: Oh yes, from friends I thought I knew all my life. As soon as I told them I had HIV, I wasn't welcome at their place now.

Understandably, some respondents chose not to disclose their status with friends, just as some had chosen not

to discuss this with family members. As such, they also lose a potential resource and support network and therefore must hide their “true” identity (Kalichman et al. 2003). In the case of Alex, his unwillingness to share the information appears to be, as much about his own feelings as how he believes others will react. Thus, non-disclosure possibly impedes individuals’ transition, as they are unable to develop a new view of self in an open environment, where others know their status.

Alex: I did have a couple of friends but I couldn’t talk to them. Maybe I am a bit ashamed of where I am, what I caught. Even now I still don’t tell people.

It is apparent that individuals feel the stigma associated with acquiring HIV illness in their dealings with friends and implicitly project friends’ reaction to their HIV serostatus. All in all disclosure and/or seeking support further complicates the process of normalizing of HIV-positive people lives and reconstruction of their identity.

Peer Support. Support provided to HIV-positive people is not limited to friends and family only; there is a range of community-based organizations operating in the HIV area. Community or peer-based support is provided by community-based organizations or groups of others infected with HIV, which may or may not be funded from governmental sources. For example, a support organization can provide information to those with an illness in regard to new treatments or even encourage adherence to their medication regime (Gallant 2003; Osterberg and Blaschke 2005). Alternatively, groups can focus on changing how society views those with the illness (Brashers et al. 2002). In this way, such organizations promote communal identity while facilitating changes in the identity of individuals both in terms of how the individuals view themselves and how they are viewed by society. It is suggested that engagement with and consumption of these support services further facilitate the transition of identity as well as enhancing perception of self:

For Rose it was very important for her to obtain a feeling of solidarity and camaraderie, which resulted in developing emotional bonds, mutual support, and more sober appraisal of conditions which, in turn, changes the individual’s view of themselves as an HIV-positive person.

Rose: when I went on a retreat with the boys [HIV-positive], and when I told them how long I’ve had it they’ve thought oh, you’re just a baby [laughs], and they’re going I’ve had it for 20 years, I’ve had it for 15 years, I’ve had it for 10; he goes you’ll never understand, it will take ages for you to get to understand it a bit better.

There was unanimity in positive opinions about the value of utilizing peer support provided by community-

based organizations as a resource at various points in the journey of identity transition. However, taking the first step of accessing and engaging with this social support was quite a difficult one for some people. In some cases this related to a view of the self as not “being one of them,” which possibly relates to the negative societal stigma associated with HIV.

Tom: I thought I am not going to ask for help, who do they think I am, do they think I am one of them? I was, I had HIV, but I didn’t want to think like that, I am not like those gay people, those druggies and that, I am better than them.

Or as recently diagnosed Sam recalls his experience

Sam: . . . take the pamphlet off the shelf in the waiting room, It’s a big step. You acquire the phone number, you acquire the address, and then it takes a number of – I was going to say hours, but it actually did take me two days or something, two or three days, for it to sink in to my mind that I’m actually not alone. You’re consciously aware, but your subconscious is in denial.

However, the importance of such groups varied in regard to the stages of the person in their journey of transformation, with many respondents believing that peer support was more valuable in the initial phases, particular as an information source (Dahl 2006). While seeing the value of peer support, some respondents did not see it as an ongoing part of their support network. They saw peer support groups as crucial for newly diagnosed people when they are dealing with the tremendous amount of shock and the uncertainty associated with living with HIV or other trauma.

Cathy: They’re there to assist when you are in shock. They’re there to soften the blow and to offer them service. So they’re there for newly diagnosed people. They’re very necessary for that.

For some of informants the value of peer support is not the regular use of its services but rather they value the opportunity to just stay in touch with support services, even if they do not draw regularly on these resources. For example, as Fred recalls his family attended camp for HIV-positive people and while they cherish fond memories, they are not active users of any specific services:

Fred: It was great, yes, we had a great time. And we haven’t been back on a camp since, but we know that they’re there and they send us the Poslink newsletter, yes. So I guess it’s good knowing them and knowing that they’re there if we need them, yes.

Instrumental Social Support. While social support which is very often referred in psychological and socio-

logical literatures as emotional support, and is crucially important to people's health and well-being, instrumental support (Fritsch 2005) that provides practical help in the form of goods and services (Turner and Turner 2006) plays a significant role in normalizing the life of people living with an HIV diagnosis. Instrumental support is directly related to the illness (i.e., treatment and medication) as well as broader life issues (e.g., job assistance, housing). As such instrumental support often relates to tangible consumption activities. This instrumental support is provided by a cross section of social support groups (Kaplan et al. 2004).

Mike: I suppose it was in 2002 I decided I need to access more services in HIV (a) to get to know more about it and (b) to access the services that are available. There are lots of housing situations available, there are lots of support services around, low income earning and different sorts of things you can get from the support services. . . .

As Mike indicated his intention to access more support services was linked to the learning process about HIV that meant his self acceptance. This implicitly meant he had a desire to take more control over illness outcomes. Those informants, who tapped into the set instrumental support services, expressed their satisfaction with the range and quality of services.

However, respondents identified that the system does have some deficiencies, such as long waiting lists, lack of mental health service providers, and the fact that services are frequently not convenient to access.

Sue: . . . it would be good to have more services away from the city area, in the northern. I'm not sure about western, the east side, but I know the northern area hasn't got any support services at all with HIV.

It was also observed that while services were provided, it was frequently up to the individual to identify relevant providers, which often happened serendipitously when one support organization mentioned another. As such there did not appear to be an overarching system of structured communication and information provision. While consumption opportunities were potentially available, these were left "unclaimed" as those who were targeted were not aware of the recourses nor were they aware of how to access them. Thus, the provision of resources does not necessarily result in their consumption.

RECLAIMED IDENTITY

As outlined in the preceding section, several of the respondents identified that by being proactive and seeking out services they had a better life outcome (Stryker and Burke 2000). The view that control, or ownership, is a key

part of identity transition was identified by informants in a range of ways.

Mike: . . . I think one of the biggest things I've learnt out of it is if I want to be accepted I've got to accept others and others have to accept me for who I am or even what I do. They don't like it or I don't like them, part the ways and don't waste anyone's time or emotions or things. And I found that works, instead of trying to be Mr. Niceguy to everyone all the time, being upfront, honest and open. I don't think you ever get any negativity if you're like that . . . that's how I feel. And I think I've learnt to be more open and honest and understanding. Yeah I think that's empowered me.

As already noted, not all social networks are supportive. Some informants' narratives indicate that even though they were treated negatively by their families when diagnosed (i.e., at the most critical moment when they in fact needed support the most), this did not result in the lives of these three individuals spiraling downwards. They took the diagnosis as an opportunity to take a new perspective of life that had meaning. Others have evolved to a state of "contentment" where they feel in control living with their illness. HIV is not seen as controlling their life, rather it is simply part of their life (Gonzalez et al. 2004). This type of control has been identified in a range of health settings (Kidwell and Jewell 2003).

Contrastingly, the following passage from relatively newly diagnosed people seem to suggest, they are still in the process of coming to terms with a HIV-positive diagnosis. In both cases their involvement with social support and their willingness to take control appear to enable them to move beyond the negative aspects of their illness.

Alex: My life changed dramatically . . . I have a lot of problems with depression. It plays games with my mind. I think that I am okay and then yeah, I just close up. I'm too scared to have a relationship. I won't get close to any women now at the moment which, I think, makes the depression even worse because before I was very out and I used to speak to everyone.

Alex reflects on who he was before. While before his illnesses he appeared to embrace the happiness in his life, in his new emerging identity he became more sober, focusing on juggling the day-to-day consumption needed to survive as a person living with HIV/AIDS.

DISCUSSION

The article has aimed to portray the dialectics of identity in transition and its concomitant meanings for people facing trauma using informants who have HIV as

the lens to explore this issue. This study addresses Thoits' (2006) call for more research into identity change and how the experience of trauma affects identity transformation and further how individuals' identity will evolve over time. How individuals gain acceptance and control of their new circumstances, acquire knowledge about their new life and invest in rebuilding their identity, are various facets of consumption phenomenon.

Active engagement in consumption process demonstrates transition to positive identity and thus improving own welfare. While it sounds as very straightforward and quite trivial statement, the individual with undesired possessions do not follow this path directly. Consumption process is a dilemma as it presents a myriad of very often mutually contradictory emotive, cognitive and behavioral approaches and choices. On one hand, to assist individuals to cope with this stress and adept to new conditions there are a system of support services which ranged from informal to formal networks and organizations. On the other hand, psychological literature often points out the ambiguous nature of intervention of support mechanisms. While this complexity should be appreciated, there are some implications for marketing, which can undertake an active role in developing tailored approaches aimed at promotion of support mechanisms targeted at society, those infected and those affected. In addition, current marketing campaigns predominantly focus on prevention of trauma. There is a clear need for programs that reduce the marginalization and stigmatization felt by those infected with HIV

Overall, social support "constrains identity in that it either facilitate or impede entry into and exit from social relationships" (Simon 2004, p. 24). The majority of respondents maintained some type of relationship within each of the four support groups, those who demonstrated they had a greater degree of ownership of their illness tended to have richer interactions and engagements with support mechanisms. These relationships helped them to

establish and maintain their new identities and to be content with their life, demonstrating the reciprocal nature of category-based (their HIV status) and role-based (their social relationships) identities.

All informants identified that social support alone was not sufficient and that instrumental support was essential (medical, social and psychological services, housing assistance, access to charity funds) in facilitating identity reconstruction, as well as improving daily functionality. Unfortunately, instrumental support was used in an ad-hoc fashion and people found that there were no integrated structures linking the various instrumental support mechanisms together, inhibiting the potential value of instrumental support. As it is portrayed in this study, the consumption process of support services is sporadic, since there are no systematized and well-organized mechanisms of promoting consumption of support services.

How individuals integrated these changes into their sense of identity is obviously not a simple, one step process or choice. The dialectic of this complex process demonstrates that there is intertwining process of relationships between self and others which leads to a new identity. This process does not take place in a vacuum; social influences are significant to emergent identities and self perceptions. "Consumers' behavior can be influenced by subtle environmental features" (Wheeler and Berger 2007, p. 357). It translates that the same trauma can be perceived differently and therefore reactions vary. Therefore identity transition after trauma is induced by earlier experience. It could be explained by activation of divergent associations that each individual has with both self and society. Many informants stated that they found that they are stronger than they previously thought they were, reflecting a mobilization of internal resources and non-conscious influences on their behavior, which in turn affect their position in the relationship structure within society.

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BRAND PERSONALITY AND ATHLETE IDENTIFICATION: PREDICTING TEAM-RELATED CONSUMPTION BEHAVIOR

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SUMMARY

The sports industry is one of the largest and fastest growing industries with an estimated 213 billion dollars spent annually (SportsBusiness Journal 2007). Consumers spend nearly 75 billion dollars, accounting for 35 percent of the industry, on sporting goods, officially licensed merchandise, ticket and concession sales, and traveling to and from sporting events as spectators. The 2004 Athens Olympics drew nearly 3.9 billion television viewers world-wide (Games of the XXVIII Olympiad 2007) while the 2007 Super Bowl had nearly 93 million television viewers in the U.S. (Thompson 2007).

The popularity of individual players, such as Kobe Bryant, contributed to more than 2.1 billion dollars in worldwide sales of NBA-licensed merchandise in 2003 (Horror 2003). Individual-sport athletes also have a notable impact on consumer spending. In addition to increasing sales for golf merchandise and apparel, Tiger Woods has been influential in increasing PGA event ticket sales. In his first three years as a professional golfer, the estimated annual gate revenue for PGA events increased from 89.9 million dollars to 147.6 million dollars (Library of Congress 2005).

Professional athletes (e.g., Tiger Woods, David Beckham, and Peyton Manning) have become quasi-brands, driving retail sales of products associated with their names and images. Hence, firms often tie their brands to popular athletes. By tying a brand to a successful athlete, firms are hoping to transfer the athlete's positive attributes onto the brand. Many athletes are chosen based on a perceived connection with the consumer. This connection has been described as identification, or an overlap between the consumer's schema and the entities schema (Bergami and Bagozzi 2000). Identification has a significant positive influence on impulsive sport-related purchases (Kwon and Armstrong 2002). However, a question remains as to what makes consumers connect (i.e., identify) with one athlete and not another. A growing body of research suggests that the attraction to these entities may be a result of the brand personality (Aaker 1997). Specifically, Aaker suggested that a brand personality often increases the consumer's connection with the brand. We argue that the "brand personality" of the athlete leads consumers to increased identification and ultimately increased team-related consumption behaviors.

Examining brand personality, as it relates to athletes as quasi-brands, should provide additional insight into brand-consumer relationships that drive team-related consumption behaviors. By integrating social identity theory with brand personality, we propose a model of how athlete (quasi) brands affect the consumer's level of athlete identification and how this in turn affects retail spending and the number of games watched. We then utilize survey data from 226 fans of a nationally-known, regional sport team to empirically evaluate the proposed model. The survey instrument included measures related to evaluations of brand (i.e., athlete) personality, as well as athlete prestige, distinctiveness, and identification, on the amount spent on purchasing athlete apparel, and the number of games watched.

The analysis was conducted using AMOS 7.0 (Arbuckle 1997). We began with the two-step approach suggested by Anderson and Gerbing (1988). A confirmatory factor analysis (CFA) was conducted on the ten scales: *tough, wholesome, charming, imaginative, successful, prestige, distinctiveness, athlete ID, games watched, and retail spending*. The error terms and paths on each of the single item latent constructs were fixed appropriately (Joreskog and Sorbom 1993). Thereafter, structural equation modeling techniques were utilized to estimate the proposed model.

Findings from this study suggest that consumers view athletes as quasi-brands that possess unique personalities and that an athlete's prestige affects the evaluation of athlete identification. Additionally, separate and unique facets of brand personality affect consumer perceptions of prestige and distinctiveness. Findings also demonstrate that two facets of personality – toughness and imaginativeness – lead to increased levels of prestige, even though imaginativeness has a negative influence. The consumer's evaluation of successfulness had a positive effect on their distinctiveness evaluation. Once consumers identified with the athlete, they were more likely to purchase team-related paraphernalia and increase their viewership of the team. Sports marketers can utilize the information gleaned from this study to better promote teams and products associated with well-recognized and attractive athletes, thereby increasing the number of games watched and retail spending.

This research also has implications for other intangible brands such as insurance, airlines, movies, music,

and education. A number of intangible brands have created a unique personality, such as Virgin Airlines with its image of irreverence, rebellion, and fun; James Bond movies with their combination of action and sophistication. By understanding the psychology of what makes consumers identify with a brand, firms may be able to enhance the brand experience. Future research should continue to investigate additional factors that influence athlete identification. For example, athlete endorsements would likely influence athlete identification. It would be

interesting to test our model of relationships using multiple athletes, and multiple sports simultaneously. Future studies could also investigate whether differences exist for professional versus collegiate athletes and men's versus women's sports. Additionally, we examined five facets of brand personality, but additional facets may significantly influence prestige and distinctiveness. It may be that different facets of brand personality are more or less appropriate for athlete quasi-brands depending on the sport. References are available upon request.

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CONSUMER PATRIOTISM AND RESPONSE TO PATRIOTIC ADVERTISING: A TEST FOR GROUP DIFFERENCES ON STRUCTURAL CONSTRAINTS

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SUMMARY

Historically, sports and sport events have been used as a venue for political, ideological, and symbolic competition between nations (Chehabi 2001; Coakley 2007). In a sense, the political use of sport can be seen as an extension of the integrative function of producing a national identity and a national prestige (Stevenson and Nixon 1987), with sport competition between national teams often reflecting diplomatic relations and national conflict. Despite the fundamental ethos of sports, the involvement of ideological and political interests in sport has been prevalent through the history of sport. As such, politicians and ideologists have used mega sporting events (e.g., Olympics, FIFA World Cup) for ideological or political purposes by generating national solidarity and a harmonious public opinion through the creation of powerful emotionally-shared experiences such as patriotism (Stevenson and Nixon 1987).

With an increase in sentiments of patriotism in major international sporting events, advertisers and marketers have utilized patriotic advertisements to take advantage of advertising that appeals to consumers' patriotic emotions (Yu and Jung 2004). Despite the growing interest in the role of patriotism in marketing and advertising contexts, little empirical research has been conducted to explore consumers' response to the patriotic advertisements in a special social context such as an international sporting event. The lack of research on advertisement effectiveness in this particular setting creates a conceptual void in the marketing and communication literature. A further examination of consumer patriotism and its relationships with other salient consumer variables (e.g., sport involvement and consumers' response to advertising) is imperative for better understanding of consumer responses to patriotic advertisements associated with international sporting events and developing effective marketing and communication strategies.

Accordingly, the purposes of this study are twofold: (1) to develop a theoretical research model delineating the relationships between consumers' patriotism and involvement in sporting events, and their relationships with attitudes toward advertisements and brands association with the sporting events, and (2) to examine if the model has the same pattern across the different types of sporting

event contexts (e.g., international and national sporting event settings). Specifically, this study proposed a theoretical research model that used social identity theory (Tajfel and Turner 1986), involvement theory (Krugman 1967; Rothschild 1984), and attitude theory (Fishbein and Ajzen 1975; MacKenzie and Lutz 1989; Petty and Cacioppo 1981).

To test the proposed model, the 2006 FIFA World Cup and the 2008 Olympic Games for international sporting events and the 2008 Korean Professional Soccer League for a domestic sporting event were selected. During the three different sporting contexts, a total of 659 subjects were recruited using a convenience sampling technique (208 for the 2006 World Cup; 241 for the 2008 Olympics; 210 for the 2008 K-league season). The experiment was conducted in a lab setting in which five-to-seven subjects viewed a 20-second patriotic commercial three times. The commercial was interspersed with six different commercials before and after a 3-minute sports news broadcast related to each sporting event. After viewing the advertisements, subjects were instructed to complete a given questionnaire. All of the scales used in this study were adopted from previous research with some modifications.

Using Kline's (2005) suggested procedure for testing a hypothesized structural equation model, the current study implemented the following a two-stage procedure to develop and validate the proposed structural model: (1) model specification and modification, and (2) model replication. And then, a multi-group analysis in the model was performed to examine whether the structure of the model is consistent across all sporting events.

The results indicated that the overall fit of the measurement model revealed a good fit of the model to the data: SRMR = .048, NNFI = .976, CFI = .981, and RMSEA = .042 (Hu and Bentler 1999) and psychometric property of the scale was sound. The average variance extracted (AVE) for each construct ranged from .52 (patriotism) to .89 (involvement). All factor loadings of items were above .62 except one item (.46). The results of the SEM analysis indicate a good fit of the research model to the data; (84, $N = 208$) = 129.08, $p = .003$, RMSEA = .048, SRMR = .047, NNFI = .976, and CFI = .981. The results of path analysis also supported all research hypotheses except path linking Sport Involvement to Brand Attitude

(C.R. = 1.38, $P < .05$). The existence of a non-significant path in the proposed model indicated the possibility that the model could be improved to more parsimonious.

After removing a non-significant path between Sport Involvement and Brand Attitude, the model was re-estimated (Joreskog 1993; Joreskog and Sorbom 1996). The refined model still represented a good fit to the data, ($85, N = 208$) = 125.88, $p = .003$, RMSEA = .048, SRMR = .047, NNFI = .976, and CFI = .981; and all hypothesized paths were significant and in expected directions. In addition, the result of chi-square difference test revealed that the refined model did not differ from the baseline model, $\text{diff}(1) = 1.28, p = .258$. Comparisons of ad hoc fit indices also indicated the model fit to be unchanged. As a result, the refined model was selected as the more parsimonious model.

The result from testing the invariance of the structural model between international and domestic sporting events through the specification of cross-group equality constraints indicated that there was not a significant increase in chi-square between invariance and variance models: $\Delta\chi^2(5) = 1.9, p = .863$. Pairwise comparisons between path coefficients for both sporting events revealed significant difference in the path linking Patriotism to Sport Involvement.

It showed the existence of a non-significant path between Patriotism to Sport Involvement in the national sporting event context ($r = .09, p = n.s.$).

Based on the findings of this study, we conclude that in a specific social situation such international sporting events as the FIFA World Cup or the Olympic Games, consumers' patriotism has increased interest in and involvement with the sporting event, and their high level of patriotism and sport involvement positively influenced their attitude toward patriotic advertisement. Eventually, this leads to consumers' favorable attitude toward the promoted brand. In other words, consumer patriotism is perceived to activate certain attributes among consumers (e.g., sense of belongingness) when they view the advertisements, and it may guide consumer interpretations of product information (e.g., quality) in the advertisement, and, as a consequence, affect brand attitudes.

The systematic approach provides marketers and advertisers with not only a clearer understanding of consumers' response to patriotic advertisements in different sporting event contexts, but also several meaningful implications for future research and practical implications. Several useful recommendations on marketing communication strategies will be discussed in the presentation.

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BRAND EQUITY IN HIGHER EDUCATION: THE CONTRIBUTION OF INTERCOLLEGIATE ATHLETICS

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SUMMARY

A recent ESPN advertising campaign included a mock Duke University spot that posited the significant contribution of intercollegiate athletics to institutional brand equity at even the most prestigious academic institutions. The ad positioned Duke's athletic feats as more relevant and important to prospective students and their parents than even the school's sterling academic reputation. Yet, with the exception of a single case study by Alessandri (2007), none of the authors discussing branding in higher education have explicitly considered the contributions of intercollegiate athletics in building institutional brand equity.

Inversing the focal efforts of their counterparts who have studied branding in higher education, authors that have studied brand equity in intercollegiate athletics have almost universally considered branding as it relates to building team brand equity, as opposed to the contribution of athletic brands to institutional brand equity (Gladden, Milne, and Sutton 1998; Ross 2006). While also singularly contextual, a strength of the athletic brand research is that these authors utilize traditional models of brand equity (e.g., Aaker 1996; Berry 2000; Keller 1993), providing a stronger theoretical foundation for the study of university branding than does the higher education brand literature.

We have adopted the service-based brand equity framework used by Ross (2006) as the foundation for our conceptual model. Like athletic teams, higher education institutions are best considered as service organizations. We do however depart from Ross (2006) in two important ways. First, we differ in that we consider both athletic and non-athletic contributors to institutional brand equity. Second, we differ in that we utilize Berry's (2000) brand meaning construct in place of Ross' (2006) brand associations construct, as we agree with Berry (2000) that brand associations are sub-dimensions of a higher-level construct (brand meaning). Our unit of concern within this research program is institutional brand equity.

Our conceptual model is a hierarchical process model that draws on existing theory to put forth three categories of antecedents to building brand equity in higher education: organization-induced, market-induced, and experience-induced. Organization-induced antecedents to brand

equity are those contributors to brand equity that are under the control of the organization (Ross 2006). These factors are presumed to be manageable by the university administration and board. Student quality and faculty quality have been hypothesized to contribute substantially to university brand image and to pro-institutional outcomes (e.g., Bennett and Ali-Choudhury 2009; Kazoleas, Kim, and Moffitt 2001; Rhoads and Gerking 2000). We also include Carnegie Classification, the type and number of degree programs offered (Kazoleas, Kim, and Moffitt 2001), university facilities – including athletic facilities (Bennett and Ali Choudhury 2009), and academic and athletic leadership (Gladden, Milne, and Sutton 1998; Ross 2006).

Market-induced antecedents to brand equity are those factors outside the control of the university (Ross 2006). Berry (2000) stressed the significant effects of word-of-mouth and publicity, two such market-induced antecedents. In higher education, much of this is driven by external rankings and media coverage (Sung and Yang 2008; Bennett and Ali-Choudhury 2009). In concert, Goff (2000) asserted that athletics serve an important role in generating university exposure, even at academically-elite institutions.

The final set of brand equity antecedents are those factors associated with the service experience itself (Ross 2006). In higher education, a variety of experiences may play an important role. McAlexander et al. (2004) identified the important contribution of “transformational experiences” in the development of a university brand community, and added that these experiences often fall outside of the academic realm and are more social in nature. Other authors have examined the contribution of the academic experience (Bennett and Ali-Choudhury 2009). Recognizing that experiences may be academic and/or non-academic, experiences may include: application, matriculation, graduation, student activities (clubs, dorms, etc.), athletic events, alumni association, and donor management.

We include two dimensions in the assessment of brand equity. The first dimension, brand awareness, indicates the strength of the brand's presence in the consumer's mind. The second dimension, brand meaning, refers to consumer's dominant perceptions of the brand. Following Berry (2000), brand meaning serves as the primary impact on brand equity.

Higher education research has identified many pro-institutional outcomes associated with brand equity. Strong brands lead to positive gains in student application, matriculation, retention, and graduation (e.g., Judson et al. 2009; Sung and Yang 2008), charitable support (e.g., Rhoads and Gerking 2000), and alumni involvement (e.g., Arnett, German, and Hunt 2003).

In addition to developing a framework that integrates the academic and athletic contributors to building brand equity in higher education, we also seek to begin explicating when one set of brand equity antecedents (athletic vs. academic) may be more dominant over the other. To our knowledge, no research has directly explored the relative contribution of each to institutional brand equity. Despite this, the relative importance of the “fun and enjoyment” transformational experiences identified by McAlexander, et al. (2004) and the emotional connections fostered through athletics (e.g., Stinson and Howard, forthcoming) are supportive of a highly influential role for intercollegiate athletics in the building of institutional brand equity.

Existing research supports the notion that most individuals attempt to identify with those elements of the

institution that reflect most positively on themselves. Much has been written in the sports literature about fans wishing to Bask in Reflected Glory (Cialdini et al. 1976). Arnett et al. (2003) found a significant effect of identity salience on the pro-organizational behaviors of donating and promoting. Different constituents are likely to have different identities relative to the institution (i.e., student, fraternity member, alumni, football fan), and the salience of these respective identities may determine the most important influences on brand equity. Therefore, institutions have a significant incentive to make most salient those identities that will most positively reflect the institution to each of their constituencies.

For academically elite schools, making academic identities salient may offer the strongest base for brand equity (e.g., the Ivy League). On the other hand, institutions where the academic reputation is not as ubiquitous may benefit by making other identities increasingly salient. For these schools, investment in intercollegiate athletics may provide a valued point of differentiation on which to build brand equity, in what is otherwise widely regarded to be a commoditized environment, where a “quality education” position is a point of parity and the price of entry. References are available upon request.

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EXPLORING THE RELATIONSHIP BETWEEN TEAM-AS-BRAND PERSONALITY AND GEOGRAPHIC PERSONALITY: CONSUMER PERCEPTIONS OF SPORT TEAMS AND CITIES

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SUMMARY

The central research question of this exploratory study focuses on the relationship between brand personality (Aaker 1997) and geographic personality (Aiken, Koch, and Madrigal 2000). Do professional sports teams (as brands, held within the larger set of brands in a league) have personalities that reflect some of the associative traits of the geographic locales in which they play? For example, are the NY *Giants* perceived as exciting partly because they are located in, and therefore associated with, “the city that never sleeps?” Similarly, are the Pittsburgh *Steelers* viewed as tough and hard-working because they play in the blue-collar, working-class town of Pittsburgh? Thus, the purpose of this research is simply to provide a foundational investigation into the relationship between team personality and geographic personality.

Survey data were collected from a total of 434 university students in five different locations, specifically: Indianapolis, Seattle, Chicago, Oakland (Bay Area), and Charlotte. Respondents were asked about their home NFL teams and cities, as well as two others teams/cities (i.e., New York, Boston, Pittsburgh, Tampa Bay, and Philadelphia inclusive). Thus, the city-team pairings evaluated were Indianapolis and the *Colts*, Seattle and the *Seahawks*, Chicago and the *Bears*, Oakland and the *Raiders*, Charlotte and the *Panthers*, New York and the *Giants*, Boston and the *Patriots*, Pittsburgh and the *Steelers*, Tampa Bay and the *Buccaneers*, and Philadelphia and the *Eagles*.

The scope of the research questions necessitated multiple versions of a four-part survey. First, respondents rated brand personality traits for three teams. Second, part two of the survey inquired about personality traits of the three teams’ corresponding cities. Part three of the survey asked about their favorite and least-favorite teams and then asked for a self-rating of the extent to which respondents considered themselves to be NFL fans (on a 7-point scale from “Not at all” to “Very much”). Finally, part four measured experiences with the three test cities: had respondents lived there, visited there, or never been there. This experience variable allowed for the testing of “self-other congruence” (Funder and Colvin 1997) with respect to those with direct city experience and those without such

experience. We posited that subjects in the test locations should take an insider’s view with regards to their home teams and cities. Also, our survey design would capture the occasional respondent who perhaps grew up in Chicago but now resides in Indianapolis (yet, still considers Chicago “home”).

Findings suggest that, in general, people do ascribe personality traits to both teams and cities. Moreover, measurements of the two constructs do positively correlate (and although there was a wide range, all 50 correlation coefficients were positive). Interestingly, teams who had more recently participated in the playoffs were seen as more exciting (as were their cities). Further, respondents that self-rated highly as NFL fans more often showed higher correlation coefficients. That is, the self-described NFL fans in our sample tended to judge the personality characteristics of the teams very similarly to the personality characteristics of the corresponding cities. This result points to the notion that many people may simply see teams as brand extensions (of the brand that is the city). Past research has noted that a city’s culture, history, and capital tend to cognitively solidify a city’s image (Philo and Kearns 1993). Perhaps in some way the city, complete with public and historical attractions, architectural landmarks, restaurants, etcetera, becomes a brand portfolio from which sports teams (and sports fans) derive brand associations.

With regards to self-other congruence, perceptions between the *Insiders* (with city experience) and the *Outsiders* (without city experience) were quite different. Given that the five personality dimensions were all positive in valence and likely desirable traits to project, it would seem that *Insiders* would proudly display higher ratings. That is, people would probably like to think of their teams and cities as sincere, exciting, competent, sophisticated, and rugged. This was the case for two of our five test cities. In almost every case and across all five dimensions, city *Insiders* from Indianapolis and Charlotte displayed higher ratings of the trait characteristics than did city *Outsiders*. These respondents seemed to be exerting a level of home-town and home-team pride not so prominently seen in Seattle, Chicago, and Oakland. In Chicago and Oakland there were even instances wherein

Insiders rated the team and/or city lower than the, perhaps naïve, *Outsiders*. So alternatively, one might argue that the *Insider's* viewpoint is simply more realistic, while the *Outsider's* viewpoint has been romanticized by various media. Regardless, we found no strong evidence of self-other congruence.

This research points to a number of other issues. First, given that personality evaluations would seem to fluctuate according to win-loss records, it would be interesting to investigate whether fans go through a form of brand personality updating (Johar, Sengupta, and Aaker 2005) from season to season. Second, an issue arises in terms of the direction of the relationship. Since the Chicago *Bears* are viewed as a tough, rugged, and mostly unsophisticated

team, does this contribute to our views of the city of Chicago? Or, to the contrary, do we see Chicago as the birthplace of violent gangland behavior, the home of chilling lakeshore winds, and a place where only truly tough and rugged people could live; and consequently these opinions of the city shape our brand-image associations for the *Bears*? Third, how can we resolve brand image differences *within* the same city and *across* sports? Continuing with our Chicago example: Do the *White Sox* have a similar brand image as the *Cubs*? Why don't they? Or, looking across sports, do the *Bears* have a similar brand image as the *Cubs*? Thus, it appears that there are a great number of analytical intricacies yet to be explored. References are available upon request.

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AN R_x FOR THE HEALTH OF PHARMACEUTICAL ALLIANCES: MATHEMATICAL MODEL AND EMPIRICAL ANALYSIS TO MAXIMIZE FINANCIAL PERFORMANCE

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SUMMARY

Marketing scholars have identified the role of marketing in firm strategy formulation for managing alliances and profits as a frontier research area. Vargo and Lusch (2004) include this as an important facet in the emerging paradigm for marketing. There is a growing body of research in marketing that highlights the need to understand the antecedents, characteristics, and consequences of strategic alliances (e.g., Simonin 1999) in addition to the study of strategies that are endogenous to an individual firm. Similarly, marketing scholars have called for simulating firm behavior through mathematical modeling that allows for behavioral predictions of firms in addition to economic considerations (Chintagunta et al. 2006).

Such a normative approach will clearly augment the descriptive approach predominantly used in the marketing and strategy literature. In particular, scholars have indicated the need for work on firm behavior modeling using structural analysis of firm behavior (e.g., Kadiyali, Sudhir, and Rao 2006). We believe that prior analysis of firm behavior can be meaningfully combined with a mathematical modeling approach to provide a realistic modeling of firm behavior while offering guidelines for managerial decision making.

This study answers the call for research in this domain by providing a mathematical approach to guide managers in maximizing the financial performance of the focal firm entering into strategic alliances. Although several variables have been considered in the examination of strategic alliances, we consider two important variables in the alliance literature – repeated partnering (R) and prior alliance experience (x) – and how they influence the

firm's financial performance. We take the position that alliances are fundamental to marketing's new paradigm (Vargo and Lusch 2004). If marketing can provide normative guidelines to managers in designing alliance portfolios (Wuyts, Dutta, and Stremersch 2004), the relevance of marketing to firm strategy formulation will increase, as will the contribution of marketing to the strategy dialogue (Day 1992; Kerin 1992; Varadarajan 1992).

We develop a mathematical modeling approach to determine the optimal value of repeated partnering (R) and prior alliance experience (x) to maximize the financial performance of the focal firm entering into alliances. We illustrate the modeling approach by using data on U.S. pharmaceutical alliances obtained from the SDC Platinum database and augmented with data from COMPUSTAT. Therefore, we consider R_x for alliance performance in general and for pharmaceutical companies in particular.

This study makes several contributions to the existing literature. First, to the best of our knowledge, ours is among the first mathematical approach to determine optimal solutions to maximize firm performance in the strategic alliance research domain, offering new insights into firm performance and managerial decision making. Second, by combining the descriptive analysis of a large number of alliances and using it to validate the mathematical modeling approach, we enhance the generalizability of prior research conclusions by further fine-tuning the actionable guidelines. Finally, by providing comparative statics based on the modeling approach and the empirical analysis, we offer a methodology for managers to conduct relevant "what-if" scenarios to further sharpen their decision making and understanding of the impact of their decisions.

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ONLINE ENVIRONMENTAL CITIZENSHIP: A LEXIMANCER ANALYSIS OF GREEN BLOGS

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ABSTRACT

The last three decades have seen consumers' environmental consciousness grow as the environment has moved to a mainstream issue. Results from our study of green blog site comments from June to September 2009 find four prominent themes of discussion: energy, company, action and products. However, lesser themes of climate change, emissions, business and plastic were also identified. While marketers hold some power, consumers are the real key influence for change, as the driving factor of this information is consumer led online social networks. They want to drive change and importantly, they have the power. It may be a lonely, individual mission, but our results revealed that green bloggers believe themselves to be influential and instrumental in bringing about change. Keywords: environmental citizenship, green discourse, Leximancer, blogs, environment, energy, climate change.

INTRODUCTION

Consumers' environmental consciousness has been prominent in the last three decades (Kalafatis, Pollard, East, and Tsogas 1999; Barber, Taylor, and Strick 2009). The widespread public acceptance of the global environmental crisis has caused a gradual shift in the debates within the environmental movement (Follows and Jobber 2000). The question of how to achieve consumers' awareness has been replaced by discussions addressing environmental issues (Follows and Jobber 2000). In other words, the notion of green discourse has been framed (Autio, Heiskanen, and Heinonen 2009), and the concept aligns with environmental citizenships, a theory which has become the guideline to monitor debates in the subject of environmental concern (Dobson 2003).

The development of new media such as the Internet and blogs has provided consumers with a medium for green discursive practices (Torgerson 1999). However, empirical research has only begun to examine discourse within green blogs with a study conducted by Luck and Ginanti (2009) finding similar concepts through blog rhetoric analysis. This research bridges the gaps within the green marketing literature; blog research and environmental citizenship theory. Specifically, this research extends the concept of environmental citizenship by exploring it within the online world and aims to explore and

analyze the discourses written in green blogs as a construction of online environmental citizenship.

LITERATURE REVIEW

Environmental issues such as climate change, ozone depletion, and water contamination have been discussed over the past decades (Easterling, Kenworthy, and Nemzoff 1996; Mainieri et al. 1997). This has been driven by a number of factors including increased media coverage, greater awareness of environmental crisis, intense pressure from the public, tougher national and international legislation and the impact of major industrial disasters on public opinion (Tapon and Leighton 1991; Charter 1992; Wagner 1997). Consequently, consumers have become more concerned about their everyday habits and the impact that these can have on the environment (Krause 1993).

Marketing scholars have embraced this condition as a topic of study for the past thirty years (Kilbourne and Polonsky 2005). Interests may have been precarious during that period, yet it has not disappeared. In fact, it has increased in importance (Barber et al. 2009). As concern for the environment has shown over the past decades (Kalafatis et al. 1999), environmental discourse is now structured in the public sphere (Torgerson 1999). Even though these practices are diverse and contentious, it has an adequate coherence and cohesion with scope that is vital in the public life (Torgerson 1999).

Davies and Harré (1990) defined discourses as an ecological and ethical consumer ethos that institutionalized uses of language-like sign systems, and that discourse provides cultural resources that are mobilized and continually reshaped in discursive practices. Such discourse practices of green consumerism are created, employed and reshaped by experts, educators, advocates, the media and ordinary people in everyday life (Autio et al. 2009). Furthermore, it provides a forum of communication, a green public sphere that allows environmental issues to be identified, characterized and discussed (Torgerson 1999).

Research conducted by Autio et al. (2009) examined how young consumers construct their images of green consumerism based on the narrative of green discourse. The authors utilized the narratives which were gathered

from 16 to 19 years old, upper secondary school students' essay. Findings of Autio's et al. (2009) research indicated that participants drew on mainstream media concerning consumer products and brands, on popular science and on school science and environmental education to gain information. The participants recognized the differences in green discourses; they also addressed "saving the planet earth," "doing this responsibility" and "being one of many to make a difference." However, collective action to promote sustainable consumption did not appear in their research. According to this research, green consumers do not protest, they do not advocate and they do not organize consumer action. Therefore, green consumerism is a lonely, individual mission where the activity is conducted in parallel, but not as a collective action between consumers.

As part of this discourse, green political thought has recently taken shape as a field of inquiry under the theory "environmental citizenship" (Dobson 2003). This form of citizenship is still somewhat undervalued as a theoretical or practical concept in environmental policy, as this theory unveils practically without any empirical evidence (Dobson 2003). This notion refers to individual's action for common good (Barry 1999a). It represents relatively new ways of thinking and conceptualizing relations of citizenship that have become an increasingly popular way of framing debates about environmental concern (Dobson 2003). This green movement continues to construct a green discourse and to shape a forum for communication, a green public sphere (Torgerson 1999).

In the midst of increased innovation in technology, the green public sphere has undertaken major growth within new media, namely the Internet (Cooper 2003; Inch 2008; Rokka and Moisander 2009) and consequently, blogs. With its ability to draw together people with similar interest, blogs have provided an ideal environment for knowledge sharing (Festa 2003; Ray 2003). Thus, it offered environmentalists or people with "green" orientations (Donaton and Fitzgerald 1992; Grove et al. 1996) a setting for discursive practices, expression of green concerns, that allows environmental problems to be recognized, defined and discussed in substantial ways (Torgerson 1999).

As yet however, there is not an adequate amount of empirical research which has sought to study green blogs and their content. Therefore, this research aims to fill that gap by investigating green discourse within green blogosphere as a construction of environmental citizenship. The primary goal in doing so is to provide an empirical snapshot of the environmental blog in its present stage, as a historical record for purposes of comparison with future stages of evolution. It is argued that blog monitoring gives the first ever practical source of retrospective public opinion and that it is particularly suitable for finding the causes of change in public opinion. An exploratory study

of environmental dialogue in green blogs is used to illustrate a social science style of analysis. The crystallization of interest around this issue led to the development of the research questions: *RQ1: What environmental issues emerged from green blogs discourse? And; RQ2: What aspects of environmental citizenship are being produced in green blogs?* The following section discusses the methodology used in this research, Leximancer.

METHODOLOGY

This research employed a content analysis of green blogs' comments. Content analysis was performed by the software system Leximancer, which was developed by the Key Center for Human Factors and Applied Cognitive Psychology at the University of Queensland, Australia. The technology is based upon Bayesian theory where fragmented pieces of evidence can be used to predict what is actually happening (Watson, Smith, and Watter 2005).

The role of content analysis in this research was to provide insights and identify key themes and concepts across the entire corpus. Content analysis is a valuable technique to discover focal issues for individuals, groups, institutions, or a society (Scott and Smith 2005). Previous research utilized content analysis to identify and quantify properties and content of the blogs in the corpora (Ha and James 1998; McMillan 1999; McMillan 2000; Bauer 2000; Scheidt 2009). Leximancer assists the researcher to discover new information from text, find patterns across datasets (Watson et al. 2005). Leximancer allows researchers to efficiently gain insights and comprehension of large numbers of case studies through the process of conducting semantic information retrieval of the key themes of records; viewing bodies of data in graphical format; and navigating through the records whilst mining the text for deeper contextual associations (Smith 2000; Smith 2003; Smith and Humphreys 2006).

The context generated software is an appropriate grounded research technique because it minimizes the effect of pre-determined concepts on interpretation (McKenna and Ayoko 2006). It does this by mathematically limiting the human element in its internal system of data analysis and display through concept mapping (Smith and Humphreys 2006). This software conceptualizes and thematizes text through a thesaurus based on the particular corpus (*Leximancer Manual* 2009).

The contents of green blogs were collected from June to September 2009. It followed Thelwall's (2002) approach by systematically exploring a search engine to retrieve a reasonable number of blogs. Google was the chosen search engine for this research as most blogs were indexed by Google (Hiler 2002). The corpus for data analysis consisted a total of 322,932 words derived from ten global green blog sites after using search terms: "green

marketing,” “sustainable marketing,” and “eco marketing.” The quantity of blog sites were considered suitable as the focal point of web content analysis is not on the various numbers of sites but on a great deal of textual content (Bruns, personal communication, October 16, 2009). The full list of chosen blogs can be seen in Table 1.

RESULTS AND DISCUSSION

To answer our research questions, a content analysis of green blogs’ discourse to construct the major topics of discussion was undertaken. Table 2 and the Leximancer extraction, Figure 1, show the topics of green blogs’ discussion in different formats; they were energy, com-

pany, action and products as the major themes. Four minor themes were climate change, emissions, business and plastic. So in order to answer our first research question, *RQ1: What environmental issues emerged from green blogs discourse?* The following analysis ensues.

Energy. Concepts that frequently co-occurred with “energy” were energy, usage, power, electric, water, car, cost, system, fuel, solar, natural, and city. Essentially, the points of discussion in blogs were concerning alternative energy for a better future. Alternative energy being discussed throughout the blogs was algae, nuclear energy, solar and electric cars. Green blog users were discussing brands that they believed to use energy efficiently, such as

TABLE 1
Sample of Environmental Blogs

Number of Words			
Green Blogs	January – May	June – September	
Green is good	16,028	17,388	
Green LA girl guide	8,428	100,202	
Green marketing blog	3,409	4,852	
Twilight earth	26,802	20,672	
Larvatus prodeo	34,576	55,046	
Ecopreneurial	15,421	13,865	
Groovy green	7,014	6,409	
Greenormal	7,739	5,244	
Ecogeek	21,057	32,315	
Green biz	17,472	66,939	
Total:	157,946	322,932	480,878

TABLE 2
Summary of Environmental Topics Derived from Green Blogs

June to September 2009 Results		
	Themes	Percentage
Major themes	Energy	100%
	Company	94%
	Action	83%
	Products	69%
Minor themes	Climate change	59%
	Emissions	19%
	Business	18%
	Plastic	15%

Dell. The majority of green blogs comments agreed that Dell have the best energy efficient products. Meanwhile, a brand that was perceived to be wasting energy was Starbucks.

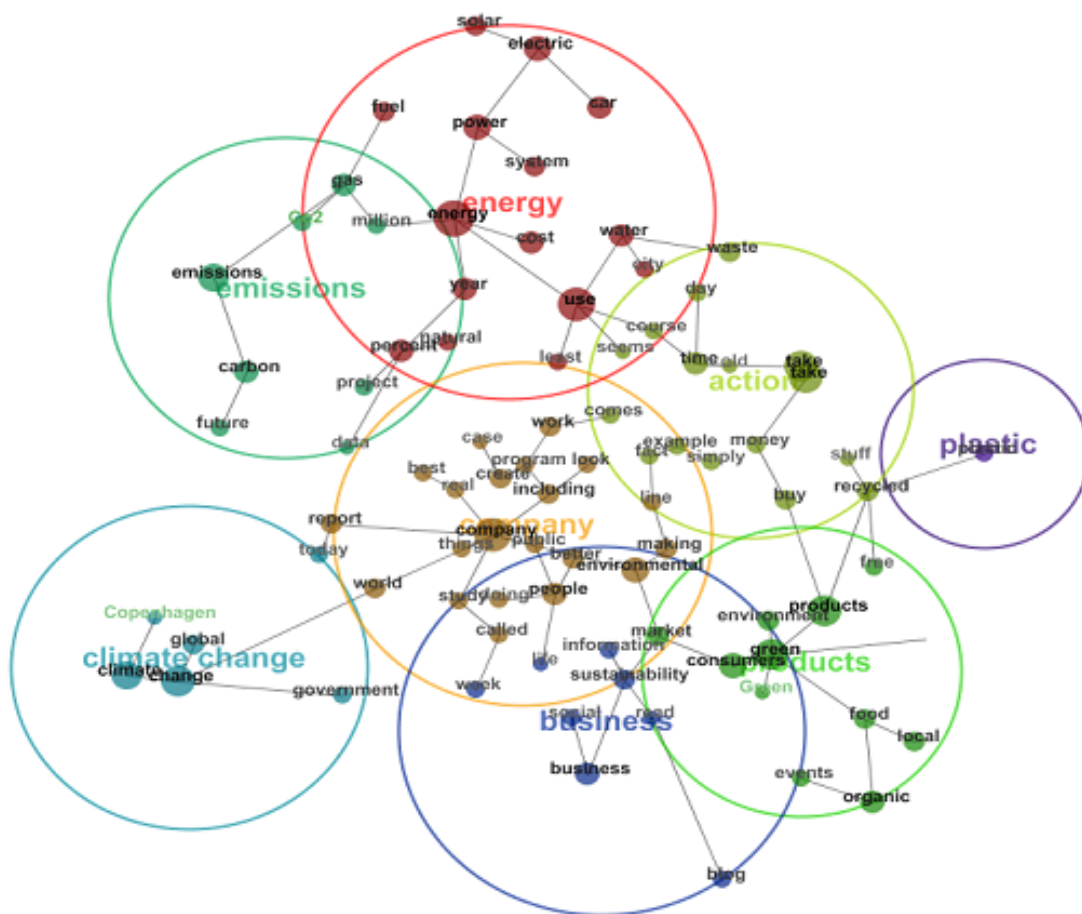
As one of the major themes extracted, energy was considered to be a critical issue facing society today. We as consumers are highly dependent on energy resources, this is further confirmed by Wulfinghoff (2000), as he stated that civilization can only run on energy.

The issue of climatic upheaval is a major and unavoidable element of world energy policy (Jean-Baptiste and Ducroux 2003). With 29 billion tonnes of CO2 released into the air annually by human activities which included 23 billion from fossil burning and industry (Pachauri and Reisinger 2007), causes an alarming in-

crease in the earth's atmosphere. Even though effort to resolve this issue had produced several international agreement, such as the United Nations Convention on Climate Change in 1992 which followed by the Kyoto conference in 1997, reaching conformity appeared to be a complex matter (Jean-Baptiste and Ducroux 2003). Reaching agreement on this issue was often tackled by geopolitical and economic factors. The continuous disagreement amongst world leaders about energy was observed to be the driving force behind the active discourse of green blog users. Given that the energy crisis remains evident, it can be predict that this dynamic contribution will grow.

Company. Concepts that co-occurred with this theme were company, environmental, people, work, report, better, world, create, look, public, program, things, best, real, and case. The focus that emerged was the company's effort to

FIGURE 1
Leximancer Concept Analysis



Source: Developed from this research (Leximancer Version 3.1).

reduce their carbon offset by implementing carbon management schemes. Overpopulation was assumed to be the reason for companies to take action to tackle the environmental crisis. The second biggest debate was in relation to company's false information of their green claims. Companies such as Wal-Mart, Kmart, and Fiji were under scrutiny due to their false environmental claims. Green blog users demanded transparency and honesty, as they believed these were important ingredients to build consumers' trust. Green bloggers also discussed companies perceived to have made significant, positive contribution to the environment. Microsoft, Nokia, Unilever, and UPS were the brands frequently mentioned. Their contribution and commitment ranged from implementing environmental policy, reducing emissions and carbon footprints, and encouraging their consumers to be environmentally responsible.

Demand is the ideal word to describe the essence of the discussion on this theme. Green blog users were critical, yet hopeful that companies would be able to implement truthful marketing strategy. According to Polonsky and Rosenberger (2001), green marketing has to be holistically integrated which involve extensive coordination across functions. Additionally, only the genuine, long-lasting and eco-strategic companies had won the heart of the consumers. It is proven that the influence of stakeholders such as customers, local communities and environmental interest groups have been instrumental in inducing corporate environmental responsiveness (Bansal and Roth 2000).

Action. There were nine concepts that co-occurred with the theme "action," which were action, time, recycled, waste, buy, day, course, fact, and old. Green blog users utilized the blog as a channel of change and a way to mobilize the masses. They considered their contribution as an important step to alter the declining environment: one blog post and one person at a time. Blog users have the capacity to encourage or discourage others. The Leximancer query showed that some blog users persuaded others to stop purchasing Hershey's chocolate after discovering that the brand had been practicing a non-fair trade business. Acting as the agent of change, blog users believe it was their responsibility to keep the "fire" alive for the sake of the environment, future and planet.

For green blog users, writing about environmental issues was their approach to get the information out and make contribution for the environment at the same time. It is a fusion of commitment, passion, and expression through words. Green blog users utilized blogs as the channel of change to encourage the mass. It is proven that blogs have the ability to do so.

Blogs are breaking the news even before the mainstream media and they are doing it in an immediate, compelling, first-hand, and conversational way that tradi-

tional media outlets lack the ability. While many in traditional media criticize the lack of "gatekeeping" on blogs this is the precise advantage that these sites have and why they are growing. People are developing a personal connection with news and information that align with their values and beliefs. These personal connections are the vital role of blogs. Blog as the new media will continue to grow in importance and prestige because it gives people a bigger platform to affect change in the world and because it is so important in promoting engagement and thoughtfulness.

Products. This theme co-occurred with words such as products, green, consumers, organic, local and food. Blog users insisted that organic standards needed to be reinforced. This demand was born along with companies' propensity to lower the standard of organic products. The second biggest "product" discussions centered on the emerging trend of products made from recycled materials and the demand for a green washing index. Green blog users embraced recycled-made products as a creative solution to minimize waste. Meanwhile, the demand for a green washing index was born as green blogs users believe that information of environmental claims have a tendency to mislead consumers.

A further focal topic that was frequently discussed was the demand for tougher organic standards. Green blog users realized the movement of several multinational companies to lower the standard of organic products. Green blog users are also consumers and they believe as a consumer they have the right to get protection of their consumption. At the moment, standards are the best protection they have.

Climate Change. Climate change co-occurred with climate, change, resources, global, government, and Copenhagen. The central discussion was on climate change and its environmental impact. The most prominent issue was depletion of natural resources, follow by fossil fuels, waste management, water scarcity and pollution, loss of habitat and animal species, deforestation and mining. Concepts such as government and Copenhagen were also identified. Although these concepts did not emerge as frequently as other concepts, these two concepts are worth noting. Green blog users demanded concrete action from government to reduce the impact of climate change. This concept also correlated to "Copenhagen," the United Nations Climate Change Conference. As this study was undertaken before Copenhagen, based on the Leximancer query, green blog users hoped that the Copenhagen conference would be able to set the direction for financial and policy framework for future climate change investment for governments, corporations and investors.

The possible contributing factor that triggered discussion within this theme was the rising occurrence of

natural disasters and extreme weather events. This was observed as green blog users shared their sympathy and concern for the victims and people affected by it. Depletion of earth resources, floods, and tornadoes were some examples of the natural disasters being mentioned in green blogs. A report published by Intergovernmental Panel on Climate Change (2007) suggests that climate change has led to a higher frequency and intensity of extreme weather events; however, serious doubt has been cast on the validity of the IPCC's findings. Interestingly in our research, out of various natural disasters that happened all over the globe, Australia's "Black Saturday" bushfire ignited an avid discussion among green bloggers.

Emissions. The theme "emissions" co-occurred with emissions, gas, carbon, project, CO₂ and future. In general, green blog users debated over companies' effort to reduce their emissions. eBay, Nespresso, Tesco, and FedEx were recognized as companies or brands that have successfully reduced their emissions. However, green blog users also mentioned one company that demonstrated little contribution to the environment: Wal-Mart. Although the giant supermarket has increased their energy efficiency in transportation, it has not holistically implemented sustainable management for its entire corporation. For green blog users, this seemed to be an insufficient effort.

Business. The second lowest theme derived from the Leximancer analysis was business. This theme occurred frequently with words such as: business, sustainability, social information, and life. The essence of discussion was on the growth of green business. Green blog users considered green business as one of the solutions to climate change. Green business was also regarded as an opportunity to escape the global financial crisis. Furthermore, women were mentioned to be the drivers of green businesses.

Plastic. The lowest occurring theme in the analysis was plastic, with only 117 counts, however still noteworthy to report. Green blog users conveyed strong messages to promote an eco-conscious lifestyle by saying "no" to plastic. They encouraged each other to stop purchasing bottled water, use biodegradable plastic bags and bring their own mugs for coffee.

The second research question that this research examined was: RQ2. What aspects of environmental citizenship are being produced in green blogs?

Civic responsibility was observed to be the most dominant and uniform aspect of environmental citizenship being discussed. It was individuals' sense of responsibility to improve the environment that was the driving force in the construction of environmental citizenship in the green blogosphere. Civic responsibilities are related to individuals' actions through remote connections between

individuals' lives and the temporally and spatially scaled consequences of their actions (Dobson 2003). It is argued that the responsibility observed from green blog users was of a civic nature for two reasons. Firstly, green blog users felt they owed a non-territorial responsibility to future and current generations. And, the responsibility is rooted in a sense of interconnectedness that described the connections and relations between individual's lives which gave rise to citizenly obligations.

The underlying premises that ground green blog users' understanding of civic responsibility were interconnectedness and individual leadership. However, "identity and virtue" were not found to be the factor in the construction of civic responsibility in green blogs. Investigation regarding individual's identity required rationales and justification from participants for their actions that are specifically linked to their identity. The two premises of civic responsibility, interconnectedness and individual leadership will be discussed.

Interconnectedness. In the beginning of the empirical research, it became apparent that green blog users considered themselves part of a global society. There was a sense of interconnectedness observed by the researcher, as green blog users fostered individual feelings as part of a global collective. A fusion between participants' knowledge of environmental issues and active involvement in the green blogosphere yielded a notion of interconnectedness. In this aggregate view, the individual constituted a part in a greater collective. This reflexive relationship is mirrored in green blog users' sense of interconnectedness with others across the globe. As indirect as this connection may be, it is one of prime influence in this research on individuals' perceptions of their role in a global collective for global change?

The interconnectedness observed to occur within the realm of current generations and also extended to future generations. Based on Leximancer extraction, green blog users felt their behavior and decisions affect each other, the environment and the future. This demonstrated that the role of the global collective is vital as it is the contingent backdrop against which individuals recognize their civic responsibility. This finding reflects accurately what Barry (1999a) calls the "collective enterprise of achieving sustainability" (p. 231) but in the context here it emerged from a specific analysis of perceptions and interpretations of the deteriorating planet. Furthermore, the interconnection was also generated by understanding the possible future implications and consequences of actions today.

From the analysis of green blogs' content, it is proven that green blog users utilize the Internet to disseminate environmental messages and mobilize mass. Furthermore, this research observed blogs as the channel of environmental change. It is confirmed that the Internet

serves as the “tool of choice” for information and organization of consumers and environmental activism (Klein 1999). These findings challenge a previous study conducted by Autio et al. (2009). The authors stated that green consumers do not promote sustainable consumption, do not protest, they do not support and organize consumer action.

Individual Leadership. Participants observed to act based on their responsibility for climate change regardless of other people acting on theirs. Yet, they clearly demonstrated that individuals’ involvement only increased if every member collectively acted on it. Thus, in order to reach effective action on the issue of the environment, all members of the collective are perceived to be obliged and required to act. Further, participants demonstrated that they hoped their personal commitment acted as a positive example that others may follow. Individuals’ perception of leadership emphasized the optimism to inspire others to act on the environmental crisis.

This result emphasizes that green blog users considered environmental issues to be a collective problem which can only be solved by collective efforts toward equitable solutions. The two foundations of being a good ecological citizen, interconnectedness and leading by example are linked to an underlying concern for equity, for the well-being of future generations and those currently affected by the impacts of the deteriorating environment.

CONTRIBUTIONS TO THEORY AND METHODOLOGY

This research makes contribution to the emerging theory, environmental citizenship and adds to the body of literature on Green marketing. Further, this research is an innovative exploration of both real world data and the use of new techniques for marketing in terms of software driven analytical work and the discovery of latent frameworks from online content. Leximancer software has proven to be an ideal method of analysis to capture the essence of large volumes of textual data and gain insights, in this instance green blog rhetoric within a certain time period. It also showed the significance of context which helps researchers avoid fixation on particular subjective evidence, which may be atypical or erroneous (Chen and Bouvain 2008). Finally, Leximancer allows researchers to efficiently comprehend large amounts of data through conducting semantic information retrieval of the key themes of records; viewing data concepts in graphical format; and mining the text for deeper contextual associations (Smith 2000; Smith 2003; Smith and Humphreys 2006).

CONTRIBUTIONS TO MARKETING PRACTITIONERS

The topic pertains to relevant recent trends on green consumers and would be useful to practitioners in identi-

fying the issues that drives green consumerism. Blogs provide marketing practitioners a retrospective public opinion, as they provide opportunity for ordinary people to voice their opinions; they enable companies to see their organizations from the viewpoint of the customer. Companies or a brand that allow customers to communicate directly with them allows a deeper understanding of their customers’ likes, dislikes, interests and concerns. This provides marketers with an opportunity to respond or address customers’ comments, while setting the expectation that their opinion will result in a better product, service, or brand in the long run. However, the interactivity inherent in blogs allows for a higher level of connectedness with the customer. Marketers must monitor rhetoric to gauge consumer sentiment and attitudes toward corporations’ research, marketing activity and product releases, as consumer driven eWOM is powerful. Blogs have a better ability to manage customer relations, facilitate internal collaboration, aid knowledge management, improve media relations, and test new ideas for products and services.

LIMITATIONS TO THE RESEARCH

This research was to investigate in-depth insights about the rhetoric within green blogs. A limitation of the research was its subjectivity. Despite Leximancer automatically undertaking much of the thematic content analysis, manual interventions were needed. Different selections may have resulted in slightly different outcomes. The final number and size of themes on the cognitive map was also subjective. A greater number of smaller sized themes could have been illustrated, but the authors believe the conclusions are still relevant.

CONCLUSIONS AND FUTURE RESEARCH

Kozinets (2002) developed netnography, an online research tool that offers in-depth consumer insights and it would provide an excellent opportunity to examine how environmental dialogue and citizenship are produced and discussed in trans-national content.

Green bloggers’ knowledge creates an opportunity to disseminate the levels of environmental knowledge and attitude that exist between green bloggers and non green bloggers. Marketing scholars can determine if the blog does how power as a knowledge creation tool. Further qualitative inquiry is needed to examine the underlying belief structures that support green blog users’ identity and civic responsibility, as Copenhagen has created more challenges rather than solutions. Furthermore, this research observed blogs as the channel of environmental change. It is confirmed that the Internet serves as the “tool of choice” for information and organization of consumers and environmental activism (Klein 1999). These findings challenge a previous study conducted by Autio et al. (2009). The authors stated that green consumers do not

promote sustainable consumption, do not protest, they do not support and organize consumer action.

The findings from this research begin the commencement of empirical research regarding green blog discourse. This snapshot has monitored public opinion and found that important concepts discussed for a four-month period within global, green website blogs focused on companies and government making a positive effort to-

ward a hopeful future for our environment. Specifically, taking action with product development, reducing emissions, and energy will improve the environment and sustain the future of the planet. This consciousness that encourages individual "rethinking" also contains possibilities for larger, cohesive actions. To conclude, these findings indicate that discussing, commenting, and writing about the environment are considered to be one of the first steps toward citizen action.

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EFFECTS OF AGE, DISPOSITIONAL TIME PERCEPTIONS, AND TIME VIEW MANIPULATIONS ON PRODUCT ATTRIBUTE EVALUATION

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SUMMARY

Time perception theories suggest that people perceive time differently in different situations, which has significant, direct impacts on their behavior (e.g., Grant and Tybout 2008; Hornik 1984, 1993; Hui and Tse 1996; Suri and Monroe 2003; Wright and Weitz 1977). In Study 1, we investigate if age and time manipulation have significant main effects on consumers' evaluations of two hedonic and utilitarian product attributes. In Study 2, we investigate how consumers evaluate product attributes when their dispositional view of time does not match the manipulated time view.

STUDY 1

Age Effect

Age-related consumer research indicates that people, willingly or not, change their consumption behavior several times throughout their lives (Andreasen 1984; Moschis 2003, 2007). Some changes are caused by biological or physiological aging; others reflect sociological changes (e.g., roles, life events) (Gregoire 2003; Schewe and Balazs 1992). However, even if people experience similar stages in their lives, they develop distinct time perceptions during each stage. Thus, we hypothesize:

- H1a: Older people evaluate hedonic attributes more positively than do younger people.
- H1b: Younger people evaluate utilitarian attributes more positively than do older adults.

Effect of Time View Manipulation

- H2a: Subjects who are exposed to an expansive time manipulation evaluate utilitarian attributes more positively than they do hedonic ones.
- H2b: Subjects who are exposed to a limited time manipulation evaluate hedonic attributes more positively than they do utilitarian ones.

Method

This study uses a 2 attribute (hedonic vs. utilitarian) × 2 manipulated time view (low vs. low) between-groups design to measure dispositional time view and age. The 96

study respondents considered one of four situations – hedonic/limited, hedonic/expansive, utilitarian/limited, and utilitarian/expansive – regardless of other factors, such as age, gender, education, and physical health. The hedonic versus utilitarian assignment was random.

Results

The ANOVA results reveal no age difference in product attribute evaluations. Hypotheses 1a and 1b are not supported. The ANOVA results show that the time view manipulation does not have any impact on subjects' evaluations of product attributes. That is, H2a and H2b are not supported.

This finding suggests that age does not drive time perceptions, though it relates negatively to dispositional time perception. The effect of time manipulation on evaluation does not emerge from our sample, in contrast with the results obtained in most previous research.

STUDY 2

Incongruency Effect

We hypothesize that time perception incongruencies caused by an experimental design prompt changes in people's evaluations of product attributes:

- H3a: Limited time view subjects exposed to an expansive time manipulation evaluate hedonic attributes less positively than do those exposed to a limited time manipulation.
- H3b: Expansive time view subjects exposed to a limited time manipulation evaluate utilitarian attributes less positively than do those exposed to an expansive manipulation.
- H3c: Limited time view subjects exposed to an expansive time manipulation evaluate utilitarian attributes more positively than do those exposed to a limited time manipulation.
- H3d: Expansive time view subjects exposed to a limited time manipulation evaluate hedonic attributes more positively than do those exposed to an expansive manipulation.

Method

The basic design of the study employs 2 attributes (hedonic vs. utilitarian) \times 2 dispositional time views (low vs. high) \times 2 time manipulation conditions (expansive vs. limited) in a between-groups factorial design.

Results

We find support for H3a and H3d, but neither H3b nor H3c receive support. The results indicate that when experimenters successfully manipulate respondents' time views, the respondents' evaluations of product attribute change correspondingly. Both conditions ultimately improve evaluations of hedonic attributes although the time

view manipulation seems to have no influence on participants' evaluations of utilitarian attributes.

Implications

Marketers should include dispositional time perceptions as an important component of consumer profiles, beyond factors such as personality, involvement, family structure, and life stage.

A time perception manipulation can be more meaningful if consumer researchers get to know their subjects' dispositional time perception. References are available upon request.

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TOWARD AN UNDERSTANDING OF CONSUMER THOUGHTS ABOUT FOOD ADS: A LATENT SEMANTIC ANALYSIS

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SUMMARY

An average person makes about 200 food-related decisions each day (Wansink 2007). Upon making healthy/unhealthy food choices, consumers likely experience certain conflicts between cognition and affect. Increasingly, food advertisements are examined under a microscope of criticism regarding whether they cause consumers to purchase and to eat more unhealthy food (APA 2004). For the purpose of identifying how consumers respond to food advertisements before making healthy/unhealthy food choices, this study proposed a conceptual framework and tested it using latent semantic analysis (LSA). Our proposed Consumers' Ad-Responded Food Choice Framework states that, upon viewing food advertisements, affect and cognition interplay with consumers' food choices. Salad and bread served as the healthy food stimuli while fattening burgers and fries served as the unhealthy food stimuli. Consumers' cognitive responses regarding healthy/unhealthy food ads were collected through open-ended questions in surveys.

Instead of the traditional content analysis in which manual coding is performed, our study employed Latent Semantic Analysis (LSA). LSA was introduced in the early 1990s (Deerwester et al. 1990) as an information retrieval technique and was later extended to a theory in psychology and cognition (Landauer 2007). The mathematics of LSA are based on a matrix operation called Singular Value Decomposition (SVD) that extracts simultaneous principal components in two sets of variables, corresponding to the documents and the terms used in the collection. The implementation of the factor analysis approach to Latent Semantic Analysis followed the steps outlined in Sidorova et al. (2008). The first step was compiling the dictionary. Words appearing only once in the comments and common English words were excluded. Then term stemming was applied and the initial Singular Value Decomposition further reduced the number of significant stemmed terms to 330. Coding was performed through compiling a term-by-observation frequency matrix, which was then transformed by implementing a scheme known as Term Frequency-Inverse Document Frequency (TF-IDF) (Salton and Buckley 1998; Han and Kamber 2006, p. 619). Finally, another SVD produced two sets of factor loadings: loadings for terms and loadings for observations. Factor labeling was ac-

complished through co-examination of high-loading terms and observations.

Different factor solutions describe consumers' cognitive responses at a variety of levels of granularity, starting with a higher level 2-factor solution, proceeding with a 3-factor solution, an 8-factor solution, and ending with the more detailed-level 20-factor solution. The greater the number of factors extracted, the finer the picture generated about the processes occurring within consumers' minds. Among various alternative solutions, the 2-factor solution indicated that consumers had look-dominant, or *sensory* consideration and eat-dominant, or *action* considerations. The 3-factor solution, at a slightly more detailed level, helped disaggregate the higher level factors, bringing up appetizing effects and considerations on healthiness. The 8-factor solution, besides clearly differentiating the sensory factors of looks from the action factor of eating and bringing up the cognitive factor of healthiness, disclosed more specific themes, such as appetite, appeal, as well as the specific food items. The 20-factor solution told the most detailed story of what is going on in consumers' minds when they are shown healthy/unhealthy food advertisements. New factors appear to relate to consumers' feelings about the looks of the food and their concerns about the effects of eating it or not.

LSA content analysis disclosed rich information about consumers' thoughts. When the traditional content analysis was performed, even though the coding sheet was well developed and the coding process followed established guidelines, capturing much of consumers' cognitive responses remained difficult. LSA could also be used as a confirmatory factor analysis. Revisiting our proposed framework, LSA results suggest that the dimensions of affect (*look-dominant considerations*) and cognition (*eat-dominant considerations*) should be part of a framework that can explain consumers' food choices upon viewing food ads.

The limitations of LSA procedure were also discussed: (1) LSA procedure at current stage could only identify the themes in the text, not the relationships among the constructs; (2) when the meanings of the words are reversed by words like "not" or "n't," the current LSA technique cannot differentiate their differences. Methods to improve and future research were also suggested. References are available upon request.

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FOLLOW THE VALUE! TRACKING THE VALUE OF DESIGN THROUGH THE NPD PROCESS

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ABSTRACT

This article shows that product design can create four types of broad-based values for the consumer: (1) Social (2) Altruistic (3) Functional and (4) Emotional. Further it tracks these values through the product development process and highlights the major factors that help or hinder the value transmission process.

INTRODUCTION

The role of the product designer has come a long way from the provider of the “skin” to the product to a more essential and integral part of the NPD process. However, the value of product designer input into the end product and the creation of consumer preference has not been well conceptualized or quantified. There is a persistent and increasing need to understand the finer mechanisms through which the designer creates value and appeal for the consumer.

The intersection of design and marketing has become a growing area of interest, in need of a stronger theoretical base. Much of the existing work in marketing has focused on creating consumer preference for the product (e.g., Bloch 1995; Orth and Malkewitz 2008) and creating favorable aesthetic responses (e.g., Veryzer and Hutchinson 1998). Although, these are clearly important areas of study, several other questions remain unanswered. Although, it is widely known and accepted that product design creates value for the consumer and is one of the important reasons why consumers prefer one product over another, the mechanisms underlying these phenomena are unclear. Marketers lack a clear understanding of the types of values that product design can create and how it influences product preference (Boztepe 2007; Creusen and Schoorman 2005). Further, there is a lack of understanding of the constraints that impede the embodiment of design based value in the developed product (Madhavan and Grover 1998). We do not understand if the values that the product designers envision translate into values for the consumer (Perks, Cooper, and Jones 2005). Also, we do not have a detailed understanding of the conditions under which the transmission of values from the product designer to the target consumers occurs. These and related knowledge gaps need to be bridged in order to better understand the role of product design in creating value and preference for a product.

This study addresses several related and important research questions: What is the nature of the value structure generated through product design? What role do product designers play in generating this value structure in the NPD process? Are consumers able to identify and appreciate the values imbedded by product designers? and, What are the factors that influence the success or failure of this value transference process?

DESIGN-BASED CONSUMER VALUE

Consumers buy products for several reasons. One underlying explanation for why they buy products is that they provide value to their users. Holbrook (1999), based on the study of axiology, showed that consumer value is three dimensional and can be classified into eight different types of value: efficiency, excellence, play, aesthetics, status, esteem, ethics and spirituality. In the product design context, Boztepe (2007), based on Holbrook’s (1999) typology, identified four types of values that product design can create for the consumer: social, altruistic, functional and emotional (“SAFE” values hereafter). *Social Value* is the product’s ability to achieve the social objectives of the consumer (e.g., social status and self esteem). *Altruistic Value* is the value the product provides in being right, moral, and philanthropic. *Functional Value* is the way a product helps achieve practical ends. *Emotional Value* is the benefit of a product in terms of the emotions it elicits, which could be symbolic, metaphorical or dispositional. We next consider how design can create these types of values.

Social Value

Social value of products is derived from the status and esteem that a product design can provide (Boztepe 2007). This value is primarily derived from how others see the user of the product. Certain elements and materials used in the design can provide a consumer a sense of status.

Altruistic Value

The two underlying dimensions of altruistic value are ethics and spirituality (Boztepe 2007; Holbrook 1999). The active and other-oriented pursuit of ethics involves doing something for the sake of others. Consumers choosing a product because it is made of material that is environmentally friendly would be a good example of such a value.

Functional Value

Functional value is defined as the way a product helps achieve practical ends. It is primarily composed of two elements, efficiency and excellence (Holbrook 1999). Efficiency involves extrinsic value that results from the active use of a product or consumption experience as a means to achieve some self-oriented purpose. Excellence is the degree to which this value is achieved. Over and above the obvious value of design to communicate usability to the consumer, design can communicate reliability, durability and the compatibility of the design with other products (Noble and Kumar 2008).

Emotional Value

The most common value that design is connected to is emotional value. Two dimensions of the Holbrook (1999) typology affect the emotions of consumers: aesthetics and play. The phenomenon where aesthetics creates value for consumers has been widely noted by researchers and practitioners (e.g., Coates 2003; Postrel 2003). The aesthetic value of a product pertains to the pleasure derived from seeing the product, without consideration of utility (Hirschman and Holbrook 1982). Several aesthetic principles in a product's design can activate cognitive appraisals and emotion (Desmet 2002; Norman 2004). Elements of design can also provide connotations of play. For example, the rounded edges and "funky" colors of a game controller for Xbox 360 may connote a playful experience. This four-part SAFE value typology provides the framework for the development of hypotheses and an overall conceptual model guiding this study.

CONCEPTUAL MODEL AND HYPOTHESIS DEVELOPMENT

Recent literature has suggested that products should be seen as physical entities that are embedded with service and value (Madhavan and Grover 1998; Vargo and Lusch 2004). The NPD process is one way through which value is embedded in a product. The product designer can be an integral part of this process. The research framework shown in Figure 1 is fundamentally based on the connection between a product designer or design team and a consumer. The basic premise of the model is that the designer embodies the product with a configuration of SAFE values that are influenced by various external and interpretive factors before they are manifest in some level of consumer preference for a product. We identify the SAFE value configuration goals of the designer for the product at the ideation stage (T_0). After the product has been developed, we evaluate the SAFE value configurations in the manifest product (T_1). At this stage the manifest product may have value configurations different from the initial value conception. *Vision execution* is the effectiveness with which the initial value goals of the

designer are manifested in the final developed product. As shown in the Figure, we evaluate the effect of several market-based, organizational and designer factors on the vision execution.

At T_2 , consumers' SAFE value goals for their ideal product are assessed. At T_3 , consumers' SAFE value perceptions in the manifest product are measured. Individual factors such as *consumer expertise* will affect whether the values in the manifest product will be perceived. The degree to which the consumer perceptions of SAFE value in the manifest product match with designer perception of value is called *value transmission*.

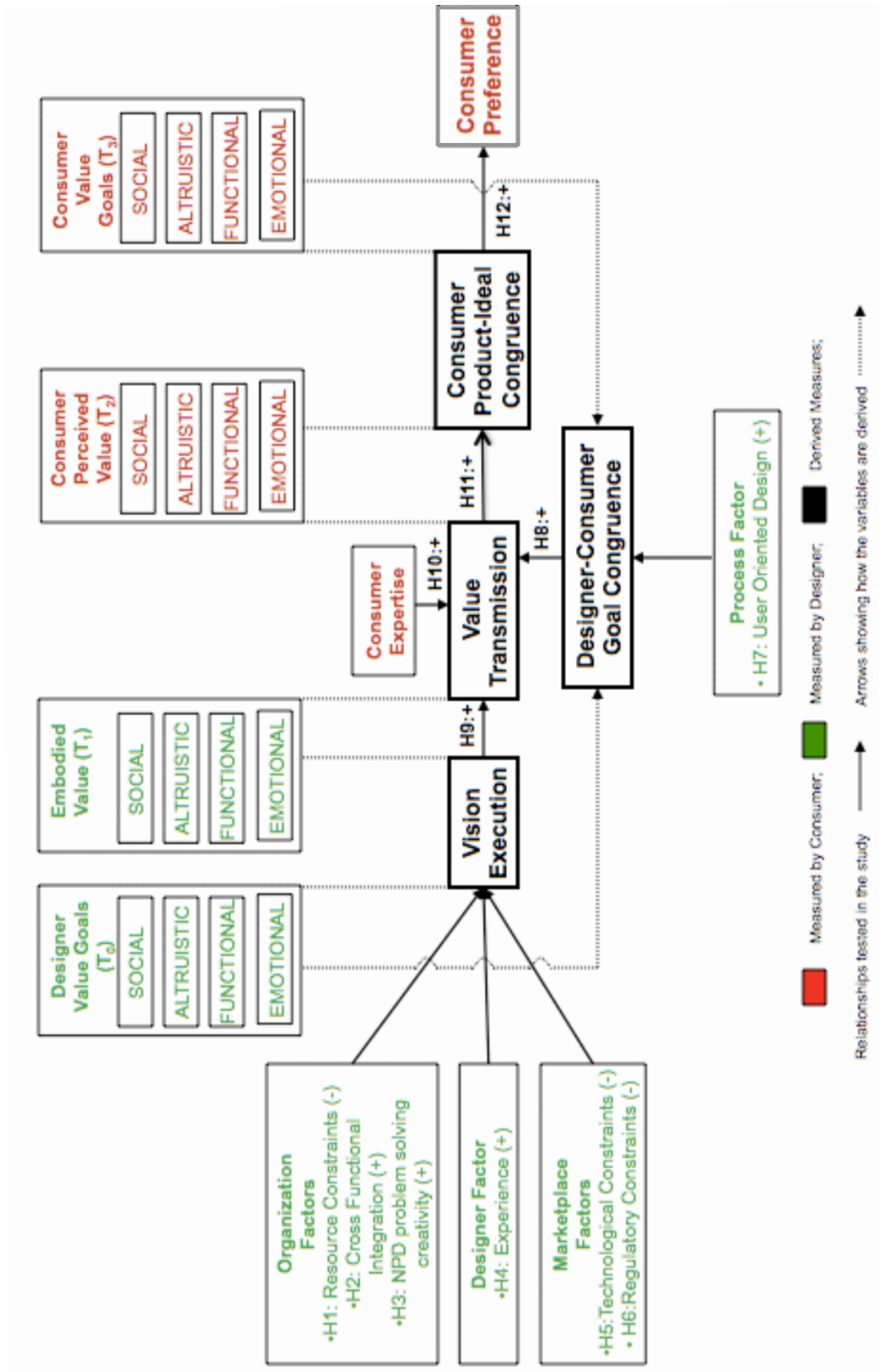
An important factor that will affect the transmission of the value is the *congruence between the value goals on the consumer and the designer*. In the NPD process this congruence is often achieved through involving the consumer in the design development process and making the process more *user oriented*. The congruence between consumer value goals and perceived value in the design (*Consumer product-ideal congruence*) determines how close the designed product is to the consumers' notion of an ideal product. The greater the consumer product-ideal congruence, the greater is the possibility that the consumer will prefer the product. In Table 1 we list all the hypotheses we tested in this model and the literature we rely on to develop them.¹

METHOD

Sample and Data Collection

The level of analysis for this project is the product-consumer dyad. The data were drawn from products under development at major *design services*² firms in the United States. To allow for generalizability, products under development from a wide range of categories and complexities were used (e.g., from Fondue forks to insulin pumps). The sample for the main study was comprised of two types of respondents: (1) product designers; and (2) consumers from the product's target market. The study was done in four phases for each of the 62 products included in this study. The overall data collection process lasted over a year (March 2007–February 2008). Phase I (T_0) occurred after the designer had received the design brief from the client company and included the "ideation," or conceptualization of the product in terms of value-based goals. At this stage, designers also rated organization-level competencies. Phase II occurred after the product prototype was created and the same designers evaluated the manifest product for the values it created for the consumer (this was T_1). At this stage, designers also rated constraints (marketplace and organizational), designer factors and NPD process factors for the particular product at hand.

FIGURE 1
Research Framework



In the next phase (Phase III) consumer subjects were drawn from the design firms' consumer testing panels. The panels were screened for the current users of the category of the product. Following this, these consumers were solicited for participation in the study via emails and then phone calls. Participants were monetarily compensated for participating in the study on the premises of the design companies. The participants were first surveyed on the values their "ideal" product would possess. In Phase IV of the research, these same subjects used the products and rated them for the values they perceived.

Measures

This study used established or slightly modified scales for product expertise (Mishra, Umesh, and Stem 1993), social value (Sweeney and Soutar 2001), functional value (Sweeney and Soutar 2001), emotional value (Sweeney and Soutar 2001) and cross functional integration (Song and Parry 1997). All the modified scales were pretested. It was also necessary to create scales for the following variables: altruistic value, regulatory constraints in NPD, technology constraints, resource constraints, NPD problem solving creativity, user oriented design, and consumer preference. We followed standard scale creation (Chruchill 1979) procedures to prepare these scales.³

This research takes the gap analysis approach in measuring some of the constructs. More specifically, the constructs "vision execution," "value transmission," "consumer-product ideal congruence," and "designer-consumer goal congruence" are all calculated as a Euclidean distance score. This method of assessing the congruence between ratings has been successfully used by researchers in multiple contexts (e.g., Brown and Swartz 1989; Parasuraman, Zeithaml, and Berry 1988, 1994; Vorhies and Morgan 2005). To cross validate the Euclidean distance scores and check for convergence of measures, direct measures of vision execution and consumer-product ideal congruence were included in the survey.

RESULTS

Data Analysis

Through four stages of data collection a total of 322 viable product-consumer dyads were collected. Gerbing and Anderson's (1988) two-step approach to data analysis was used here to analyze the data. A confirmatory factor analysis was first conducted which was followed by a test of the structural model in AMOS 7.0 (Bollen 1989). To ensure acceptable parameter estimate-to-observation ratios, the measures were divided into two subsets of theoretically related variables (per Bentler and Chou 1987; Vorhies and Morgan 2005). These groupings were based

on the source of respondents: designer variables and consumer variables. The factor analytic model for the designer factors provided a good fit for the data (chi-square = 244 with 215 df, CFI = 0.98, TLI = 0.98, IFI = 0.98, RMSEA = 0.04). The CFA model for the consumer variables also provided a good fit to the data (chi-square = 40.2 with 24 df, CFI = 0.99, TLI = 0.98, IFI = 0.99, RMSEA = 0.04). The psychometric properties of the scales were assessed using standard factor analytic procedures.⁴

Hypothesis Testing

The data were standardized and the structural model was run, showing strong fit statistics (chi-square = 710.2 with 499 df, CFI = 0.92, TLI = 0.92, IFI = 0.91, RMSEA = 0.08). Table 2 summarizes the results of the assessment of the structural model. The core of the model and the related hypotheses were largely supported. Several factors were found to positively influence vision execution including NPD problem solving creativity (H_3) ($\beta = 0.30$, $p < .001$), cross-functional integration (H_2) ($\beta = 0.23$, $p < .001$), and designer experience (H_4) ($\beta = 0.40$, $p < .001$).

As can be seen from the table the core of the research model was well-supported. The data supports a strong relationship between vision execution, value transmission, consumer-product ideal congruence and consumer preference. However, certain constraints related to vision execution were not supported. In the next section, we consider the implications of these results.

DISCUSSIONS, CONTRIBUTIONS, AND IMPLICATIONS

The Nature of Design Value

This study provides strong support for the four-part conceptualization of value of derived from Holbrook's (1999) typology. Social, altruistic, functional and emotional value can all exist in a product design and, as this study has demonstrated, can be passed on from designers to the ultimate consumer, influencing their product preference. Designers can embed these value dimensions in various ways. Social value is often created by creating design elements that appear sophisticated, or "cool," and by increasing the user's sense of social acceptance and self-esteem. Designers create altruistic value by using technologies and materials that are more environmentally friendly. Functional value is at the heart of making a product that is effective in achieving its intended purpose. Emotional value is created by using aesthetics and symbolic elements in the design. When these value bases resonate with the consumers or the target market, the embedded value becomes salient in consumers' decision making.

TABLE 1
Table of Hypotheses

Hypothesis	Literature base
H₁: The greater the resource constraints, the lower the vision execution.	Montoya-Weiss and Calantone (1994); Sivadas and Dwyer (2000)
H₂: Greater cross-functional integration leads to better vision execution.	Song and Parry 1997; Beverland (2005); Dougherty and Heller (1994); Bond et al. (2004)
H₃: The greater the NPD problem solving creativity, the greater the vision execution.	Dougherty and Heller (1994); Cooper (1979)
H₄: Greater designer experience leads to greater vision execution.	Tesluk and Jacobs (1998); Quinones, Ford and Teachout (1995)
H₅: The greater the technological constraints, the lower the vision execution.	Goldberg, Lehmann and Mazursky (2001); Slotnick and Sobel (2002)
H₆: The higher the regulatory constraints, the lower the vision execution.	Gupta and Wilemon 1986; Souder, Sherman and Cooper 1998
H₇: The greater the use of UOD processes in the NPD effort, the greater the designer-consumer goal congruence.	Veryzer et al. (1999); Borja de Mozota (2004)
H₈: The greater the designer-consumer goal congruence, the greater the value transmission of the product.	Madhavan and Grover (1998); Zeithaml (1988)
H₉: The greater the vision execution of the project, the greater the value transmission.	Shenhar et al. (2001)
H₁₀: Consumer expertise is positively related to value transmission.	Alba and Hutchinson (1987); Schoormans et al. (1995)
H₁₁: The higher the value transmission to the consumer, the higher the consumer-product ideal congruence.	Shocker and Srinivasan (1974)
H₁₂: The higher the product-ideal congruence, the greater the preference for the product.	Carpenter and Nakamoto (1989); Shocker and Srinivasan (1974)

Value Transmission

The results from this study indicate that product designers play a very important role in the creation of value in the product development process. It can be inferred from the strong support for hypotheses H₉, H₁₁, and H₁₂ that designers' initial conceptualizations of value bundles in a product are not only transferred into the developed product but are also typically perceived and valued by target consumers. More specifically, H₉ shows that when the designers' initial conception of value bundles in a product is largely manifested in the actual product created, the target market consumer is also able to see similar value bundles in the created product. In other words, the consumer "gets"/perceives how the different values are being created for him/her.

This is empirical support for the current movement to give designers a greater say in the NPD process. The support for H₁₀ demonstrates that a consumer who is an expert in a product category is more discerning about the different types of values the product design may create for him/her. Support for H₈ and H₁₁ shows that the congruence between the designer's goals and the consumer's goals need to be as close as possible for the consumers to not only perceive the value but also to find salience with consumers.

The support for H₉ underscores the importance of making the NPD process user-centered or user-oriented. The more the designers study user experiences using ethnography, behavioral and other qualitative methods, the more their value goals are aligned with the consumers' value goals. H₁₁ shows that when value transmission

TABLE 2
Results of Path Analysis

	Paths Modeled	Predicted Direction	Coefficient	t-value	Hypothesis Supported
Resource constraints →	Vision execution	-	-0.097	-0.82	No
NPD problem solving creativity →	Vision execution	+	0.316	2.895*	Yes
Cross functional integration →	Vision execution	+	0.237	2.06*	Yes
Tech constraints →	Vision execution	-	-0.072	-0.66	No
Regulatory constraints →	Vision execution	-	-0.02	-0.18	No
Designer experience →	Vision execution	+	0.4	4.07*	Yes
User-Oriented Design →	Designer-Consumer Goal Congruence	+	0.4	3.33*	Yes
Consumer expertise →	Value transmission	+	0.21	3.43*	Yes
Vision execution →	Value transmission	+	0.69	13.87*	Yes
Designer-consumer goal congruence →	Value transmission	+	0.4	8.32*	Yes
Value transmission →	Consumer product-ideal congruence	+	0.75	9.48*	Yes
Consumer product-ideal congruence →	Consumer preference	+	0.88	12.00*	Yes
Model Fit: $\chi^2 = 710.2$, 499 d.f., $p < .001$; CFI = 0.923; RMSEA = 0.08					
*Significant paths based on a two-tailed test ($p < 0.001$)					

happens, it is more likely that the products are closer to the consumers' conception of an ideal product. In other words, designers appear to be effective consumer visionaries in that the closer the manifest product is to their initial vision, the greater is the possibility that the product is closer to the target consumers' conception of an ideal product. This is a powerful finding supporting the appropriate growing influence of the design function in new product development (Brown 2008; Hertenstein et al. 2005).

Facilitating and Hindering the Process

This research also explored the factors that may support or hinder the execution of the designer's initial vision of values into the final product. The results show that NPD problem solving creativity plays an important role in the execution of the initial designer goals. This result is consistent with previous findings and assertions in the literature (e.g., Amabile et al. 1996; Moorman and Miner 1997; Oldham and Cummings 1996).

Designer experience was also found to be a significant predictor of the degree to which the initial vision of the designer is manifested in the final product. More experienced ID professionals are more successful at vision execution because they are able to use greater repositories of both tacit and explicit knowledge than designers with lesser experience, to bring their initial visions to fruition in the developed product. Cross functional integration was also an important influence on vision execution. This result is consistent with past organizational research but, more importantly, suggests that designers should not be autonomous players, but integral members of a new product development team (e.g., Henderson and Cockburn 1994; Kogut and Zander 1992).

It was hypothesized that project resource constraints (resources, technology and regulatory constraints) would

hinder the execution of the initial vision of the project. While these factors do not seem to affect vision execution significantly, the parameter estimates for these relationships point to negative effects on vision execution, suggesting some support for this contention. However, the lack of statistical support can be explained by the fact that designers may have collectively used their tacit and explicit knowledge gained from their experience to anticipate and creatively problem-solve through resource constraints. Necessity is the mother of invention. Resource constraints have also been seen to spur creativity not just at the individual level but at the organizational level (e.g., Burroughs and Mick 2004; Kazanjian, Drazin, and Glynn 2000). Also, a more experienced designer, over and above having the tacit and explicit knowledge, has better social connections, power, and influence in the company, leading to greater trust among others on the NPD team. Evidence of resource constraints being overcome by creativity and experience have also been found in other studies (e.g., Kogut and Zander 1992).

The purpose of this research was to respond to the need to understand the underlying mechanisms through which the product designer and product design can create value and preference for a product. After a protracted and rigorous research process, several valuable and intriguing answers to these questions have emerged. Consistent with recent trends, the results show that the product designer plays a central role in the creation of consumer value. Further, this value can be tracked in a multidimensional and useful way through to the development of consumer preference. As innovation is increasingly seen as the heart of any successful organization (Chandy and Tellis 1998), key players in that process need to be identified and understood. This study highlights and advances our knowledge of the key role played by product designers in innovation-driven product development.

ENDNOTES

- 1 Due to space constraints and the number of hypotheses we have we are unable to provide an in-depth explanation of how the hypotheses were developed.
- 2 This is a category of firms to whom large manufacturers of consumer durables often outsource product development to (e.g., IDEO, Design Continuum, Lunar Design, Ziba design among a others).
- 3 The authors are unable to provide the scales due to the

space constraints and the total length of the scales of for the 21 constructs.

- 4 We followed standard procedures outlined by researchers (Bagozzi and Yi 1988; Fornell and Larcker 1981; Hair et. al. 2006). Please contact authors for details. The authors are grateful to the Marketing Science Institute (MSI) for funding this project, to the design companies that participated in the research, and to Douglas Vorhies for his insightful comments on the project.

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EFFECTIVE DOWNSTREAM COUPLING OF INNOVATIONS: HIGH PERFORMANCE ANTECEDENTS AND IMPLICATIONS FOR MANAGEMENT

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SUMMARY

Purpose

Previous empirical studies of new product performance provide evidence of diverse antecedent factors. Drivers identified usually relate to strategy, development process, teams, leadership, organizational and external environment factors which can influence new product development outcomes (Atuahene-Gima 1995; De Brentani 1989; Langerak et al. 2004; Cooper 1994; Cooper and Kleinschmidt 1995; Song and Parry 1997; Maidique and Zirger 1984; Balbontin et al. 1999; Cooper and Kleinschmidt 1995). However, most NPD empirical studies almost exclusively focus on the direct influence of these antecedents on new product performance and neglect the importance of downstream coupling (external coordination). A great deal of literature addresses internal coordination, but considerably less on downstream coupling. Our study helps address this gap by coupling internal coordination with downstream (external) coordination to investigate the indirect influence of market orientation, project leadership style, and cross-functional integration on new product performance. The two main downstream mediators are the timing and speed to market and launch efficiency.

Design/Methodology/Approach

The empirical study employs a retrospective methodology with a sample of U.S.-based product managers from the Product Development & Management Association database. A mail survey instrument was developed wherein respondents used as a stimulus one of their company's most recent new product launches, which was "characteristic" of their firm at the time of launch and for which they would provide detailed information. Except for the performance measures, the measures for market orientation, cross-functional integration, project manager's participatory style, timing and speed to market, and launch proficiency were measured on 0 to 10 Likert-type scales. The total sample size was (183) and Partial Least Square (PLS) was used to test the hypothesized model.

Findings

Consistent with prior literature, where available, our model includes timing-speed to market and launch efficiency as antecedents of cash-to-cash new product performance. We find both antecedents significantly related to better cash-to-cash performance. Additionally, market orientation, project leadership style, and cross-functional integration were proposed as precursors to the two antecedent variables. All of these relationships confirmed significantly; with a single exception, cross-functional integration was not related to timing and speed to market. Thus, we find good support for our model of cash-to-cash performance.

Implications

Our research provides both a theoretical contribution and managerial implications. We build and test a model of the factors antecedent to cash-to-cash new product performance. This is critically important as validation of a metric, which crosses the marketing/R&D/Financial divide, at the project level. While we find general support for our model, the single insignificant finding provides interesting insights that suggest possible future research: the relationship between cross-functional integration and timing and speed to market seems to be more complex than current literature suggests. Our results are also of interest to managers, especially those who are seeking to implement a cash-to-cash metric. We show the importance of implementing a market orientation, increasing cross-functional integration, and adopting a participatory leadership style are all related to improving either timing and speed to market or launch efficiency, or both. All of these act in one way or another to improve the cost profile at launch, improve speed of adoption (increased early revenues) or match production learning to speed of adoption; each of which improves the time-to-break-even metric and consequent cash-to-cash performance. References are available upon request.

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NEW PRODUCT DEVELOPMENT DECISIONS: MAKING SENSE OF THE SMÖRGÅSBORD

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SUMMARY

Drawing from a survey of product development managers, Griffin (1997) notes that new product development (NPD) process change is evolutionary and moves forward on multiple fronts. Moreover, change programs typically exhibit a lag in profit performance improvement because employees' attitudes toward the organization and change evolve in time (Mirvis and Lawler 1977). Therefore, analyzing employees' assessments over time is a leading indicator of future profit performance. Despite that, there is dearth of longitudinal examination of decision making in NPD process implementation. Hence, research in this area is warranted. More specifically, product approval decision making quality is not examined in extant literature. Another area that past research has largely neglected is investigating whether NPD decision making practices differ by the type of product innovativeness. However, these decisions are important as they shape the new product opportunities seized and the resources committed to developing these new products. Thirdly, to-date, no study examined the decisions in all NPD phases in a single study. However, research suggests that decision making differs significantly throughout the NPD process (cf., Gultinan 1999; Hart et al. 2003).

To address the abovementioned gaps, in this study, a traditional manufacturing firm is observed over a year as it evolved its NPD processes to accommodate an increased emphasis on innovation. A case study method was used to observe decision making while implementing a new NPD program. Moreover, to enhance data quality, data were collected from several sources, such as internal memorandums, process phase description documents, in-depth interviews, and two on-site surveys (Yin 1994).

The firm examined in this study is a medium-sized strategic business unit (SBU) of an international manufacturing conglomerate. Less than two years prior to the research study, the conglomerate mandated its SBUs to grow organically. In order to comply, the case site SBU, which operates in a mature and moderately dynamic industry, hired someone with extensive NPD experience,

who subsequently launched a new, phased NPD process with eight steps and initiated the implementation of this new process with cross functional teams. The major change was the addition of an initiation phase and the formalization of the entire initiation and implementation phases. As can be seen, in this study, the NPD process is conceptualized as being composed of initiation and implementation phases, following other similar work (cf., Damanpour 1999; Troy et al. 2001). While the initiation phase includes identification of opportunities and generation of new product ideas, implementation phase tasks include screening concepts, developing and testing products, and commercialization activities (di Benedetto and Crawford 2008; Troy et al. 2001).

Breaking established practices is difficult in organizations that set a goal for change. In this study, an SBU of a corporation is observed when responding to a mandated strategy change of growing via new product development. The significant worsening of many activities such as initiation phase proficiency that is observed in this study can be explained with extant literature: the effects of change efforts may appear long after the initiation of the change program or sometimes firms experience change fatigue. In addition, some novel lessons are learned from the longitudinal investigation, revealing similarities in this Smörgåsbord-like buffet of decisions.

One prescription that can be advised on the basis of this research is that managers should acknowledge that decision making processes and their comprehension by worker bees significantly affect an NPD program's success. Also, removing go-no go decisions by the product approval committees at each phase may not lead to faster product development because these executive committee meetings have double entendre: they are not only to get the executives informed and get their signoff, but also act as facilitators to capital investment approvals. Hence, in order to alleviate the hidden costs of accelerating product development (Crawford 1992), appropriate measures must be taken to remove or ease all bottlenecks in the NPD process. References are available on request.

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SHOULD YOU SPEED INNOVATIVE NEW PRODUCTS TO MARKET?¹

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SUMMARY

The success of new product development efforts is judged by a variety of inter-related internal outcomes such as development team's performance (Montoya-Weis et al. 2009) or project survival rates (Schmidt et al. 2009) and externally focused outcomes such as customer acceptance (Klink and Athaide 2010) or percentage of sales from new products (Bremser and Barsky). Here we examine the relationships between speed to market, quality, costs, and profitability (Langerak et al. 2008). The relationships among these outcomes are important to managers as they attempt to best establish incentives and set goals for new product development teams (Swink 2003) determining resources needed for new product development (Griffin 2002) or defining positional advantage in the market (Carbonell and Rodriguez 2006). However, the line of reasoning that firms should always speed new products to market is not without controversy (Langerak et al. 2010). While both scholars and managers have often acquiesced to performance tradeoffs between "faster, better, and cheaper" (Swink et al. 2006) here we attempt to better understand the inter-relationships between these objectives, and ultimately profit.

This research also examines the role of both innovativeness to the firm as well as innovativeness to the market in determining the interrelationships between the three new product development outcomes. Examining these two distinct dimensions may also prove necessary to understanding the relationships between speed, quality, and costs. Innovativeness to the firm may alter the profit impact of long development cycles since new capabilities must be developed for this type of project (Chen et al. 2005). Similarly, innovativeness to the market may affect the role of speed in determining quality and profitability due to higher levels of uncertainty in these development efforts (Calantone et al. 2006).

Based on the gaps discussed above, a cross-sectional survey was conducted. The initial sampling frame included 1403 innovative Spanish firms operating in different sectors: consumer products, chemical products, machinery and transport devices and electric and electronic machinery. To be eligible, firms had to meet two criteria. First, the firm must have developed and launched a new product in the last three years (Lee and O'Connor 2003). Also, the product must have been on the market for at least

12 months to ensure that sufficient time had elapsed to be able to evaluate the product and its performance (Langerak et al. 2008). Data were obtained through a key informant technique, which is consistent with prior studies (Calantone et al. 2003). Before collecting the data, two pre-tests were conducted. One pre-test used six R&D and marketing executives while the other drew on six academics. Feedback from these pre-tests improved the clarity of the questionnaire and ensured effective, accurate and unambiguous communication with the respondents. Data was collected through a web-based questionnaire. Respondents were offered a free summary of the most relevant findings of the study and a small gift in exchange for their participation. Several authors, including Jobber et al. (2004), have shown that this approach increases the final response rate. In all, 197 usable responses were received, for a response rate of 14.04 percent, which is consistent with other studies (Sivadas and Dwyer 2000). Chi-square distribution analyses revealed no significant differences between our sample and the population it was drawn from in terms of industry distribution, number of employees and sales volume. In addition, we used Armstrong and Overton's (1977) time-trend extrapolation procedure to test for non-response bias. In comparing early and late respondents, no significant differences emerged in the mean responses on any of the constructs.

Our multi-item scales were predominantly drawn from prior studies. However, in order to analyze the validity of the reflective measures, we conducted a confirmatory factor analysis (CFA) using Lisrel 8.8. Results revealed acceptable levels of uni-dimensionality, reliability, convergent and discriminant validity, based on widely accepted procedures (Anderson and Gerbing 1988; Bagozzi and Yi 1988; Fornell and Larcker 1981). Following using structural equation modeling, we examined the relationships proposed in the theoretical model.

Result of the present study shows that, the relationship between speed and quality is more positive for products, which are highly innovative (to the market or the firm). Further, for less innovative to the firm products there is a stronger relationship between speed and profit. By being conscious of projects' levels of innovativeness (along with prioritizing various performance measures) managers can more rationally decide when to emphasize speed to market based on this study's findings.

We believe this study contributes to existing literature by providing new insights into the relationships between speed, quality, cost and profitability. From a managerial point of view, this research provides valuable

information on how to increase the effectiveness of speed to market, by considering the role of product innovativeness to the firm and product innovativeness to the market. References are available upon request.

ENDNOTES

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SEEING IS BELIEVING: VIDEO REVIEWS AS A SUBSTITUTE FOR HAPTIC INFORMATION

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SUMMARY

A key problem in online shopping is the consumer's inability to obtain sensory information about the product before purchase. Extant research clearly supports the view that some consumers have an inherently higher need for touch (NFT) such that it negatively impacts their online purchases (Citrin et al. 2003; Peck and Childers 2003a, 2003b). Similarly, certain products elicit a higher desire to touch (e.g., clothing, cell phones) than others that have a relatively lower desire to touch (e.g., music cd, memory cards). Even for products behind display cases in physical retail locations, the inability to touch has been shown to decrease confidence in product evaluation and increase frustration (Peck and Childers 2003a). Yet, despite customer frustration and dissatisfaction with this shortcoming of online shopping, there has been limited research targeted at finding a suitable substitute for direct haptic information.

This study aims to address this problem by determining the potential of video reviews to act as substitutes for the opportunity to touch. Current technology does not offer an easily implementable substitute for physical touch in online environments. For low NFT consumers, Kirmani and Rao (2000) suggest the use of non-haptic cues such as a strong brand name and low prices as a means to reassure consumers of quality and performance and to reduce perceived risk. However, this is unlikely to work for high NFT consumers. Strong haptic written descriptions and visual depictions of products have been put forth as partial solutions for high NFT consumers (Peck and Childers 2003a). Previous research in the field of advertising provides evidence in support of the use of short infomercials as a viable substitute for direct experience (Singh, Balasubramanian, and Chakraborty 2000). Given that touch is often conceptualized as a form of direct experience with the product (Peck and Childers 2003a) we propose that video reviews can act as a substitute for touch by providing consumers with a means to obtain haptic information vicariously.

A series of 3 experiments were conducted to investigate the relative effectiveness of pictures, video reviews and direct experience in reducing consumer frustration and perceived risk while improving confidence in evaluation, attitude toward the product, purchase intention and purchase experience. A 2x2x3 repeated measures design

was utilized for this study. Two levels (low NFT, high NFT individuals) X 2 products (low desire to touch, high desire to touch products) X 3 conditions (pictures only no touch, pictures only with opportunity to touch, pictures and video review) were used. A website replicating the functionality of an online retailer was professionally developed for this study. Two versions of the website represented the two main conditions (pictures only, pictures with a video review). The third condition allowed the participants to touch the actual product in a mock store setting in addition to viewing the website corresponding to the picture only condition. Products used in the study were pretested and established measures were adopted from previous studies for all the dependent and independent variables.

A multivariate analysis of variance (MANOVA) was conducted using SPSS 16 with NFT, the condition, and the product type as the independent variables while controlling for attitude toward the brand. No significant NFT main effect was found and no significant interaction effect was found for NFT and the three conditions, even across the two product types. This suggests that differences in consumer inherent need for touch do not significantly affect any of our dependent variables. However, there were significant interaction effects between product type and condition. Specifically, consumer attitude toward the product was significantly different across the two products in the pictures only and pictures and touch conditions, but not in the picture with video review condition. For the high desire to touch product, there was no significant difference between the consumer attitude toward the product in the video review condition and the touch condition. Similar results were obtained for overall purchase experience and confidence in evaluation. For both high and low desire to touch products the only significant difference was for overall purchase experience, which was highest whenever touch was possible.

The primary goal of this article was to investigate the use of video reviews as a means to alleviate NFT in online environments. Our results indicate that video reviews can replace touch in online environments for both low and high desire to touch products. For low desire to touch products the results suggest that video reviews may actually work better than touch. For products that elicit a higher need for touch, video reviews can serve as an excellent substitute in reducing risk, increasing confi-

dence in evaluation and in increasing purchase intention where the opportunity to touch the product is not available. These findings have profound implications for online retailers. Given the limited resources necessary to add

video reviews to an existing website, this strategy could greatly help all online retailers, especially those that specialize in selling products that elicit a higher desire to touch. References are available upon request.

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AN EXAMINATION OF BRAND PRESENCE STRATEGIES IN THE 3D VIRTUAL ENVIRONMENT

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SUMMARY

Many companies are developing a brand presence in 3D virtual environments such as Second Life. However, prior research has offered little guidance in terms of identifying and evaluating brand presence strategies. This study examines two types of virtual brand strategies: realism and fantasy. Based on a sample of registered Second Life users, the findings from this research indicate that a brand presence strategy with a high degree of realism is perceived to be useful for evaluating a brand when consumers have a functional shopping goal. Furthermore, virtual brand experiences that are believed to be useful for evaluating a brand are found to influence purchasing decisions in multiple marketing channels.

Companies can establish a presence in the virtual environment in several ways. For instance, some companies use a virtual brand strategy where they focus on providing a realistic and simulated experience with the intent of letting consumers evaluate their products. Others employ a fantasy-based brand experience with a focus on heightening the user's experience rather than on providing experiences with the product for evaluation. How consumers respond to different brand presence strategies in the virtual world may depend on their motivations and goals for using the virtual world (Hemp 2006; Arakji and Lang 2008). Some users may be interested in learning about and evaluating real world products through simulated experiences. Others may be more interested in a fun, fantasy-based experience with the brand. Understanding user motivations for using virtual worlds is important for developing effective brand presence strategies (Kaltcheva and Weitz 2006). These companies are establishing a brand presence in virtual environments with the hope that they will be able to influence consumer attitudes and behavioral intentions, thus translating into sales in other marketing channels. Favorable trial experiences with products in the virtual world may lead to purchases in the real world. However, this relationship between virtual brand experience and real world purchasing intention and behavior has not been empirically tested, and serves as an important gap in the literature.

The current research has two primary objectives: (1) investigating the moderation effect of consumers' shopping goals (e.g., functional, hedonic) on the relationship between perceived realism of the virtual brand experience

and perceived usefulness of that experience, and (2) examining the impact of perceived usefulness of the virtual brand experience on purchasing intention and behavior within virtual and real world marketing channels.

The research goals in this paper were investigated using an online questionnaire that was administered to a sample of 209 registered users of the popular virtual world, Second Life. Few studies have collected data from real virtual world users as most research has employed laboratory experiments using student participants (Wang et al. 2007; Holzwarth et al. 2006). The survey asked respondents to think about real life brands that they have encountered in Second Life. Participants were then instructed to select one brand that they have had the most memorable experience within Second Life, and answer the questions on the survey with that brand in mind. Partial Least Squares (PLS) regression and structural path analysis was used to test the hypotheses.

Our findings provide substantial evidence that perceived realism of the virtual brand experience has a significant positive effect on perceived usefulness. Virtual experiences with a firm's brand, products, and presence that are consistent with the firm's real-world image and offerings are perceived to be more useful for evaluating the brand's product offerings. Consumer shopping goals (functional, hedonic) were found to moderate the relationship between perceived realism and perceived usefulness. Consumers with functional shopping goals perceive a virtual brand experience to be more useful for evaluation when the brand experience is highly realistic. These findings suggest that it is pertinent for marketers to consider the motivations and goals of consumers in designing virtual brand presence strategies and to ensure that there is compatibility between consumer shopping goals and the type of information provided by the virtual experience. We also find that when a virtual brand experience is perceived to be useful for evaluating the brand it has an influence on consumers' purchasing intentions and behaviors in both the virtual and real world. This finding has important implications for marketing managers as it demonstrates the ability of virtual brand experiences to shape consumers' buying intentions and behavior in the real world. Overall, the results of this study provide additional support for cross-channel effects between online and offline channels (Kwon and Lennon 2009).

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OVERCOMING PRIVACY CONCERN AND ENHANCING INFORMATION SHARING WITH E-VENDORS: THE ROLE OF INITIAL TRUST AND INCENTIVES

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SUMMARY

Collecting personal information from customers is an unavoidable element for Internet merchants to effectively deliver their goods and services to customers. Indeed, the potentialities of e-commerce can only be realized if consumers are willing to transact—thus disclosing personal information—with unseen and unknown e-vendors. However, many potential customers have concerns about whether on-line firms will safeguard personal information. The ease with which data can be acquired and disseminated across the Web, have led to many potential customers' growing privacy concerns regarding disclosing their personal information. Three-fourths of non-users regard the Internet as a threat to their privacy (Cole 2001), suggesting that for potential shoppers, on-line privacy invasion is a strong deterrent. Threats to privacy may lessen participation in on-line commercial activities and are of particular concern to new users, thereby limiting the growth potential of on-line commerce (Rifon et al. 2002). Starting with the basic assumption that consumers are reluctant to disclose personal information due to privacy issues (Im et al. 2008), a recent line of research on this matter has applied self-disclosure theories (e.g., Andrade et al. 2002; Jacobs et al. 2001; Moon 2000, 2003; White 2004). These theories suggest that consumers' willingness to disclose personal information is based on their assessments of the costs/risks and benefits (Andrade et al. 2002). Hence, they adopt a social exchange theory perspective (Ajzen 1977), suggesting that self-disclosure is engaged and interpreted in terms of the costs and benefits for themselves (Andrade et al. 2002). The development of consumers' initial trust (Koufaris and Hampton-Sosa 2004; McKnight et al. 2004; Wang et al. 2004) and the offering of a compensation for disclosing their information (Andrade et al. 2002) are among the approaches that companies can implement to alter their cost-benefit analysis and encourage information disclosure. In this study, we therefore rely on self-disclosure theories to examine the effects of two relevant antecedents of information sharing with unknown e-vendors, namely trust and compensation. Although identified within self-disclosure theories, previous studies have mainly investigated these antecedents separately. In this study we

test both the main and the interaction effects of those two variables on information disclosure. Furthermore, we analyze the role of these two variables not only regarding customers' willingness to divulge information—the dependent variable of most of the prior research—but also regarding their actual disclosure behavior toward e-marketers. Indeed participants were required to register to a web-site that has been created for the study; this allowed us to measure their actual information disclosure to that website. This research is therefore a first effort to conduct empirical research more realistically than previous studies did. We conducted two experimental studies to test the role of initial trust and incentives on information disclosure. Both studies were designed as a 2 (initial trust: high vs. low) x 3 (compensation type: no compensation, monetary and non monetary compensation) between-subject design. The only difference between the two studies was the sample. In Study 1 data were collected from 163 undergraduate and graduate students enrolled at a large northern university in Italy; in Study 2 the 178 participants were not students, but working people—hence, with an income—aged between 35 and 64 years. The study controlled for two variables considered as potential covariates: the personal attitude toward mobile phone services (the product category chosen for the study), and the attitude toward on-line shopping in general.

Results related to willingness to provide information (attitudinal measure) diverge from those based on the actual disclosure behavior (behavioral measure). This study therefore overcomes a major limitation of previous studies that were exclusively based on attitudinal dependent variables. What consumers claim or assert could, however, differ from what they actually do when facing a particular situation, implying some risk. Focusing the attention on the behavioral dependent variable, compensation appears more useful for improving information disclosure in the low trust condition than in the high trust one. This is consistent with Hui, Teo, and Lee's (Hui et al. 2007) results according to which compensation can offset the lack of privacy assurance, implying a sort of "tradability" of privacy. Here, compensation seems to offset the lack of initial trust in information disclosure. However these results do not mean that initial trust is

useless. Indeed, when compensation is lacking, trust always allows a higher disclosure of information. This implies that creating trust could be a valuable approach, based on immaterial resources, through which firms can increase consumers' disclosure. Finally, the difference in

the results obtained with the two samples implies that consumers' characteristics could be a promising variable that affects various strategies' effectiveness regarding information disclosure and which should be considered in future theoretical developments.

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HOW VIRTUAL EXPERIENCE-DRIVEN COMMUNITY IDENTIFICATION LEADS TO TRUST AND ENGAGEMENT: EVIDENCE FROM ONLINE GAME COMMUNITY

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SUMMARY

Background

A salient issue of great interest to marketers is how participants of online communities affiliate with a specific brand, object, or organization over time. The building of online communities is believed to be an effective means of marketing communication which yields multiple benefits, such as improving target marketing and brand awareness (MacAulay et al. 2007). Through communities, like-minded consumers are bonded together with common interests, which then influence other participants' behaviors.

While extant studies on online communities have contributed to understanding the antecedents and consequences of online members' participating intention (Wang and Fesenmaier 2003), little is known about how online experiences lead community members to engage in collective activities. We also suggest that online community trust is conducive to elicit participants' continual visits and volitional dedication to community. In addition, while community members are all embedded in a social context and influenced by surrounding people, it is pivotal to take social influence into consideration (Bagozzi and Dholakia 2002).

Purpose

The purpose of this research is to outline a conceptual framework of how online community experiences influence a community member's attitude and engaging behavior. We intend to: (1) identify the virtual experiences that influence the community identification and subsequently engaging behavior, (2) discuss how online trust facilitates participants' engaging behavior, and (3) examine both the effects of "within-community normative pressure" and "normative pres-

sure from outside of the community" on community members' collective actions.

Methodology and Findings

We used Partial Least Square (PLS) to test the measurement model and structural model. The result reveals good reliability and discriminant validity of our constructs. We found support of our conceptual framework by using online community members of *World of Warcraft* (WOW) as the analysis sample. In particular, this research contributes to the extant literature about the online community in several ways.

First, our findings reveal that some, but not all, types of experience could influence community members' engaging behavior through an increase in community identification and trust. We found a higher predictive power of sociability and hedonic experiences over pragmatic and usability experiences that reflect the utilitarian benefits of online experiences. Hence, managers are suggested to dedicate more resources to the web-space design of interpersonal interaction and hedonic value. We also found that members with high trust tend to engage in community activities, such as information sharing and task cooperation, because they have to rely on other participants for information sharing and task accomplishment.

Finally, while past studies on normative pressure focused on within-community pressure (Algesheimer et al. 2005), this study acknowledges the importance of normative pressure from outside of the community. Our finding of an inverted-U shaped relationship between normative pressure from outside of the community and community engagement implies that people in the real world who mean something to online participants would exert influences on their engaging behavior. Initially online participants are likely to increase their engagement for escape when encountering pressures from outside of the community. However, in the long term,

their engaging behavior will decrease inasmuch as the demands from outside of the community may distract online participants' time and efforts from community affairs. This

suggests that those usually ignored non-community members are indeed influential in determining a community member's behavior and decisions.

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EVALUATING THE EVIDENCE SUBMITTED TO PROVE SECONDARY MEANING IN TRADEMARK LAW

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ABSTRACT

This article examines the practice of registering descriptive trademarks under the federal trademark laws. Descriptive marks are a broad category of marks that are used by firms to build brand equity in the minds of consumers. The trademark law, however, places the burden of proving secondary meaning on firms that intend to register them. Secondary meaning requires proving an association in the minds of consumers that links the mark to the firm or its brand. Firms submit various types of evidence to prove secondary meaning. Until now, however, there has been a theoretically incoherent assessment of the relative efficacy of these various types of evidence. This article provides a theoretical foundation for assessing the various types of evidence firms submit to prove secondary meaning under current trademark laws and administrative practices.

INTRODUCTION

This article examines the evidence firms submit when they try to prove secondary meaning during the federal trademark registration process. Firms are required to prove secondary meaning when they seek to register descriptive marks (15 USC §§ 1052(e) & (f)). A descriptive mark relates primarily to the qualities, ingredients, or characteristics of the offering (Beckwith, Inc. v. Commissioner of Patents) and can include words, slogans and non-traditional trademarks including product shapes, colors and packaging. Descriptive trademarks are an important and broad category of marks used by firms in the marketplace to build brand equity. Descriptive trademarks are often used because they lower consumer search costs (Landes and Posner 2003) and convey additional information to the consumer regarding product attributes (Ibid.) The use of descriptive trademarks can also complement advertising efforts and communicate important qualities in cases where the product is new to the market (Landes and Posner 2003). For example, Microsoft used the word mark "Windows" when it initially branded its operating system software. This name was chosen because it described to consumer how the software worked.

When applying for descriptive marks, firms must show proof of *secondary meaning* by offering evidence that the mark creates an association in consumer's minds with a brand or other offering source (Inwood Laboratories, Inc. v. Ives Laboratories Inc.). For example, Microsoft submitted evidence that it had exclusively used and advertised the word mark Windows for five years in its particu-

lar markets. Also, when Apple, Inc. sought to separately register the three-dimensional shape of its iPod media player as a trademark, it was required to show that the player's shape independently generated an association in consumers' minds between the player's shape and the Apple brand (Orozco 2009). The evidence offered by firms to prove secondary meaning is, therefore, a critical step to secure descriptive trademarks in the federal trademark register. It is important to evaluate the different types of evidence firms use to prove secondary meaning given their varying costs. Affidavits, for example, are a low-cost option compared to surveys, which can cost hundreds of thousands of dollars (Thornburg 2005). Existing knowledge of the relative *efficacy* of the evidence used to prove secondary meaning, however, remains conceptually incoherent and largely anecdotal.

Trademark registrations are relevant to managers since they are linked to positive financial performance (Krasnikov, Mishra, and Orozco 2009). A significant challenge, however, exists for marketing managers to exploit these intellectual property resources. The firm's structure may create organizational challenges for managers to coordinate trademark opportunities across functional areas (Orozco 2009). In practice, legal professionals and marketers rarely collaborate despite their shared goals and interests (Cohen 1986). A lack of interaction among managers and trademark attorneys is likely to generate inefficiencies when firms decide to apply for trademark registrations. For example, the secondary meaning requirement may prevent some firms from registering valuable trademarks unless appropriate marketing actions were taken prior to the application (Orozco 2009). Achieving secondary meaning for descriptive marks can be effectively achieved if marketing managers understand the evidentiary requirements necessary to overcome this legal hurdle. To date however, there has been insufficient research that assesses the efficacy of various types of evidence submitted to prove secondary meaning. Such knowledge can guide legal counsel's discussions with marketing managers to reduce the risk that marketing investments will be made without assessing the registration risks involved with descriptive marks, and to increase the likelihood that marketing investments will maximize the probability of favorable trademark registration.

Insufficient trademark knowledge may yield negative consequences that extend beyond opportunity costs. Trademark use, or neglect, may have strategic implications. For example, some firms use legal knowledge to

exploit the value of abandoned trademarks¹ (Orozco 2009). These firms arbitrage trademarks that were abandoned after a product was discontinued (Gilson and Gilson 2008). Prior to abandonment, considerable marketing resources are often expended to build equity in defunct brands. The trademark arbitrageur identifies the residual brand equity and partners with companies who want to revive a brand. A careful strategy is chosen to target *sleepy* trademarks, or those that have been discontinued recently since the residual goodwill of these trademarks tends to be greater than long abandoned marks (Gilson and Gilson 2008). Through this process, the brand arbitrageur generates legal knowledge to choose what trademarks to revive, how to price and obtain them and with whom to partner (Orozco 2010). The brand arbitrageur applies legal knowledge to exploit an administrative procedure at the Trademark Office known as a petition to cancel a trademark based on abandonment (Orozco 2010). When the petition is granted, the arbitrageur takes ownership of the trademark through an intent-to-use application and then licenses it. For example, “White Cloud” was licensed by a brand arbitrageur to Wal-Mart, to the surprise and detriment of Procter and Gamble, its original owner (Lockhart 2007). Ironically, Procter and Gamble must now compete with its own customer (Wal-Mart) which markets White Cloud as its private label brand (Lockhart 2007).

Trademarks are associated with positive financial performance and have strategic relevance. It is, therefore, important for marketing managers to coordinate with legal counsel deploy marketing-specific resources to maximize the chance of obtaining trademark rights. As introduced below, marketing activities intersect with the trademark law doctrine of secondary meaning through the concept of consumer-based brand equity.

The article proceeds as follows. Section II examines the relationship between secondary meaning and consumer-based brand equity, and how firms achieve these complementary objectives. Section III discusses the federal trademark registration process for descriptive marks. Section IV examines the types of evidence that firms submit to prove secondary meaning, and how these different types of evidence are expected to impact the probability of securing a federal trademark registration for descriptive words, slogans and non-traditional trademarks. External factors are also considered that might introduce bias into the trademark examiner’s analysis. Section VI concludes.

TRADEMARK LAW AND CONSUMER-BASED BRAND EQUITY

The Spectrum of Distinctiveness

The twin policy goals of trademark law are to protect firms’ marketing investments in brand equity, and to protect consumers from confusion (Petty 1999; Swann, Aaker, and Reback 2001). Firms often seek to register

their marks under federal laws to receive broad protection in all fifty states, to access the federal courts and to stop counterfeits at the ports. To obtain federal registration, however, trademark law requires that marks be distinctive. This distinctiveness requirement, in turn, protects consumers from confusion.

When a firm attempts to register a trademark under the federal laws, the examination process includes a search of similar marks to determine distinctiveness (Abercrombie and Fitch, Co. v. Hunting World, Inc.). The trademark is assessed by the examiner along what is called the distinctiveness spectrum. A distinctiveness spectrum analysis classifies trademarks along these four categories in order from least to most distinctive: generic, descriptive, suggestive, arbitrary/fanciful. Suggestive and arbitrary/fanciful marks are granted registration because they are *de jure* classified as distinctive. An example of a suggestive mark is “Ivory” for soap. An arbitrary mark is the word “Apple” in the context of consumer electronics. Fanciful marks are coined terms, e.g., the word “Lexis” as a brand of automobiles. Generic marks, on the other hand, are always refused. For example, a mark that was categorized as generic was the “Shredded Wheat” brand of cereal (Kellogg Co. v. National Biscuit Co.). Descriptive marks, which are the subject of this research, can be registered only if they possess secondary meaning.

A descriptive mark consists of names, slogans or product attributes that relate primarily to the qualities, ingredients, or characteristics of the offering (Beckwith, Inc. v. Commissioner of Patents). The courts and trademark office are weary of granting federal trademark rights to descriptive marks without substantial proof of secondary meaning because it may hinder competition. If one firm is allowed to monopolize a descriptive word, slogan, or product attribute it may prevent competitors from informing their customers of the same descriptive attributes (Landes and Posner 2003). The following three cases illustrate how courts interpret the doctrine of secondary meaning to enable competition with respect to descriptive names, slogans and product attributes.

In the case of *Phillip Morris, Inc. v. RJR Tobacco, Co.*, the court held that Phillip Morris’ marketing of the term “Lights” for its Marlboro Lights cigarette brand was a descriptive term. Even though Marlboro had substantial sales and pioneered the use of the term “Lights” for cigarettes, the Court found that because “Lights” was not featured as prominently as the Marlboro brand on its packaging, there was insufficient evidence of secondary meaning. Given this outcome, Phillip Morris was denied registration of the word “Lights” and competitors were free to affix the descriptive term to their products.

In the case of *In re Volvo Cars of North America*, Volvo attempted to register the slogan “Drive Safely.” Volvo attested that its cars were synonymous with safety

and submitted evidence of significant advertising expenditures. Volvo then made the argument that the slogan was a double entendre related to its association with vehicle safety. The Trademark Office denied the registration stating: “the ordinary meaning of the often-repeated phrase ‘Drive Safely’ is so ingrained in the minds of our society that it would not be perceived as a trademark.” On the issue of secondary meaning, the Trademark Office said: “We believe that instead of a ‘double entendre’ which may be indicative of source, there is no ambiguity of meaning arising from the admonition ‘Drive Safely’ that lends itself to more than one interpretation.” Finally, as a matter of policy, the Trademark Office said:

Based on the record before us, our view is that the phrase Drive Safely should remain in the public domain. Contrary to the gist of some of applicant’s arguments, to grant exclusive rights to applicant in this ordinary and commonly used safety admonition would interfere with the right of others in the automobile industry to freely use the familiar phrase to promote safe driving and/or that purchasers can drive safely in their make of automobiles.

In *Wal-Mart Stores, Inc. vs. Samara Brothers, Inc.* the U.S. Supreme Court had to decide whether the design of children’s clothing could be secured as a product design trademark without proof of secondary meaning. In this case, the Supreme Court held that product shapes are never inherently distinctive and always require proof of secondary meaning to obtain trademark rights under The Lanham Act. The Court’s reasoning for this requirement was as follows:

“In the case of product design, as in the case of color, we think consumer predisposition to equate the feature with the source does not exist. Consumers are aware of the reality that, almost invariably, even the most unusual of product designs – such as a cocktail shaker shaped like a penguin – is intended not to identify the source, but to render the product itself more useful or more appealing.”

The Court’s policy of requiring proof of secondary meaning for product shapes was based on the following justification: “Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness.”

As these cases illustrate, firms must overcome the secondary meaning requirement to register descriptive marks consisting of names, slogans and product attributes. The following sections discuss two general ways firms can generate secondary meaning in consumers’ minds.

The first is through proactive marketing efforts that build consumer-based brand equity. The second is through acquired distinctiveness obtained from continuous and exclusive use of the mark.

The Firm’s Proactive Efforts to Build Consumer-Based Brand Equity

Krasnikov et al.’s (2009) study found that trademarks can be categorized in a manner consistent with the marketing theory of consumer-based brand equity. In that study, trademarks were categorized as either brand identification or brand association trademarks (Ibid.) Under the consumer-based theory of brand equity, marketing resources help build a network of associations in the minds of consumers that link the brand identifier as a node with various brand associations. The strength of this network can yield a strong and valuable network of brand equity (Jacoby 2001; *see* Swann, Aaker and Reback 2001).

The doctrine of secondary meaning also requires firms to build a link between a descriptive mark with a brand or firm in the minds of consumers (Jacoby 2001). That link is typically established by marketing efforts aimed at building specific associations. The reason why the law requires this association is grounded in the courts’ interest in protecting consumers from confusion and to prevent any one firm from monopolizing descriptive marks, which from a policy standpoint are quasi public goods. Firms that build secondary meaning are, therefore, likely to have devoted considerable marketing resources to develop a strong network of brand equity in consumers’ minds.

Secondary Meaning Through Long and Exclusive Use

Some firms use descriptive marks for a prolonged period of time before they seek federal registration (Cohen 1986). During that time, advertising and other marketing efforts may communicate descriptive marks that were initially chosen to convey descriptive attributes. The continuous marketing and exclusive use of the descriptive marks, however, raises the possibility that consumers will associate the descriptive mark with a particular brand or firm. It also signals that competitors have relinquished the mark to the firm as an exclusive user (In re Application of Synergistics Research Corporation). Other areas of trademark law recognize that the length of use is a probative fact for establishing trademark rights. For example, The Federal Trademark Dilution Act of 1995 recognizes the length of trademark use as a factor to determine whether a mark is famous (FTDA).

The Trademark Office likewise recognizes length of use as a factor for ascertaining secondary meaning. For example, in a case before the Trademark Office, a company intended to register the word mark “Ball Darts” for

a dart game. The company claimed secondary meaning based on five years of continued and exclusive use (In re Application of Synergistics Research Corporation). The Trademark Office found that five years of exclusive use of this descriptive term was enough to warrant registration.

THE FEDERAL REGISTRATION OF DESCRIPTIVE WORDS, SLOGANS, AND NON-TRADITIONAL TRADEMARKS

The courts' interpretations of statutory trademark laws are adhered to by the U.S. Patent and Trademark Office, the agency entrusted with administering federal trademark applications. The Trademark Manual of Examination Procedure (TMEP) guides trademark examiners' practices. The TMEP specifically allows firms to provide evidence of secondary meaning comprised of: affidavits (sworn statements), evidence of use in commerce, advertising expenditures and other appropriate evidence, which in practice includes consumer surveys (TMEP 1212.03).

Three outcomes arise from a descriptive trademark application. If secondary meaning is achieved by proving beyond a preponderance of evidence that consumers associate the descriptive mark with a brand or the firm, the examiner grants registration in the primary federal register under section 2(f) of The Lanham Act (TMEP). The rights granted by registration in the primary register are broad and include: protection in all fifty states, the right to stop counterfeits at the borders and access to the federal courts (Lanham Act).

If the examiner classifies the mark as generic, or the preponderance of evidence fails to establish secondary meaning, the examiner either denies registration or allows the applicant to apply for registration in the supplemental register. Trademarks registered in the supplemental register, however, carry far less rights than those in the primary register. The supplemental register is reserved for non-distinctive marks that are capable of acquiring secondary meaning, but have not yet done so (Cohen 1999). Since the supplemental register provides few rights beyond those provided by the common law, this research examines evidence that is likely to influence the probability of registration in the primary federal register under Section 2(f). The following section evaluates the different types of evidence.

Direct and Indirect Consumer-Based Evidence Used to Prove Secondary Meaning

To prove secondary meaning, firms are expected to submit evidence that establishes a cognitive link between the descriptive mark and the brand or firm as the source of the mark. To establish this link, firms submit evidence to

the trademark examiner that either directly or indirectly establishes the association in consumers' minds.

For example, Apple, Inc. submitted evidence that its marketing activities were specifically designed to generate an association of the iPod media player's shape with the Apple brand (Orozco 2009). An affidavit submitted by Apple's trademark counsel stated that the iPod packaging and advertising campaign consciously emphasized the iPod's shape and Apple logo, and minimized other ad and packaging content to build consumers' association of the media player's shape with the Apple brand (Orozco 2009).

Marketing managers may engage in several techniques to generate secondary meaning in the marketplace. In Apple's case, unique and premeditated advertising and packaging strategies were employed. The burden, however, rests on the firm to prove secondary meaning by a preponderance of evidence. The trademark office allows an applicant to submit direct and indirect evidence of secondary meaning. Direct evidence speaks of the knowledge residing in consumers' mind, while indirect evidence requires the examiner's inference of this knowledge, and these inferences are established through proxies such as advertising expenditures and length of exclusive use. This generates the first testable proposition:

Proposition 1: Direct consumer-based evidence are a stronger category of evidence to prove secondary meaning than indirect consumer-based evidence

Direct Consumer-Based Evidence

The types of evidence that establish direct consumer-based evidence of secondary meaning include surveys and external affidavits from buyers. Both types of evidence directly speak of the strength of associations in the consumer's mind.

Surveys. Surveys can be persuasive evidence of secondary meaning in consumers' minds. Courts tend to highly regard survey evidence in trademark cases, citing them as "historically favored" (General Motors Corp. v. Lanard Toys, Inc.), "the most probative of secondary meaning" (Frosty Treats, Inc. v. Sony Computer Ent. Am., Inc.) and "the most direct and persuasive way of establishing secondary meaning," (U.S. Search, LLC v. U.S. Search.com, Inc.). A trademark examiner is likely to give weight to surveys given their favorable treatment by the courts. Also, examiners are likely to view them favorably when they are based on scientific methodologies including broad sample selection, clear non-leading questions, and the use of control groups (Diamond 2000). The trademark examiner may also be influenced by the cost of producing the survey, which can be interpreted as a signal

that the applicant has expended great resources to generate secondary meaning. According to one account, consumer surveys can cost anywhere between \$50,000 to \$100,000 to administer (Bird 2007).

Proposition 2: Surveys significantly increase the likelihood of a federal trademark registration under section 2(f).

External Affidavits. Affidavits or sworn statements can be obtained from buyers who attest to the source-identifying nature of the descriptive mark. Affidavits are relatively inexpensive to obtain, therefore, the examiner may treat them as less probative than the more costly survey-based evidence. Affidavits may also be obtained from intermediate buyers in the distribution chain, in addition to end customers. Given the pro consumer and competitive welfare foundations of trademark law and secondary meaning, it is likely that an examiner will place more weight on affidavits from end buyers vs. intermediate buyers. Also, examiners may view the statements by intermediate buyers as potentially biased given a potential ongoing commercial relationship between the buyer and seller. This leads to the following propositions:

Proposition 3: (a) External affidavits from end consumers significantly increase the likelihood of a federal trademark registration under section 2(f).

Proposition 3: (b) External affidavits from intermediate buyers have a positive but insignificant effect on the likelihood of a federal trademark registration under section 2(f)

Indirect Consumer-Based Evidence

The requirements of secondary meaning and the theory of consumer-based brand equity require that an association be present in the purchasing consumer's that links the mark to a brand or the firm. Proof may be offered, however, that indirectly establishes this mental association. Circumstantial evidence such as the similarity of third party marks and products is accepted in other trademark contexts, e.g., trademark dilution (Oswald 1999; Magdid and Cox 2006). Indirect evidence of secondary meaning, however, is likely to be evaluated under a higher standard by the trademark examiner. Large advertising expenditures and long exclusive use are expected to be assessed under a higher standard of review.

Advertising. From a doctrinal trademark law standpoint, advertising is viewed primarily as a way to increase sales and build brand equity, and not necessarily to generate secondary meaning. Trademark law, however, recognizes that advertising helps build the network of associations in consumers' minds that build brand equity (Moseley; TMEP). Advertising may build a link between a descrip-

tive mark and the brand or firm in consumers' minds. To allow advertising expenses, as an indirect source of evidence to prove secondary meaning, however, the examiner would likely require evidence of substantial advertising expenses. Large advertising expenditures are a rare resource and may be viewed by an examiner as a mechanism for achieving secondary meaning only after a substantial expense threshold is reached. Also, large advertising expenditures increase the likelihood that the examiner will have been exposed to the advertising campaign as a consumer in society, impacting the examiner's objectivity.

Proposition 4: Large advertising expenditures significantly increase the likelihood of a federal trademark registration under section 2(f).

Length of Exclusive Use. Courts have held that a firm's long and exclusive use of a descriptive mark creates an inference of secondary meaning. Although the actual time of exclusive use is never dispositive, the courts give weight to specific language in The Lanham Act, which states that "the trademark commissioner may accept proof of five years' exclusive and continuous use of a mark as prima facie evidence of secondary meaning." Because the Lanham Act explicitly provides five years as the minimum amount of time for the presumption of secondary meaning, it follows that an examiner would give little weight to evidence of less than five years of exclusive use. Evidence of exclusive use for more than five years, on the other hand, would be an important factor to prove secondary meaning.

Proposition 5: More than five years of exclusive use significantly increases the likelihood of a federal trademark registration under section 2(f).

Internal Affidavits. Another type of evidence used to indirectly establish secondary meaning is the sworn testimony advanced by the firms' agents. This evidence, however, is likely to be heavily scrutinized by a trademark examiner for a few reasons. The first reason is it is indirect evidence of consumer-based associations. The second reason is there is potential for bias. In the case of *In re Gray Inc.*, (3 USPQ2d 1558, 1560 TTAB 1987) the firm's counsel filed an affidavit expressing his belief that the mark had acquired secondary meaning. This affidavit, however, was accorded "no probative value whatsoever" partially because the statement was subject to bias.

Proposition 6: Internal affidavits have a positive but insignificant effect on the likelihood of a federal trademark registration under section 2(f).

Efficient Use of Evidence

The above-mentioned categories of evidence are, to some extent, costly to produce. Some, however, are less

costly relative to others. Affidavits are an inexpensive category since they only require a sworn statement and preparation by an attorney. Advertising expenditures are costly, but they may have been generated primarily to generate sales and build brand equity. They may therefore be viewed as a sunk cost during the trademark application stage. Length of exclusive use may be costly if cease-and-desist letters and litigation are used to preserve exclusivity. These efforts to maintain exclusive use of the mark, however, may be primarily to protect the unregistered descriptive trademark from dilution, tarnishment, or blurring by competitors (Oswald 1999). Length of exclusive use may, therefore, also be a sunk cost by the time the firm attempts to register the mark under Section 2(f). Surveys submitted during the registration stage are expensive and primarily incurred during litigation (Jacoby 2002). Surveys to obtain trademark during the application process may be inefficient if less expensive types of evidence offer a greater likelihood of registration. This yields two propositions with regards to the efficient use of evidence during the trademark registration process.

Proposition 7: (a) Surveys are the rarest type of evidence used to secure a federal trademark registration under section 2(f).

Proposition 7: (b) External affidavits from end consumers are the most common type of evidence used to secure a federal trademark under Section 2(f).

Since external affidavits are believed to be the most efficient means to secure descriptive trademark rights, marketing managers and legal counsel can coordinate to decide what marketing resources are most likely to yield a positive response from end customers, who will sign the affidavits necessary to prove secondary meaning. Some proven marketing strategies are minimizing information content in ads and packaging, (Orozco 2009) and slogan use, for example the use of the slogan “What Can Brown Do for You” for UPS’ color marks.

EXTERNAL TRADEMARK FACTORS

External factors may influence a trademark examiner’s ultimate assessments beyond a doctrinal analysis of secondary meaning law and the evidence submitted by the applicant. Under a theory of legal realism,² it is important to acknowledge the potential for individual bias in this context. Unintended examiner bias that may arise can be attributed to two main factors. The first is the amount of exposure the examiner has to the firm. The second is the type of trademark that is under examination.

The Firm’s Stock of Trademarks

An examiner may be swayed by the amount of trademarks owned by the firm. If a firm is a repeat player

at the Trademark Office there is a chance that the examiner may be familiar with the firm’s prior registrations and view that applicant as a customer of the Office’s services. Also, if a firm has registered many trademarks, it is possible that an examiner will be influenced by the firm’s history of successful registrations (Lemley and Sampat 2009). Prior literature on regulatory capture theory suggests that active and repeat players in regulatory environments have considerable influence on the regulatory agency (Stigler 1971). If the firm has previously registered many marks, this also increases the likelihood that the examiner has encountered the marketing of the goods and services in the marketplace, perhaps as an actual consumer. This may likewise influence the examiner’s objectivity.

Proposition 8: The size of the firm’s stock of trademarks significantly increase the likelihood of a federal trademark registration under section 2(f).

The Type of Trademark

As discussed above, the courts and trademark office scrutinize descriptive trademarks to promote competition. An analysis of case law and trademark examination procedure reveals that certain types of descriptive marks are more heavily scrutinized than others. The courts have in the past placed a heavy burden for those who seek to register what are called non-traditional trademarks.

Non-traditional trademarks encompass product designs, colors, scents, sounds and moving images (Arden 2000). The Supreme Court has held that product designs and colors are never inherently distinctive trademarks when analyzed within the distinctiveness spectrum. These non-traditional trademarks always require proof of secondary meaning for federal registration. In the courts’ view, these marks are primarily perceived by customers as product-related attributes and not as source-identifiers (Wal-Mart Stores, Inc. vs. Samara Brothers, Inc.) Trademark practitioners believe that the trademark office tends to treat product shapes, scents, colors, sounds, and motion trademarks under a higher standard than other descriptive marks (Arden 2000)

Proposition 9: An application for a non-traditional trademark significantly and negatively impacts the likelihood of a federal trademark registration under section 2(f).

CONCLUSION

This article examines the practice of registering descriptive trademarks under the federal trademark laws. Descriptive marks are a broad category of marks that are used by firms to build brand equity in the minds of consumers. The trademark law, however, places the burden of proving secondary meaning on firms that intend to register them.

Secondary meaning requires proving an association in the minds of consumers that link the mark in relation to the firm or its brands.

Firms submit various types of evidence to prove secondary meaning. Until now, however, there has been a theoretically incoherent assessment of the relative efficacy of these various types of evidence. This article

provides a theoretical foundation for assessing the various types of evidence firms submit to prove secondary meaning under current trademark laws and also discusses external factors that can influence this outcome. An empirical assessment of these types of evidence is a natural extension of this research. Such an investigation would complement the present analysis and may offer important findings for trademark management and registration practices.

ENDNOTE

1 The Lanham Act requires that trademarks be used in commerce. Under the Act, a trademark is considered abandoned, and thus no longer valid, "[w]hen its use has been discontinued with the intent not to resume

(15 U.S.C. Section 1127).

2 Legal realism emphasizes all types of empirically verifiable behaviors as drivers of legal outcomes. See Karl N. Llewellyn, *A Realistic Jurisprudence – The Next Step*, 30 *COLUM. L. REV.* 431, 443–45 (1930).

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THE ROLE OF CONSUMER SURVEYS IN TRADEMARK INFRINGEMENT CASES: EVIDENCE FROM THE FEDERAL COURTS

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SUMMARY

One of the most important assets a firm possesses is the equity associated with its brand. Brand value is highly vulnerable to diminishment through the action of competitors who can impair the positive associations carefully developed by the brand owner. While some challenges to brands originate from normal competition, other challenges arise from impermissible confusion created by a rival brand that incites confusion amongst consumer between the new brand and the established one. Trademark law provides a remedy in that it prohibits competitors from adopting a mark that is confusingly similar to an already established one.

Brand owners frequently rely on marketing professionals to provide evidence in trademark court proceedings. Such professionals present expert testimony to help judges understand trademark dilution and design consumer surveys to show the impact of brands on consumers. The result is that marketing professionals and the evidence they offer play an important role in developing trademark law and protecting brands from confusion.

Such use of marketing research in trademark litigation has become commonplace. Several scholars have conducted and/or provided critiques of such studies. Some have also written on the subject. However, the marketing community remains relatively unaware of the extent, circumstances, and the effect of the use of one of its fundamental tools, consumer perception surveys, in resolving courtroom trademark infringement disputes. This paper fills that scholarly gap. In particular, we address three important issues. First, to what extent are marketing research studies used in the litigation of likelihood of

confusion cases? Second, what are the characteristics of cases in which such studies are more likely to be used? Third, when is the use of marketing research most likely to be successful in likelihood of confusion litigation?

In answering these questions we assembled a unique dataset based on content analyses of judicial opinions written in likelihood of confusion cases filed in Federal Courts between January 1, 2000 and December 31, 2006 inclusive. We focus on likelihood of confusion litigation because of its pervasiveness, the importance of empirical marketing research in it, and the relative stability of the legal doctrine. We conclude that marketing research is used in less than 20% of likelihood of confusion cases. While this is substantial, some authors suggest that it is quite a bit more. We also conclude that plaintiffs use marketing research more than defendants in these cases. Furthermore, they are more likely to use marketing research when there is little else to support their case. Finally, we find that good marketing research helps plaintiffs make their case. However, flawed marketing research seems to have a negative impact on plaintiffs' cases. This stands in contrast to court opinions that say flawed marketing research only goes to weight. On the other hand, marketing research (flawed or not) seems to unambiguously bolster defendants' cases.

These findings serve the marketing community by making marketing researchers aware of the nuances related to a growing and important application of their craft. They also serve as a first step in building a theory of the use of marketing research in litigation. Finally, they allow marketing consultants to help attorneys strategize about when they should use or expect the opposition to use marketing research.

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CELEBRITY ENDORSERS: LEGAL RIGHTS AND EVOLVING ISSUE

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SUMMARY

The right of publicity, the intellectual property right by which a person controls the use of her/his identity, is important to marketers because it guides the utilization of celebrities' personas for commercial purposes. Given the expanding level of marketing communications, the ability to use a celebrity endorser to break through the clutter may make such a strategy even more attractive.

We have the right to use our identities in any lawful matter, and no one else may borrow or usurp our identities for commercial purposes without our express permission. The potential market value of this right can be substantial for prominent celebrities, i.e., artistic performers, athletes, and public figures.

Because of the economic value of their identities, celebrities must be vigilant to prevent unauthorized use of their personas. Such misappropriation of identity would include communicating unapproved product endorsements, using celebrity look-alikes or voice-alikes in promotions, and mimicking or copying identifying characteristics, behaviors, likenesses, or idiosyncrasies of celebrities. These examples illustrate how organizations, usually smaller firms that cannot afford celebrities' fees, violate celebrities' right of publicity.

Commentators proffer three general justifications for the right of publicity. The first is based on John Locke's labor theory of property, urging that a person has a property right in his own person and thereby in the labor of his body. Economic reasoning underpins the second justification, holding that a celebrity's economic interest in her identity fosters creativity. The third justification is based on unfair trade practices. This rationale suggests that a celebrity should be able to control her right to publicity so that consumers are shielded from possible deceptive practices.

The first systematic push for recognizing celebrities' endorsement rights occurred in the 1950s in response to publications and broadcast media beginning to utilize photographs and other likenesses of celebrities without

compensating them. Some celebrities had begun to realize that they could earn income for the use of their endorsements. Plaintiffs' attorneys determined that the tort of invasion of privacy was an indirect and relatively ineffective approach for celebrities to protect their identities as private property. In addition, a number of courts dismissed celebrities' suits, reasoning that these people had waived their property rights by allowing their identities to be widely promoted. The problems of proof, i.e., showing emotional harm or character denigration, were onerous, leading to attempts to assert a right of publicity as an alternative path for recovery of damages.

Consistent with arguments to protect the privacy of celebrities, the scope of private property has been expanded to include more than physical items. Intangibles such as likeness, voice, mannerisms, and identity have come to be considered private property. Over time, celebrities began to believe that their talents, ideas, and even image merited protection, much like physical property, thereby establishing the concept of right of publicity.

Even more fundamental is the incompatibility of the right of publicity with conventional trademark law. Seeking relief under the Lanham Act, a trademark holder must show likelihood of confusion on the part of those viewing the controversial language or symbol. Decisions upholding the right of publicity do not require observer confusion. Impermissible appropriation of identity for the purpose of endorsement, even if plainly unauthorized by the celebrity, is prohibited.

The right of publicity supports endorsers, keeping celebrities from appearing to have approved products that they have not consented to endorse. The fundamental issue of reliance is activated by the endorser, who seeks to safeguard this reliance. Similarly, the right of publicity protects consumers to the extent they are assured that the celebrity is actually the endorser. The right of publicity also ensures that celebrities are compensated for their endorsements.

The evolution in communications technologies presents unscrupulous channel members with opportunities

to appropriate celebrities' identities, a behavior that is very difficult to prevent. Handheld devices, digital televisions, personal computers, cellular phones with video displays, DVDs, video games, the Internet, and local radio make the unapproved use of the images and characteristics of celebrities tempting and easy to do. Simply add a picture file to a web page and there you have the famous person or face. Programmers have the ability to generate imagery for the creation of virtual advertising that can be widely published over the Internet and accessed around the world. An Internet domain name similar or identical to a celebrity's name, but not affiliated with the celebrity, can cause confusion if the Web site includes endorsements of products or concepts.

New media technologies and applications will continue to exert pressure on the right of publicity doctrine. Companies must be aware of the rules governing right of publicity within their operating markets and the consequences of using celebrity's names or likenesses without proper authorization. They should also understand that based on history, right of publicity could continue to expand and include technological imagery that has yet to be developed. Celebrities, more probably their legal representatives, should be aware of appropriate action under the right of publicity doctrine. Celebrities' agents must be watchful for improper or unapproved uses of their personas because no one enforces their right of publicity on their behalf.

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PERSON-ORGANIZATION FIT AND BOUNDARY SPANNING BEHAVIOR: THE ROLE OF INTRINSIC MOTIVATION AND EMOTIONAL EXHAUSTION

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SUMMARY

Customer contact employees contribute to product and service excellence by delivering on the promises of the firm, by creating a favorable image for the firm, by going beyond the call of duty for customers, and by promoting the firm's products (Bettencourt and Brown 1997). Borman and Motowidlo (1993) have argued that research needs to extend its focus to include customer and service-oriented citizenship behaviors of customer-contact employees. Based on these suggestions, Bettencourt and colleagues (2001) developed boundary spanning behavior (BSB) concept to investigate prosocial behavior of customer contact employees.

In this research, we investigated various drivers of frontline employee's BSB. We contribute to this line of research by developing a model that relates the extent of employee fit with their organization to customer oriented BSB. Based on social exchange theory, we found that person-organization fit decreased frontline employee emotional exhaustion and increased intrinsic motivation. These mediating variables were then found to significantly affect employee BSB.

Research Hypotheses

The extent of an employee's fit with his or her organization (P-O fit) has been studied as a potential indicator of work attitude and behavior outcome (O'Reilly et al. 1991). When employees perceive that their values fit with the organization's, they feel self-confident and develop a sense of accomplishment (Xie and Johns 1995). Emotional exhaustion is "the feeling of being emotionally overextended and exhausted by one's work" (Maslach and Jackson 1981). P-O fit may elicit positive sentiments (e.g., trust, commitment and satisfaction) that, in turn, could motivate a person to perform positive actions in the organization. Thus, frontline employees' perceptions of misfit with organizational values can lead to emotional exhaustion.

H1: Person-organization fit is negatively related to emotional exhaustion.

People whose values fit with their organization's display greater work motivation and job involvement, and show lower turnover intentions (O'Reilly et al. 1991).

Thus, when employees' personal goals more closely match their organization's goals, they will exhibit greater motivation in their jobs.

H2: Person-organization fit is positively related to intrinsic motivation.

According to the COR theory, people strive to obtain or maintain things (i.e., resources) they value. Social support is an example of such a resource. When resources are lost or threatened, stress may occur. When individuals cannot deal with this stress effectively by allocating or investing new resources, prolonged stress and eventually burnout may develop. Thus, employees who experience emotional exhaustion become less motivated.

H3: Emotional exhaustion is negatively related to intrinsic motivation.

Wright and Cropanzano (1997) demonstrated that emotional exhaustion had a significant negative effect on task performance after they controlled for the effects of positive and negative affectivity. Cropanzano and colleagues (2003) found similar effects of emotional exhaustion on employee prosocial behavior based on social exchange theory.

H4: Emotional exhaustion is negatively related to frontline employees' (a) service delivery (b) external representation, and (c) internal influence.

Oldham and Hackman (1981) argued that employees who are intrinsically motivated engage in higher levels of task performance because performing well creates positive affect. Staw (1977) made a similar argument, suggesting that intrinsically motivated individuals derive satisfaction from task accomplishment and therefore work harder to excel.

H5: Intrinsic motivation is positively related to frontline employees' (a) service delivery (b) external representation, and (c) internal influence.

Results

We collected data for the overall study from a cross-sectional sample of banking firms in South Korea. Ques-

tionnaires were distributed to 500 frontline employees in the bank firms. Of these, 346 usable questionnaires were returned, for a response rate of 69.2 percent.

To analyze the collected data, we used a structural equation model procedure using LISREL 8.5. Overall, the confirmatory factor model fit the data well. Results of structural model indicate that frontline employees who perceived good fit with their company's exhibited less emotional exhaustion (H1: standardized coefficient $-.831$, $p < .01$) and more intrinsic motivation (H2: $.273$, $p < .01$). Emotional exhaustion had a significant and negative influence on frontline employee intrinsic motivation (H3: $-.491$, $p < .01$). Thus, person-organization fit has both direct and indirect influence on employee intrinsic motivation via emotional exhaustion. The results indicate that emotional exhaustion exhibited the expected influence on the frontline employee service delivery dimension negatively (standardized coefficient value of $-.543$, $p < .01$). Emotional exhaustion was also negatively related to external representation ($-.681$, $p < .01$) and internal influence ($-.500$, $p < .01$). Intrinsic motivation exhibited the expected influence on all of three subdimensions of BSB

($p < .01$). Intrinsic motivation had positive, significant influences on service delivery ($.330$), external representation ($.228$), and internal influence ($.353$).

Conclusion

This study shows that, P-O fit can make a difference to frontline employee motivation and emotional exhaustion. If their values do not fit with those of their organization, frontline employees show low intrinsic motivation and high emotional exhaustion. In our research, we explain the importance of psychological variables for predicting employee behavior. Compared to intrinsic motivation, emotional exhaustion showed more explanatory power in predicting frontline employees BSB through the combination of direct and indirect effects.

This research also supports the idea that motivation has a direct association with frontline employee BSB. Even in situations where emotional exhaustion cannot be reduced, organizations may still influence frontline behavior through motivation.

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TO SELL OR NOT TO SELL: EXPLORING THE ROLE OF NEUTRALIZATIONS IN UNETHICAL SALES BEHAVIOR

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SUMMARY

A marketing area in which ethics is vastly researched and valued is personal selling. Ethics in personal selling is crucial because salespeople deal with ethical challenges that often end in unethical outcomes (Ingram, LaForge, and Schwepker 2007). However, in spite of the increased attention to sales ethics in business research (Hair et al. 2009), practically no known study has been conducted on justification techniques (Holland, Meertens, and Van Vugt 2002).

A promising answer for justification of attitudinally incongruent behavior lies in neutralization theory (Sykes and Matza 1957), which illustrates the mechanisms that make possible illegal or unethical behaviors by “justifying” or “neutralizing” the person’s actions. The inclusion of neutralization theory is a contribution that would help to explain how people justify incongruent or illegal behavior (Chatzidakis et al. 2007). In addition, efforts to identify variables that probably moderate important relationships in the ethical decision-making relationships and models are limited. This paper presents a theoretical model that employs the general theory of marketing ethics as an initial framework to explain sales people’s unethical and/or illegal behaviors. Neutralizations will significantly moderate the ethical judgment – ethical intention and the ethical intention – ethical behavior links allowing sales people to behave unethically and/or illegally. The model also identifies the most prone circumstances under which salespersons might be inclined to justify their behavior with their corresponding techniques.

Neutralization theory explains how individuals deal with the negative impact of their norm-violating behavior by justifying their acts or the consequences that their behavior could have on them and on their social relations (Strutton, Pelton, and Ferrell 1997; Sykes and Matza 1957; Vitell and Grove 1987). The theory is formed by five techniques, henceforth “the techniques,” which are:

- *Denial of responsibility*: the delinquent rejects any responsibility for his or her deviant actions,
- *Denial of injury*: in an ambiguous way, the individual does not perceive that the behavior in question caused any damages at all,

- *Denial of victim*: the individual acknowledges responsibility for his or her actions and the injury or damage they caused but the offense is neutralized because there was no injury,
- *Condemning the condemners*: the center of attention is shifted to those who condemn the deviant actions and their motives to do so and,
- *Appeal to higher loyalties*: the individual justifies internal and external social controls by favoring the demands of their social groups (Sykes and Matza 1957).

The theory’s impact is such that Sykes and Matza’s (1957) work is one of the most frequently cited articles within deviant behavior research (Chatzidakis, Hibbert, and Smith 2007) and offers a medium for understanding how employees of all types employ arguments to justify and/or exonerate themselves from self-blame and social criticism when displaying unethical behavior (Vitell and Grove 1987).

Overall, the personal sales and sales management area has not been the exception in addressing the ethical judgment – intention – behavior model, better known as the general theory of marketing ethics. Recently, Valentine and Barnett (2007), McClaren (2000) and Ferrell, Johnston, and Ferrel (2007) supported this model as well. The basic premise that this paper proposes for ethical decision making is:

- P1: When faced with an ethical issue, a sales person will form an ethical judgment.
- P2: The ethical judgment reached will influence the sales person’s ethical intentions.
- P3: The sales person’s ethical intentions will influence ethical behavior.

The personal sales and sales management field has overlooked the potential impact that neutralizations could have on sales people, especially when making an ethical decision. Because of the nature of their job, such as always expected to be profitable in short periods, sales people often deal with many ethical dilemmas (Hansen and

Riggle 2009) which may lead to use some of the techniques to justify some behaviors. Neutralizations might also be especially appealing if most of their work is segregated.

The techniques have been argued to moderate unethical behavior as this becomes critical to restore mental stability when individuals act in an inconsistent manner with their convictions (Chatzikadis et al. 2007; Strutton, Pelton, and Ferrell 1997).

P4: The techniques of neutralization will moderate the relationship between ethical judgment and ethical intention when faced with unethical situations

P5: The techniques of neutralization will moderate the relationship between ethical intention and ethical behavior when faced with unethical situations

Professional Areas and Circumstances that Lead to the Use of the Techniques of Neutralization

To further understand their influence, studies that have addressed neutralization techniques in professional settings were reviewed and propositions are introduced to appreciate under which conditions, a neutralization technique is more likely to be used.

Promotional and Sales Arena. Piquero, Tibbets, and Blankenship (2005) reported that *denial of responsibility*, *denial of injury*, and *appeal to higher loyalties* were the techniques employed by their participants to justify unethical behavior.

Customer Service. Specifically, when the relationship with their clients requires direct exchanges on a regular basis. Evans and Porche (2005) reported that *denial of responsibility* and *denial of injury* were selected to justify fraudulent practices. Gauthier (2001) noted that *denial of injury* and *denial of victim* were preferred to

rationalize questionable actions and not harm the relationship with their clients.

Dealing with Clients' Negative Perceptions about the Service. Rosecrance (1988) reported that public defenders used all the techniques to deal with the view that their services would always be inferior to those supplied by private counsel. When servicing clients who have a negative perception about their service, sales people might turn to this techniques to help cope.

Dealing with Peer Loyalty and Reporting Peer Misconduct. When confronted, U.S. Naval Academy members employed *denial of responsibility* and *appeal to higher loyalties* to justify why they did not report their peers' occupational misconducts (Pershing 2003). Sales people who do not report occupational misconduct of others might turn to these techniques to soften or completely block any guilt for violating company norms about reporting unethical behavior:

Older/Experienced Sales Persons. The literature shows that the intentions to commit a deviant behavior or crime are augmented as professionals gain age and experience. For example, older professionals were more likely to use the techniques in corporate environments when justifying property theft (Hollinger 1991). Piquero, Tibbets, and Balnkenship (2005) supported this notion as well when studying corporate crime in the promotions/sales area, participants over 35 were significantly more prone to neutralize deviant behaviors by turning to *denial of responsibility*, *denial of injury*, and *appeal to higher loyalties*.

Empirical testing of the propositions presented here must be conducted. Last, additional neutralization techniques, should be explored as well as other means that sales people might employ in ethical settings, especially those that act as moderating variables.

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EXPANDING THE UNDERSTANDING OF FACETS OF JOB SATISFACTION: ANTECEDENTS, GENDER DIFFERENCES, AND THE INSIDE/OUTSIDE SALES ROLE

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SUMMARY

The majority of studies in the selling and sales management literature look at global measures of job satisfaction even though the use of global measures has been extensively criticized. To answer criticisms related to such global measures, multi-faceted job satisfaction scales have been developed and researchers have found that antecedents and outcomes of individual facets of job satisfaction are not always consistent with antecedents and outcomes of global job satisfaction. Unfortunately, to-date studies have not fully addressed antecedents of multi-faceted job satisfaction. To help fill this gap in the literature, this study enhances the understanding of antecedents of job satisfaction in relation to multi-faceted job satisfaction. Specifically, this study extends the current literature base by examining the moderating effect of: (1) gender on the linkages between antecedents of job satisfaction and the facets of job satisfaction, and (2) inside versus outside salespeople. Findings suggest that perceived organizational support is a positive predictor of all seven facets of job satisfaction, whereas role ambiguity negatively predicts six facets of job satisfaction.

Hypotheses

- H1: Role conflict will be negatively related to the seven facets of job satisfaction.
- H2: Role ambiguity will be negatively related to the seven facets of job satisfaction.
- H3: Work-family conflict will be negatively related to the seven facets of job satisfaction.
- H4: Family-work conflict will be negatively related to the seven facets of job satisfaction.
- H5: Emotional exhaustion will be negatively related to the seven facets of job satisfaction.
- H6: Perceived organizational support will be positively related to the seven facets of job satisfaction.

H7: Salesperson gender will moderate the relationship between (a) role conflict, (b) role ambiguity, (c) work-family conflict, (d) family-work conflict, (e) emotional exhaustion, and (f) perceived organizational support to the job satisfaction relationships.

H8: Inside versus outside sales positions will moderate the relationship between (a) role conflict, (b) role ambiguity, (c) work-family conflict, (d) family-work conflict, (e) emotional exhaustion, and (f) perceived organizational support and multi-faceted job satisfaction.

Methodology

A sample of B2B salespeople was selected for this study. These data are part of a larger dataset that contains both B2B (outside and inside) and retail salespeople. A total of 1,497 potential respondents started the questionnaire. The questionnaire was available for respondents to complete online. After removing incomplete respondents, 929 questionnaires remained. Of these, 215 of the respondents classified themselves as either inside or outside B2B salespeople. After list-wise deletion, a total of 179 respondents remained.

The first step in the data analysis was to construct a measurement model, which ultimately contained 50 items. The overall model suggested a good fit according to the standards set forth by Hu and Bentler (1999) and Hair et al. (2006). All items had significant loadings and demonstrated convergent and discriminant validity. Average variance extracted from each of the constructs exceeded 50 percent.

To test the direct linkages between the antecedents of job satisfaction and the seven facets of job satisfaction, regression analysis was conducted. To test for moderation related to gender and inside/outside sales, we first conducted a series Chow tests (Chow 1960). Following the Chow tests, we examined potential moderators using hierarchical moderated regression (Baron and Kenney 1986).

Implications

This study focuses on providing clarification of the antecedents of facets of job satisfaction within a B2B sales force, adding an examination of the moderating role of gender and inside/outside sales. Findings suggest that perceived organizational support is a positive predictor of all the facets, whereas role ambiguity negatively predicts six facets. Work-family conflict, family-work conflict, and role conflict have a lesser impact. Emotional exhaus-

tion was found to have an impact on three of the facets. Gender was found to moderate eight of the examined relationships. Males and outside salespeople were more impacted by the role conflict to job satisfaction linkage than females and inside salespeople. Females and inside salespeople were found to be more impacted by perceived organizational support, work-family conflict, and emotional exhaustion than were males and outside salespeople. References are available upon request.

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THE STATE OF RESEARCH METHODS IN THE *JOURNAL OF PERSONAL SELLING AND SALES MANAGEMENT*

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SUMMARY

The importance of selling and sales management research has increased considerably and the amount of scholarly productivity in the discipline has substantially increased (Bush and Grant 1991; Moncrief, Marshall, and Watkins 2000). As disciplines mature and research expands a critical examination of research methods used in a discipline becomes important. Recognizing the need to examine research methods in sales research, this study attempts to answer the following questions: (1) what are the basic research methods that have been used by researchers in sales research; (2) have the basic methods and designs used in sales research shifted over time; (3) what are the possible implications of any major trends found in the study to sales research?

This study contributes to sales research and practice in several ways. It provides an understanding of the changes in research design and analysis which should help researchers and practitioners improve and adjust their research methods to new trends and sales environments. The study also provides various types of “gate keepers” including editors, reviewers, and members of the editorial boards with additional information about the status of research methods in the sales literature to assist them in the evaluation of papers submitted for review (Stone-Romero et al. 1995).

Consistent with prior research that examines research methods in a field by focusing on the premier journal in that field (e.g., Shook et al. 2004), this study focuses on *the*

Journal of Personal Selling and Sales Management (JPSSM). JPSSM is the premier personal selling and sales management research journal and accounts for about half the number of selling and sales research studies published in academic journals (Moncrief, Marshall, and Watkins 2000). This study examines the use of research methods in JPSSM since its inception (1980–2008). We examined 567 studies, 399 of them being empirical studies. The studies were coded along seven general categories of information pertaining to: research design, triangulation, data collection, construct validity, dependent variable properties, sample properties and data analytical techniques. After the data was collected, Percentage Use Index (PUI) and Empirical Percentage Use Index (EPUI) were used to analyze the data (Crook et al. 2009; Stone-Romero et al. 1995). A longitudinal trend analysis was also used to determine how the different methods have been used over time.

The results indicate some important shifts in the use of research methods over the years. One major shift regards the increase in the number of empirical papers published in JPSSM at the expense of theoretical and conceptual papers. The study also shows that survey research is the dominant research design used in JPSSM and its use has increased significantly over the years. Another significant trend identified in this study is the increasing dominance of relatively sophisticated statistical techniques particularly SEM, MANOVA, ANOVA and multiple regression at the expense of simpler methods such as t-test, correlations and chi-square. References are available upon request.

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ATTRACTING STUDENTS TO HIGHER EDUCATION: THE ROLE OF THE FIELD OF STUDY'S IMAGE

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SUMMARY

As West et al. (2001) note, in the higher education market not only institutions, such as universities or business schools, but also academic fields of study and the corresponding study courses, such as engineering, marketing, or psychology, compete for prospective students. Sufficient recruitment rates are not only vital for the social and economic well-being of societies (e.g., Dainty and Edwards 2003; de Grip and Willems 2003; Redford 2005). It is also of utmost importance for universities, schools, and their faculties. As a result, the question arises how universities can stimulate and motivate students to start a study in a specific course. More specifically, there is need for identifying relevant determinants that affect students' intention to start a study course.

Within this context, the image of fields of study (IFS) and the corresponding profession is often stressed to explain why young people choose or not choose a specific study course (e.g., Byrne and Willis 2005; Dainty and Edwards 2003; Hamill and Hodgkinson 2003). Despite its critical role, existing research on the image of fields of study and related professions is mainly conceptual in nature. Empirical research on the perception of IFS on prospective students' decision is lacking (Allen 2004; Cohen and Hanno 1993; Shivy and Sullivan 2005). Further, from a marketing perspective, many studies lack a proper conceptualization of the focal construct IFS. Against this background, the conceptual as well as empirical analysis of IFS would provide interesting insights and a major contribution for many different disciplines. Thus, the purpose of our research is threefold. First, we suggest a conceptualization of the IFS construct. Second, we develop a model of the choice process of a course of study that allows us to explain the effects of the IFS on students' intention to choose a specific study course. Third, based on empirical findings, we discuss approaches to communicate and improve the IFS in order to encourage prospective students to study a course.

We define IFS as prospective students' perceptions of an academic field of study. IFS refers to associations of a field of study within students' memory. Previous research shows that images comprise diverse nodes where similar associations are stored together (Anderson 1983; Wyer and Srull 1989). Accordingly, we argue that different

association nodes constitute different facets of the image construct. We therefore conceptualize IFS as a multi-facet construct. Based on literature reviews as well as focus groups, we identify four relevant facets for the IFS, namely the affective image of the field of study, the perceived workload the field of study, the perceived safety and the perceived esteem of professions which students associate with the field of study.

We use the cue utilization theory (Olson 1972; Olson and Jacoby 1972) as the theoretical background for our model. This notion finds support from Andreassen and Lindstad (1998) as well as Brady et al. (2005) who argue that the image of a service is an extrinsic mental cue that consumers use to evaluate services. Therefore, we postulate that for prospective students the facets of IFS serve as mental cues to evaluate study courses and to govern students' behavioral intentions to choose a study course.

We tested our hypothesis by employing structural equation modeling using the Mplus 5.1 program. Our sample consists of 614 high school students in their last year at school. Respondents evaluated the IFS for three different disciplines, that is engineering science, medicine, and business administration.

The results of this research support our conceptualization of IFS for each fields of study. The structural models for each field of study shows that the IFS facet affective image of the field of study strongly affects the intention of students to choose this field of study at university.

Our research contributes to a more detailed understanding of students' choice processes of fields of study. In particular, our research sheds light on the role of IFS in this process. Similar results for three different fields from different academic disciplines underline the external validity of our results.

From the managerial point of view our research has relevant implications for recruiting high school students. We show that the image of the field of study affects students' intention to choose a field of study. Consequently, it is worth creating and communicating an attractive image for fields of study. Given the predominant impact of students' affective evaluation of the field of

study, arousing positive emotions toward a field of study is from utmost importance. For universities as service providers, it is necessary to apply appropriate marketing and communication instruments in order to create and nurture positive emotions. This might include mass communication as well as personal communication channels

like science events, exhibitions, live experiments, or school labs which are promising alternatives to directly communicate with students and to present fields of study in a vivid and attractive way (Wolf et al. 2007). References are available upon request.

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DIGITAL MARKETING: THE TIME FOR A NEW “ACADEMIC MAJOR” HAS ARRIVED

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SUMMARY

To remain relevant to our students and to the ultimate consumers of our output, businesses, the marketing curriculum must evolve with both the changing technological environment and the way marketing is perceived by its own academic architects. After an overview of recent

marketing trends, this paper describes the need for a fundamental change in the teaching of marketing in today’s environment, and then details a new curriculum reflective of marketing in a Digital Age. Finally, the new major is discussed in the context of specific challenges associated with the new age of marketing.

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HOW STUDENTS WANT TO BE TREATED IN STUDENT-PROFESSOR ENCOUNTERS: AN INTRA-NATIONAL COMPARISON STUDY

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SUMMARY

Whilst still a contested perspective, increasingly, higher education institutions are viewing that higher education could be regarded as a business-like service industry and are beginning to focus more on meeting or even exceeding the needs of students. Watson (2003) for example maintains that fee-paying students expect “value for money” and behave more like consumers. As students are increasingly seen as consumers of higher education services, their satisfaction should be important to institutions that want to retain existing and recruit new students (Helgesen and Nettet 2007). Study results indicate that the recruitment of students is several times more expensive than their retention (Joseph, Yakhou, and Stone 2005). Consequently, universities should try to increase students’ levels of satisfaction and decrease sources of dissatisfaction in order to retain students (Douglas, McClelland, and Davies 2008). Similarly, Appleton-Knapp and Krentler (2006) suggest that students’ satisfaction with their educational experience should be a desired outcome in addition to learning and knowing what attributes of professors are desired by students may improve the overall education process (Faranda and Clarke 2004).

The Study

Given the need for more research on classroom service encounters (Swanson and Frankel 2002), this research study is exploratory in nature. This paper explores which attributes of professors have the strongest impact on students’ satisfaction and dissatisfaction. Knowing what students regard as satisfactory and dissatisfactory attributes helps professors improve the classroom experience either by improving interpersonal skills or by just having a better understanding of the student’s perspective (Davis and Swanson 2001). Moore and Kuol (2007) suggest that the factors that create student satisfaction with teaching (“teaching satisfiers”) may be qualitatively differently from the factors that create dissatisfaction with teaching. Thus this research uses a technique that can reveal the factors that create satisfaction as well as the attributes than can cause dissatisfaction. Recent research in the services and customer satisfaction/dissatisfaction literature suggests that attributes of products, services and

individuals can be classified into four categories, which all affect customer (dis-)satisfaction differently (Löfgren and Witell 2008). These originate from Kano’s model (1984) categorizing customer needs, which allows researchers to gain a deeper understanding of customer preferences. Over the last three decades, Kano’s (1984) model of customer satisfaction has increasingly gained acceptance among both academics and practitioners (Löfgren and Witell 2008). Kano questionnaires were handed out in two marketing courses to 104 undergraduate students aged between 19 and 47 ($X = 24.2$, $SD = 4.39$) at a university in the Southwest of the USA. For a replication study, we then collected data from 147 undergraduate students aged between 18 and 42 ($X = 21.6$, $SD = 3.26$) at a university in the Midwest of the USA. The questionnaire contained nineteen attributes taken from previous research studies on service quality in higher education (e.g., Voss, Gruber, and Szmigin 2007) and discussions with students. For each professor attribute in the Kano questionnaire, respondents had to answer a question consisting of two parts: “How do you feel if the feature is present?” and “how do you feel if the feature is not present?” For each question, respondents could then answer in five different ways: (1) I like it that way. (2) It must be that way. (3) I am neutral. (4) I can live with it that way. (5) I dislike it that way. Using an evaluation table developed by Kano (1984), the attributes were then classified as must-be, one-dimensional and excitement factors.

Results and Future Research

The Kano results for the university in the Southwest corroborate previous findings that revealed the importance of personality (e.g., Clayson and Sheffet 2006) in general and support studies that stress the importance of professors creating rapport with their students (e.g., Delucchi 2000; Faranda and Clark 2004) in particular. By creating rapport, professors can enhance student learning, make them work harder, help students challenge themselves further, support the educational process and increase student engagement (Granitz, Koernig, and Harich 2009). Attributes such as empathy, enthusiasm, openness, and humor show the highest impact on students’ satisfaction. By contrast, attributes such as “Communication Skills,” “Teaching Skills,” “Expertise,” “Reliability,” and

“Respect” are all shifted more toward the area of must-be factors in the Kano map. The map for the university in the Midwest shows exactly the same delighting attributes and also the other attributes are in similar positions. No attribute has moved considerably from the area of excitement factors to the area of must-be factor or vice versa. For students at the Midwestern university, “Humor” is a delighting attribute and has, like in the map for the Southwestern university, the strongest impact on student satisfaction. The map also shows the strong impact attributes such as “Approachability” and “Enthusiasm” have on students’ satisfaction levels. The fact that both maps are very similar and reveal the same delighting factors is a very good indicator for the external validity of our

findings. However, as the study involved only undergraduate students from two regional public universities, the results still cannot be generalized to the student population in the USA as a whole. Nevertheless, the findings provide a first valuable insight into the nature of the phenomenon under investigation – the satisfaction of students with the attributes of effective professors. Further research studies should improve knowledge of this topic. While this study was conducted with undergraduate students, what is now needed is similar research with different sample populations from different regions in the USA and different countries. Results from these studies could then be compared and differences and similarities revealed. References are available upon request.

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MOTIVATION, INEQUITIES AS ANTECEDENTS OF SOCIAL LOAFING IN MARKETING RESEARCH PROJECTS

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SUMMARY

Marketing research projects cannot be carried out individually, requiring instead all group members to put forth a sincere effort to carry out several complex tasks over the academic term to accomplish common goals. However, group performance researchers have repeatedly observed that individuals often exert less effort when their efforts are pooled compared to when their efforts are considered individually (Latane, Williams, and Harkins 1979; Shepperd and Taylor 2009). Latane et al. (1979) coined the term “social loafing” to describe lessened effort of people working collectively as opposed to coactively and described as social disease.

In sociological literature, researchers have examined a variety of factors that lead to social loafing and related behavior (e.g., free riding) and have proposed different solutions (Karau and Williams 1993; Shepperd 1993). A body of research suggests low motivation and effort in collective settings is best conceptualized within an expectancy-value theory and equity theory framework (Karau and Williams 1993; Kerr 1983, 1986; Shepperd 1993; Stroebe and Frey 1982). The main objective of this study is to examine social loafing phenomenon in the context of expectancy value theory and equity theory. A number of hypotheses are proposed based on the literature review. These hypotheses are then tested based on data collected from marketing research students. Implications based on results are discussed for controlling social loafing behaviors.

Motivation and Social Loafing

Among several theoretical explanations of work motivation, expectancy-value theory has received the most attention in explaining human work behavior. Expectancy-value theory first popularized by Vroom (1964), describes motivation in terms of three major components: expectancy, instrumentality, and value (Mitchell 1974; Porter and Lawler 1968). The expectancy component refers to an individual’s perception that performance is contingent upon effort (i.e., that a greater effort would lead to a better performance). The term instrumentality refers to the perception that a higher level of performance will lead to a higher level of reward(s). Finally, the value component can significantly contribute to social loafing as individuals may not attach much importance to the outcome of their performance. Consid-

ered together, motivation can be viewed as the product of expectancy, instrumentality, and outcome value. This implies that in a collective setting, student motivation should be high when he or she (a) perceives a contingency between effort and the performance, (b) perceives a contingency between performance and the outcome, and (c) values the outcome. Thus, effort motivation reflects how much effort a person is willing to exert on a task or toward a goal.

Equity/Inequity Perceptions and Control

Equity theory literature indicates that perceptions of equity and inequity significantly influence an individual’s sense of psychological well being (Taris et al. 2004; Guerrero, La Valley, and Farinelli 2008). People in work group situations tend to downgrade the significance of rewards that are perceived to be unfairly allocated (Vecchio 1981; Perry 1993). When a student receive rewards (e.g., grade on a particular assignment) that are perceived to be inequitable, it is likely that she will attach a low importance to such rewards to reduce the tension caused by inequity feelings. It is likely that when a student perceives that in spite of her greater level of effort, reward will be the same as for the other group members who expended a much lower level of effort, the tendency to put forth a higher level of effort will decline and would lead to social loafing.

A number of early studies (Dulaney 1968; Mitchell and Biglan 1971) suggested that the way expectancies and instrumentalities influence an individual’s effort are greatly influenced by his perception of control over the behavior in question. For example, the student may not have a laptop computer that he/she can bring to the classroom and practice data analysis with other group members. It therefore implies that linkages between expectancy-value model will work better for those students who perceive a higher control over their academic activities.

Findings and Conclusions

Findings of this research were very encouraging as all of the formulated hypotheses were clearly supported. The most important finding of this study was that the instrumentality component of the expectancy-value model was the most influential predictor of the student social loafing behavior. In collective settings, the social loafing behavior will be at the lowest when an instructor can demon-

strate a clear linkage between outstanding performance and corresponding rewards (e.g., grades). More specifically, the more the student sees that a higher level of performance will be clearly rewarded by higher level of reward or outcome his or her social loafing behavior is likely to be significantly low. At the same time, effort expectancy also plays a significantly important role in reducing social loafing. Accordingly, when a student perceives that his or her efforts at higher level are likely to lead to higher level of group performance, social loafing behavior is likely to decline. Furthermore, if a student attaches a greater desirability (value) to rewards offered, the likelihood of social loafing will be low.

Another important finding of this study was that the influence of expectancy-value model components is likely to be significantly greater in a situation where the instructor clearly and forcefully identifies and demonstrate expect-

tancy and instrumentality linkages to students. In such a condition, all components of expectancy-value are combined together to produce high level of motivation and can significantly reduce social loafing behavior. Creating and enforcing equitable rules can also help reduce social loafing behavior. Furthermore, the results clearly indicate that social loafing behavior is inversely linked to high versus low control perceptions. As findings show, in conditions where clear guidance was provided or not provided by the instructor about VIE linkages, social loafing behavior was low under high control situation as compared to a low control situation. Social loafing behavior is likely to be high when students perceive inequities in efforts by other group members. Alternatively, when a student feels that other member(s) of the group are putting in a low level of effort and receiving the same rewards (grades), their social loafing behavior is likely to increase. References are available upon request.

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ENGAGING CONSUMERS THROUGH INNOVATION: MEASURING EVENT INNOVATIVENESS IN SPECTATOR SPORTS

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SUMMARY

Marketing researchers have primarily studied radical and incremental product innovations based on technological development from the firm's perspective. The inescapable observation is that product innovation research has developed with an emphasis on tangible products (i.e., goods) and little empirical effort to investigate the innovativeness of intangible products (i.e., services, experiences, and events) from the consumer's perspective. Although recent discussions in the marketing literature highlight the importance of studying service and experience innovations, most existing models are still conceptual (Berry, Shankar, Parish, Cadwallader, and Dotzel 2006; Prahalad and Ramaswamy 2003). This study is one of the first attempts to develop a model of intangible event innovativeness from the consumer's perspective and for relating event innovativeness to customer retention. The purpose of this study was twofold: First, this study aimed to generate a conceptual model of event innovativeness, building from the literature on product innovation, innovation characteristics, and services marketing. The second purpose of the current study was to develop and test a theoretical model relating event innovativeness to consumer outcomes such as consumer satisfaction, brand equity, and behavioral intentions.

In the current study, event innovativeness refers to consumers' perceptions of the newness and uniqueness of a sporting event (Ali et al. 1995; Moreau et al. 2001). In order to address innovation points, this study identifies four major components: (1) the offerings a sport team creates (what), (2) the services the team delivers to the consumers (how), (3) the stages the team uses to provide offerings to the consumers (where), and (4) the relationship the team builds with the consumers (who). The basis of the four components is attributed to Sawhney, Wolcott, and Arroniz (2006) who define business innovation as the creation of substantial new value for customers by creatively changing one or more dimensions of a business system. Drawing from the literature on staged performance, service innovation, service environment, and customer loyalty, the conceptual model identifies more specific dimensions of event innovativeness: skill performance, thrill performance, respectful access, self-service technology, aesthetic environment, social environment, customer loyalty program, and brand community. Each of the eight dimensions was measured with a six-item scale

tapping radicalness, uniqueness, unconventionality, differentiation, extraordinariness, and change in the utility (Im and Workman 2004; Moreau et al. 2001).

Two quantitative studies ($n = 297$, $n = 333$) validated the proposed conceptualization of event innovativeness and examined the hypothesized relationships impacting consumer behavioral intentions through innovative event experiences. In the early stages of the study, the survey items were refined using data from a convenience sample of spectators at a Division I Football Bowl Series (FBS) college football game in the United States. An exploratory maximum likelihood factor analysis with an oblique rotation was employed. From the factor analysis, six dimensions emerged and were interpreted as (1) player performance, (2) respectful access, (3) self-service technology, (4) aesthetic environment, (5) brand community, and (6) loyalty program. The number of dimensions in the original model was reduced from eight to six.

The second data set was collected from another convenience sample of spectators at a Division I FBS college football game in order to validate the idea of event innovativeness. The psychometric properties of the items were assessed through a confirmatory factor analysis using LISREL 8.52. The average variance extracted (AVE) values for the proposed constructs ranged from .61 to .81, providing evidence of convergent validity (Fornell and Larcker 1981). Discriminant validity was assessed by comparing the AVE estimate for each construct with the squared correlations between the respective constructs (Fornell and Larcker 1981). In all cases, except the relationship between player performance and brand community, the AVE values were considerably greater than any squared correlations between all pairs of the constructs. The squared correlation between player performance and brand community, however, was .71 that slightly exceeded the AVE values for these constructs. Although the results did not provide strong support for evidence to distinguish between player performance and brand community, the decision was made to keep the two constructs separate for further analysis because these constructs are indeed conceptually distinct.

An examination of the hypothesized relationships using structural equation modeling revealed that player performance and aesthetic environment had positive effects on overall innovativeness in the context of spectator

sports. Furthermore, this study extended previous research by examining the link between event innovativeness and customer retention. Including two attitudinal constructs (consumer satisfaction and brand equity) as mediators, the results indicate that innovative event experiences lead not only to increased consumer satisfaction in the affective domain, but also to enhanced brand equity in the cognitive domain, and eventually to increased behavioral intentions (i.e., repeat purchase, word-of-mouth, and share of wallet).

This study represents an initial effort to provide managers with more holistic information pertaining to the factors engaging consumers through innovative event experiences. The ideas merit further research with respect to formulating an explanation of what factors contribute most to engaging consumers through innovative event experiences. The proposed model provides numerous opportunities to continue advancing our knowledge of customer retention through innovation. References are available upon request.

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MAKING A DIFFERENCE: EMPOWERMENT AS AN OUTCOME OF CHARITY SPORT EVENT PARTICIPATION

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ABSTRACT

Charity sport events provide charitable organizations with a mechanism in which the meaning and mission of the charity can be communicated to a large participant base. Making a difference, and affecting social change, represent objectives that can also be communicated. Accomplishing these objectives can be facilitated through empowering participants. The purpose of this research is to examine how charity sport events impact participant belief in advancing social change. Two studies were conducted to achieve this research purpose. First, quantitative data were collected to examine the proposition that attachment to the charity sport event mediates the relationship between recreation and charity motives and empowerment. Second, qualitative data were collected to further explore empowerment and potential contributing factors. Findings reveal empowerment as an outcome of charity sport event participation, with a number of different contributing factors

INTRODUCTION

Charitable organizations continue to be confronted by a number of challenges in raising funds. These challenges include increased competition among charities (Sargeant 1999), increased suspicion of charitable causes from the general public (Kottasz 2004), and uncertainty regarding the allocation and effective use of government funding for nonprofit organizations (Guo 2007). Nonetheless, charitable giving represents a \$300 billion industry in the United States (Giving USA Foundation 2007). To attract fundraising dollars, charitable organizations have been increasingly turning to alternative fundraising mechanisms such as community-based sport events (Ruperto and Kerr 2009). The increase in volume of this type of event places a strain on available dollars, forcing event organizers to differentiate the event from competitors. One means by which charitable organizations can distinguish their event is through the communication and reinforcement that a difference can be made through participation.

Concerns have emerged that participation in community, religious and political activities is occurring less, and community engagement on the whole is decreasing (Putnam 1995). However, consumers are placing greater

importance on the need for belonging and self-realization; while material wealth has become less important (Pringle and Thompson 1999). Meanwhile, a pronounced shift in consumer attitude has placed greater emphasis on alignment with products and services that provide meaning and fulfillment (Ebenkamp and Stark 1999). Furthermore, the act of giving and helping others has been linked with feelings of happiness (McGowan 2006).

Charity sport events provide charitable organizations with a mechanism in which the meaning and mission of the charity can be communicated to a large participant base.

Making a difference, and affecting social change, represent objectives that can also be communicated. Accomplishing these objectives can be facilitated through empowering participants. The purpose of this research is to examine how charity sport events impact participant belief in advancing social change. Specifically, this paper explores the factors that contribute to participant empowerment as a result of charity sport event participation.

Two charity sport events serve as the research context: The 2007 Lance Armstrong Foundation (LAF) **LIVESTRONG** Challenge, and the 2009 LAF **LIVESTRONG** Challenge. Both events represent established charity sport events with an emphasis on the mission of the charitable organization throughout event marketing communication. The paper first provides a review of literature on charity sport events and then, empowerment. Next, the method is described and the results for each study are relayed. Finally, an overall discussion of findings highlights marketing implications, along with directions for future research.

LITERATURE REVIEW

Charity Sport Events

Charity sport events have emerged as a viable alternative fundraising mechanism for charitable organizations. Beyond fundraising, these events include additional objectives such as raising awareness, community engagement, building sponsorship relationships, and publicity (Ruperto and Kerr 2009). The term charity sport event refers to an event requiring a registered participant to

complete a physical activity with proceeds, or a portion of proceeds, benefitting a designated charity. In many cases, a minimum fundraising requirement is in place in addition to a registration fee. Charity sport event participation is driven by a number of recreation-based and charity-based motives (Bennett et al. 2007). These recreation and charitable motives, along with the sense of camaraderie derived from the event, contribute to the event taking on enhanced meaning for the participant, which is reflected in attachment to the event (Filo, Funk, and O'Brien 2008, 2009). With a meaningful event experience in place, attention can be given to the outcomes of the event. The belief in making a difference and affecting social change, based upon the sense of empowerment provided by event participation, represents a potential outcome of charity sport event participation.

Empowerment

Empowerment is revealed through individuals demonstrating an understanding of their environment while exerting a sense of control over this environment and outcomes (Zimmerman and Warschausky 1988). In obtaining a sense of empowerment, individuals can either empower themselves (Staples 1990), or derive empowerment within a community based upon a collective effort toward a goal or activity (Scheyvens 1999). This sense of community is particularly relevant to the charity sport event context because of the social and emotional atmosphere of these events.

Community is reflected through four factors. These factors are: membership, influence, integration, and fulfillment of needs, and shared emotional connection (McMillan and Chavis 1986). The connection shared within a community is enhanced by a collective devotion to the achievement of a group goal (Arnould and Price 1993). Meanwhile, an increased sense of community can incite participation in local action (Chavis and Wandersan 1990). Furthermore, a relationship exists between sense of community and motivation to affect change (Turner 1974). For charity sport events, raising awareness, raising funds, and advancing the mission of the charitable organization represent change that can be affected by event participants. Empowering participants to believe they can make this change may be critical.

An enhanced feeling of self-efficacy is an important component of empowerment (Conger and Kanungo 1988). Self-efficacy is an individual's belief in their capacity to follow a course of action to achieve set accomplishments (Bandura 1997). Self-efficacy is an important predictor of behavior in that an individual who believes an outcome can be achieved through a specific behavior is more likely to perform that behavior (Ajzen 2002). This suggests that an individual who believes that social change can be incited through charity sport event participation is more

likely to participate in the event. Similar to community's inherent importance to empowerment, community is also an important source of self-efficacy. Encouragement from others has been found to be a means by which individuals gain self-efficacy (Bandura 1977). Consequently, the community of participants may contribute to empowerment among charity sport event participants.

Athletes are empowered through the participation in sport (Blinde and Taub 1999). This empowerment emerges, in part, through an understanding of physical capabilities (Lenskyj 1986). In addition, physical activity allows for the completion of a task, which can increase self-efficacy (Bandura 1977), and in turn, empowerment. Thus, the physical activity inherent to charity sport events represents an additional factor that may contribute to participant empowerment.

For the purposes of this research, empowerment is depicted as an individual's belief that they can make a difference and affect social change through participation in a charity sport event. Charity sport event participants may derive empowerment through the meaningful event experience, the community of participants, the inspiration provided by the charitable cause, and the physical challenge of the event. This research examines the factors that contribute to empowerment in the charity sport event context. Two studies were conducted to achieve this research objective. First, quantitative data were collected to examine the proposition that attachment to the charity sport event mediates the relationship between recreation and charity motives and empowerment. Second, qualitative data were collected to further explore empowerment and potential contributing factors.

METHOD

Study 1

Participants. A questionnaire was completed online by a sample of participants in the 2007 LAF **LIVESTRONG** Challenge in Austin, Texas (N = 568). The **LIVESTRONG** Challenge is the LAF's signature fundraising event, with all proceeds benefitting the LAF's mission to support individuals living with cancer. Participants were required to pay a \$50 registration fee along with meeting a \$200 fundraising minimum. The **LIVESTRONG** Challenge provides participants with the choice of a 5K walk or run, a 10K run, a 10-, 40-, 70-, or a 100-mile cycling ride. The sample of participants ranged in age from 18 to 70 with 46.3 percent between the ages of 40–64. Thirty-five percent had obtained at least a Bachelor's Degree, and 74.6 percent selected White as their ethnicity. Event organizers indicated the event's participant base reflected a 60/40 male/female ratio, and participants were mostly white, affluent, and computer-savvy.

Materials and Procedures. The online questionnaire included scales assessing recreation motives, charity motives, and attachment to the event. Participants were given a multi-attribute questionnaire comprised of: (a) eight-items to measure a composite for recreation motivation (Beard and Ragheb 1983), (b) seven-items to measure a composite for charity motivation (Dawson 1988), and (c) six-items to measure attachment to the event, reflected in the emotional, symbolic, and functional meaning held for the event (Funk and James 2006). To measure Empowerment, participants were asked to rate their level of agreement with the following three statements: (1) "I feel confident in my ability to make a change in the way cancer is addressed," (2) "I feel capable of achieving my goals to change the way cancer is addressed, even as challenges arise," and (3) "Overall, I feel supported to achieve my goals to change the way cancer is addressed." All items were measured on 7-point Likert-scales (anchored by 1 = strongly disagree, 7 = strongly agree).

An e-mail including a link to the online questionnaire was submitted to 4,000 registered participants by a representative from the LAF. The e-mail was sent one day following the event in October 2007, and the questionnaire was made available for 12 days after the event. A clerical error with the LAF resulted in one of the items for the charity motivation composite getting dropped from the questionnaire. As a result, this composite dropped the intended eight items, to seven items. A total of 568 completed questionnaires were deemed usable for a response rate of 14.2 percent.

Study 2

Participants. Semi-structured interviews were conducted with participants in the LAF's 2009 LIVESTRONG Challenge in Austin, Texas. Participants chose from a 5K or a 10K run, or a 10-, 40-, 70-, 100-mile cycling ride. Participants were required to meet a \$250 fundraising minimum to register for the event. The event drew 3,500 participants, and according to the event organizers, attracted a predominantly white (80%) and affluent participant base with a majority falling between the ages of 30–50, with a 55/45 male to female ratio.

Materials. A list of semi-structured questions was drafted in advance of the event to serve as a guide for interviews. The list of questions was structured to explore participant involvement with the charitable cause as a result of the event, as well as belief in their capacity to advance social change. The interview guide was used with each interview, but questions were asked in such a way as to further probe the responses provided by the individual interviewees (Seidman 1998). The dynamics of each interview were managed as "mundane interaction," in which the interviewer asked questions and followed up on various issues raised by the interviewee (Rapley 2004, p. 25).

Procedures. The interviews were held in October 2009 and conducted by the primary researcher. Each interview was conducted at the event, after each interviewee had completed the event. Each interview began with a series of introductory questions asking for first name and number of previous LIVESTRONG Challenge events participated in, as a means to establish rapport (Fontana and Frey 1994). Rapport was greatly enhanced by the overall meaning and emotion associated with the event. Thirty-one interviews were conducted with each ranging from 8–12 minutes. Respondents included 18 participants in their first year of event participation, and 13 who had previously participated in LAF events; 16 males and 15 females; and all respondents resided in the United States of America.

After 31 interviews, the researcher felt that the data had reached a saturation point, or qualitative information isomorph, in which there was an emerging redundancy within the collected data (Jennings 2001). Potential interviewees were asked for permission to audio record the interview prior to commencing the interview. With each interviewee's permission, all interviews were audio recorded and transcribed verbatim.

The interview transcriptions were coded using what Denis, Lamothe, and Langley (2001) refer to as a mid-range scheme. This allowed themes to emerge both inductively from the interview data as well as deductively using making a difference and affecting social change as a guiding premise. Denis and colleagues suggest that this approach "allows one to gain insight from the data without necessarily denying or reinventing concepts that have been useful previously" (p. 812). The transcriptions were analyzed by the primary researcher to identify emergent themes, along with supporting quotes for each theme. Quotes are included in the results section as they best represent the views of respondents.

RESULTS

Study 1

The means, standard deviations, and Cronbach alpha values for each of the five constructs measured are reported in Table 1. The alphas ranged from $\alpha = .81$ to $\alpha = .95$, indicating the items used to measure the constructs were reliable.

Consistent with the recommendations of Baron and Kenny (1986), a three-step test of mediation was conducted using multiple linear regressions (MLR) to examine the relationships. The mediation tests for the sample are reported in Table 2. Results from Step 1 indicate a significant relationship exists between recreation motivation, charity motivation, and attachment ($p < .05$). The results from Step 2 indicate a significant relationship

TABLE 1
Means, Standard Deviations and Reliability Measures for Recreation Motivation, Charity Motivation, Attachment, Empowerment, and Social Engagement

Construct	Mean	Std. Deviation	Cronbach Alpha
Recreation Motivation	5.46	.97	.81
Charity Motivation	5.28	.96	.82
Attachment	5.60	.92	.86
Empowerment	4.48	1.03	.95

exists between empowerment and recreation motivation and charity motivation ($p < .05$). Results from Step 3 indicate attachment partially mediates the relationship between empowerment and recreation motivation and charity motivation ($p < .05$) (Baron and Kenny 1986). In addition, the explained variance in empowerment increased from 18 percent in Step 2 to 25 percent in Step 3 with the addition of attachment.

Study 2

The theme of Empowerment emerged from the interview data. This theme is reflected through discussion of the number of participants, the strength in numbers of these participants, and participant belief in making a difference. Below, Empowerment is presented narratively

through direct quotations (e.g., Rubin and Rubin 2005). Pseudonyms are used in place of participants' names to introduce quotations.

Empowerment. In describing the event experience, participants repeatedly discussed how much it meant to see so many people together. Participants expressed their connection with other participants through words such as community, family, and collective. In addition, individuals stated that seeing this group of people reinforced that they can make a difference. Building off of the collective energy derived from the event, participants described a sense of empowerment. Individuals detailed a strong belief that they can influence social change and make a difference in the cancer community. The event, and the collection of participants, were highlighted as catalysts for this belief.

TABLE 2
Three Step Test of Mediation for Recreation Motivation, Charity Motivation, Attachment, and Empowerment

	Step 1	Step 2	Step 3	
	Attachment	Empowerment	Empowerment	Interpretation
	Beta	Beta	Beta	
Recreation Motivation	.16	.18	.12	Partial
Charity Motivation	.59	.34	.14	Partial
Attachment			.35	Mediator
Adjusted R ²	.42	.18	.25	
F-Value	210.33	64.04	64.25	

Describing the difference that can be made through participation began with acknowledgment of the participant base, which individuals viewed as a like-minded collective from which individual participants derived inspiration and empowerment. Joe, a fifth-year participant, likened his fellow participants to “family.” Meanwhile, Michelle, a first-year participant, stated that “There are a lot of amazing people out here today.” Similarly, another first-year participant, Blair, indicated that “It’s so inspiring to see all these people out.”

The term most often used in acknowledging the participant base was “collective.” Individuals used this term and elaborated on the strength of this collective. Mitch, a first-year participant, revealed, “One person can only do so much, it’s much more powerful to have a collective.” Peter, a third-year participant shared a similar notion, “Yeah, I think you get enough of us together . . . each of us individually, you know, if each of us thinks we’re just by ourselves then we can’t do anything. . . . But then you see all these people, and I recognize the power of the collective.” The strength of the collective was highlighted by Keith, a first-year participant, when answering whether he believed he was making a difference through participation: “Just to prove it right now, we’ve got over 3,000 riders who put their lives on hold for a day, for a weekend, and came to support a greater cause. It just goes to show there is strength in numbers and those numbers are put together by a collection of individuals.”

The large group of like-minded individuals, and the corresponding strength in numbers derived from this collective, led to a firm belief that participants were making a difference. Margaret, a first-year participant, underscored the notion of the group inciting social change with, “Anytime you get a large amount of people behind one cause, you have a better chance of making that difference.” Megan, another first-year participant, expressed a similar sentiment, “When you see how many people from all over are involved in achieving a goal of raising money for cancer research, it makes me think we can do anything.”

When James, a fifth-year participant, was asked to describe his involvement with the charitable cause as a result of the event, he replied, “Well, I mean, I don’t know how to put that in words, but being out here with a group like this makes you feel like you are a little part of a big thing, and that’s really cool. It absolutely is empowering.” Melissa, a first-year participant, revealed a strong belief in making a difference based upon the inspiration derived from the event by stating, “Seeing all the people here that have a sign on their back that they are a survivor or a fighter. It’s just, WOW! I definitely feel that everyone can make a change.” Aiden, another first-year participant, demonstrated that the difference being made, and the social change incited, transcended fundraising dollars: “I

think every little bit helps, so I raised \$485? I completed the event, and how many people did I talk to and tell them that I was doing this event? All of my friends have been exposed. I feel that I have made a difference . . . So, I mean look at all these people around here. Everyone is having a great time, and everyone is thinking about beating cancer.” The findings of Study 1 and Study 2 are discussed below, along with marketing implications and directions for future research.

DISCUSSION

Overall, the results of the two studies reveal three findings. First, Study 1 demonstrated that attachment mediates the relationship between recreation and charity motivating factors and empowerment. The identification of this mediating variable suggests attachment facilitates empowerment, and is an important predictor of this outcome (Baron and Kenny 1986). Next, Study 2 highlighted empowerment as an outcome of charity sport event participation based upon the collective contribution of participants, and an individual belief in making a difference.

The emergence of Empowerment as an outcome of charity sport events supports the notion that charity sport events feature a number of objectives beyond fundraising (Ruperto and Kerr 2009). The contribution of recreation motives to Empowerment aligns with the relationship between physical activity and empowerment (Blinde and Taub 1999). The contribution of attachment to Empowerment underscores the importance of emotional, symbolic, and functional meaning within the charity sport event experience (Filo et al. 2008, 2009). Meanwhile the description of the collective of participants as an important component of empowerment highlights the role of community and collective effort in empowering individuals (Scheyvens 1999). Overall the findings of Study 1 and Study 2 depict charity sport events as an effective mechanism in bringing like-minded individuals together to achieve a collective goal and affect change (Chavis and Wandersan 1990).

Marketing Implications

The findings of this research introduce a number of implications for event marketers to foster empowerment among participants. First, Reddin and Sonn (2003) suggest symbols and rituals can reinforce emotional connection and bolster community. Event marketers can utilize symbols through the development of event merchandise emphasizing the social change outcomes of the event. T-shirts, hats, and posters can be sold that include messaging highlighting the difference made through participation. In addition, rituals can be implemented before, during, after the event. Gatherings such as early bird registration parties, ceremonies prior to the start of the event, and post-event parties can be used to communicate goals in advance

of the event; achievement of those goals; and objectives for next year's event. Through developing an ongoing sense of community among event participants, event organizers can facilitate a shared sense of empowerment.

Second, social media can be utilized to empower participants before and after the event. Bennett (2007) asserts that organizations can attract consumer response to social media activity by engaging and leading users via the provision of compelling content. Social media technologies can communicate needs in advance of the event, while also providing a mechanism to thank participants following the event and communicating the outcomes achieved. Online viral videos featuring constituents of the charitable organization describing the importance of the charity and the event could be an effective means to create a narrative within event marketing communication.

Third, the importance of encouragement from others and the empowerment derived from the collective suggests event marketers can leverage participants' social networks. Social networks can facilitate the flow of information and communicate opportunities to individuals, while enhancing social capital (Lin 1999). Event marketers can develop marketing communication that encourages individuals to engage their social network through soliciting participation, fundraising, or simply increasing awareness. Social media technologies that highlight an individual is participating, while inviting others to join and help make a difference could be an effective means to leverage social networks.

Future Directions

A number of future studies are warranted based upon the findings of this research. Further quantitative work can refine the scales employed to assess Empowerment. These refined scales can incorporate findings from the

interviews conducted within Study 2. The qualitative data can further define what qualifies as making a difference. Subjectivity may exist among participants as to how they are successfully making a difference (i.e., awareness, fundraising, advocacy, participation, etc.) Focus groups may provide an effective means to solicit these opinions. In addition, longitudinal data can be collected to track sustained participant involvement with the charity following the event.

Second, this research focused exclusively on event participants. However, charity sport events rely upon a dedicated volunteer force, while encouraging friends and family of participants to attend as spectators. An investigation of empowerment among volunteers and spectators could assist event marketers in tailoring communication to different event stakeholders. Effective marketing communication to volunteers and spectators could not only assist in the achievement of social change objectives, but could also enhance event sustainability.

CONCLUSION

This research reveals empowerment as an outcome of charity sport event participation, with a number of different contributing factors. Specifically, recreation motives, charity motives and attachment contribute to empowerment, and attachment is an important predictor of empowerment. In addition, empowerment is described as an outcome based upon the number of participants, the strength in numbers revealed through these participants, and a corresponding belief in making a difference and affecting change. Event marketers can utilize a number of resources to highlight this event outcome to attract and retain participants. It is hoped that this research serves as a starting point for further investigation of the social change-based outcomes of charity sport events.

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APPLICATION OF THE REGULATORY FOCUS THEORY TO FANTASY SPORT CONSUMPTION BEHAVIOR

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ABSTRACT

This paper proposes a conceptual model to understand fantasy sport consumption behavior. The model delineates the theoretical relationships of salient consumer psychological variables through the lens of Regulatory Focus Theory. Propositions are made based on the proposed model and implications for both academicians and practitioners are discussed.

INTRODUCTION

The Internet, though relatively new when taken in the greater context, is quickly becoming one of the most important and fastest growing tools for sport managers and academicians of all fields. With the versatility and flexibility the Internet provides, it is no wonder that some of its highly specialized applications would prove to be just as popular. One such application is that of fantasy sports. Fantasy sports are a platform where users accumulate points based on real-time statistics achieved by members of their “fantasy” roster. While evidence of rudimentary fantasy sports has been seen as early World War II, fantasy sports as they are known today got their start in the early 1980’s (Fantasy Sport Trade Association). While little research has been done on the realm of fantasy sports due to its recent emergence as a genre of academic research, its extreme popularity (to the tune of 29.9 million people in 2007, FSTA) call for scholarly investigation to understand what about fantasy sports has attracted so many people and how it can be utilized as a potential marketing tool in the future.

While consumer behavior has been studied in the sport context for some time with extensive studies completed by researchers, newer still is the research of consumer behavior variables in the online context. For example, issues concerning utilitarianism and hedonism have long been studied in the psychology, sociology, and marketing literature, but have not been extensively examined in the context of online sport consumption. Taking cues from Regulatory Focus Theory (Higgins 1997, 1998, 2001), the goals of fantasy sport consumers either align with a promotion (hedonism) or prevention (utilitarianism) focus and understanding this dichotomy will be far-reaching in understanding the fantasy sport consumer.

The purpose of this study is to propose a research model that incorporates several key consumer variables

that influence regulatory fit and fantasy sport participation and understand their impact of satisfaction and loyalty in the overall fantasy experience (see Figure 1). The independent variables and dependent variables are operationalized in the body of the text. The proposed model was developed by combining the efforts of some of the theoretical frameworks used in current online consumption and consumer psychology literature. This model will contribute to the marketing literature by expanding our understanding of consumer behavior in the fantasy sport context. In particular, this paper derives its merit from gaining an understanding of the complex segment of fantasy sport consumers coupled with the fact that up until now, the literature has examined more traditional consumers and products. This research will start to bridge the gap between traditional business segments and new and complex segments. In addition, understanding Regulatory Focus Theory in the context of fantasy sports consumption will create a new consumer niche for practitioners to explore. Additionally, this impact should create new leads for other segments of the online community, such as website developers, search engine hosts and sporting teams, alike.

LITERATURE REVIEW AND RESEARCH PROPOSITIONS

Involvement

Involvement is defined as a person’s perceived relevance of the object based on a person’s inherent needs, values and interests (Zaichkowsky 1985). An individual’s level of involvement impacts the goals set and the desired outcomes from a particular decision. Furthermore, links in the literature have been made that suggest involvement influences both greater sport media consumption (fantasy sport websites and the various print publications associated with them; Shank and Beasley 1998) and loyalty to an organization (in this case, the unique fantasy sport websites that offer fantasy contests; Iwasaki and Havitz 2004). These two very important associations between involvement and the online sport consumption context lend themselves to improving our understanding of this construct and its usefulness to accounting for this unique type of consumption behavior.

Generally, involvement is viewed as a spectrum of values from low to high and where an individual falls within that spectrum will dictate the decisions they make.

According to Mano and Oliver (1993), involvement reflects several dimensions including need fulfillment, value expression or interest the consumer has in the product. They argue that involvement draws its relevance to goal orientation through the psychological consequences of a decision's heightened relevance to the consumer. That is to say that the stake an individual has in a particular outcome via a specific goal will dictate how much they exert themselves. Put into a fantasy context, the more involved a fantasy sport consumer is in the game and the established goals, the more intently they will pursue their actions within the game, no matter the goal orientation. In other words, differences between utilitarian and hedonic goals are more likely to be witnessed if a fantasy sport consumer exhibits higher levels of involvement in their experience. Understanding that fantasy sport consumers join leagues for various reasons should prompt fantasy website administrators to balance complexity with conciseness so that their interface will appeal to users with high levels of involvement (e.g., in-depth statistical breakdowns, intricate statistical filters, and advanced blog features) versus users with low levels of involvement (e.g., point-and-click roster updates and roster management tips). Therefore, the first proposition was developed as:

Proposition 1: High levels of Involvement, based on fantasy context, will lead to a congruent Regulatory Fit.

Value Orientation – Utilitarianism v. Hedonism

As mentioned above, the principles of utilitarianism and hedonism have been examined often in the social science literature and have only recently begun their application to the field of marketing. Chitturi, Raghunathan, and Mahajan (2007) and Chernev (2004), have defined "utilitarian benefits" as those that refer to the functional, instrumental and practical benefits of consumption offerings and "hedonic benefits" as those that refer to their aesthetic, experiential and enjoyment-related benefits. Hirschman and Holbrook (1982) defined hedonic consumption as those facets of consumer behavior that relate to the multi-sensory, fantasy and emotive aspects of one's experience with products. In gaining further understanding of these two concepts, it has also been pointed out that utilitarian values affect the short term needs of the consumer, while the hedonic values of a product affect the long term needs. Additionally, a hedonic dimension is one that results from a sensation of the experience while a utilitarian dimension is one that results from the functions of a product (Voss, Spangenberg, and Grohman 2003).

According to Fischer and Arnold (1990), the goals that are set by the [fantasy sport consumer] largely vary depending on what attribute of the decision receives the most weighting. This theme of duality is a major highlight

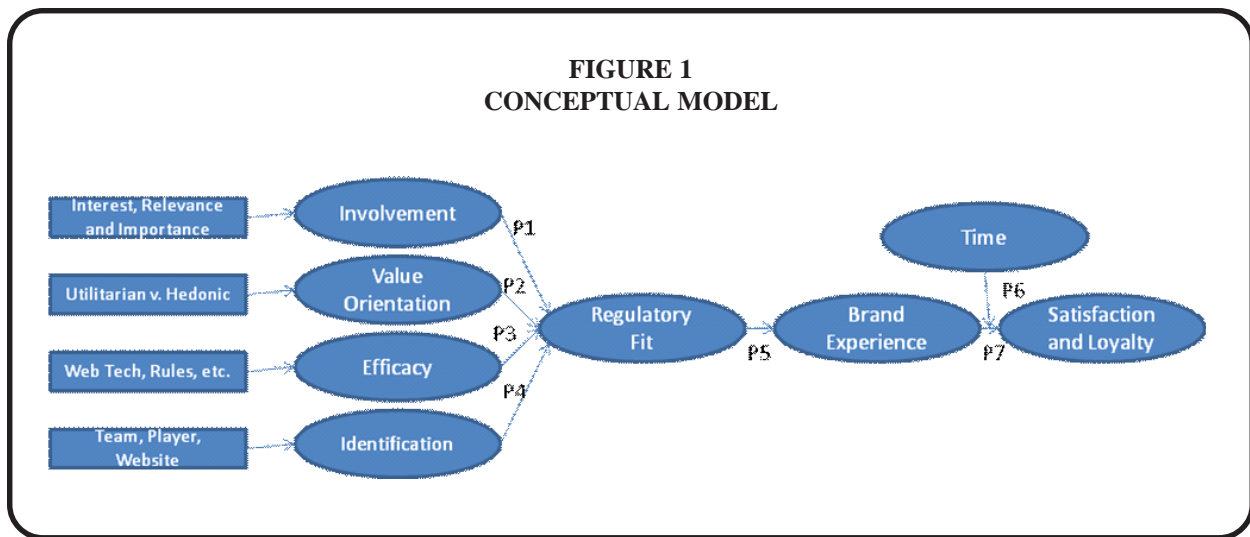
in much of the literature. Placing the theme into a fantasy sport context, more specifically the competition factor, sheds some new light on an often reviewed subject area. The conventional thought on competition is that participants engage in the activity to demonstrate one's proficiency in the requisite skills necessary to be successful and ultimately, to win. Applying the duality theme, participants engage in competition both for the extrinsic/utilitarian rewards (e.g., money, prizes, and notoriety) and the intrinsic/hedonic rewards (e.g., emotional attachments, social gains and personal goal attainment; Babin, Darden, and Griffin 1994). Hedonism and utilitarianism are not functioning on opposite sides of a continuum, but are acting simultaneously and sometimes in a manner similar to a hierarchy.

As a quick reference to this potentially hierarchical structure, Chitturi et al. (2007) proposed that once the prevention/utilitarian goals of the consumer are met, they then place higher priority toward the hedonic benefits that assist in the attainment of promotion/hedonic goals that elicit feelings of excitement and cheerfulness, which ultimately lead to feelings of delight. Based on the unique nature of fantasy sport and the ways in which it encompasses many attentional issues at once, it is possible that fantasy sport consumers set both utilitarian and hedonic goals in their pursuit of fantasy glory. Chaudhuri and Holbrook (2001) agree with this notion in saying that all products ripe for consumption have characteristics of both utilitarian and hedonic values. With this in mind, it appears as if the research is suggesting that fantasy sport websites should look to include the optimum levels of functionality and interaction in a way that could lead to maximum levels of customer satisfaction and emotional delight.

Understanding the fact that these two items are inter-related has only been a recent finding in the literature. The groundbreaking work of Batra and Ahtola (1990) attempted to develop a scale that could adequately measure both utilitarian and hedonic cues as separate functions, but it was discovered not too long after by Crowley, Spangenberg, and Hughes (1992) that the scale of Batra and Ahtola did not fully encompass the factors that went into understanding the concepts. It was evident by their work that overlap and ambiguity might be chief reasons as to why utilitarian/hedonic scales have been reviewed and altered so often in the last two decades of literature and why this subject area seems to be a fruitful area for future research. As products and services get more complicated and experiential, the lines between utilitarian and hedonic goals will continue to be blurred based on the end goal.

Proposition 2: A fitting Value Orientation, based on fantasy context, will lead to a congruent Regulatory Fit.

**FIGURE 1
CONCEPTUAL MODEL**



Efficacy

Efficacy is another chief component in consumer behavior and also plays a large role in regulatory focus. As theorized by Bandura (1986), efficacy is the degree to which an individual judges his/herself as being capable of organizing and executing necessary courses of action required to successfully perform the task at hand. Additionally, research has shown that an individual's efficacy can actually be improved through training (Gist, Schwoerer, and Rosen 1989; Martocchio 1994; Tannenbaum, Mathieu, Salas, and Cannon-Bowers 1991). In this context, fantasy sport consumers could improve their efficacy over the fantasy game by playing more frequently and by learning the nuances of the game, thus strengthening their perceived control over their progress. This notion has utility in fantasy sport because a whole school of thought within fantasy sports is that a player's direct effort leads to results. If a player feels that they have no control over a fantasy situation, they are more likely to be less involved in the game.

Understanding how important efficacy can be in affecting website use, administrators should focus on including applications that appeal to more task-related issues (such as statistic filters, league transaction details, etc.) and to entertainment-type issues (such as interactive chat functions, "rules of the game" pages and even links to the team stores and news sites) that enhance a user's perceived control of the game and website.

Proposition 3: High levels of Efficacy, based on fantasy context, will lead to a congruent Regulatory Fit.

Identification

Issues unique to identification have been studied in the psychology and consumer behavior literature (Mahony,

Nakazawa, Funk, James, and Gladden 2002; Kwon, Trail, and Anderson 2005), but have not been examined at length in online settings and in more specific terms, with online sport consumers. Furthermore, while the points of attachment have been studied in the spectator sport context to a great extent (Robinson, Trail, and Kwon 2004; Robinson, Trail, Dick, and Gillentine 2005; Lee, Trail, and Anderson 2009), the research on identification and the points of attachment in an online context, particularly fantasy sport, is quite new. Trail and James (2006) found that identification is typically a measure of one's cognitive loyalty to a team, player, organization, etc. Through this attachment, the researchers believe that fantasy sport consumers will display loyalty to a given fantasy sport website and will continue to patronize that website, so long as what attracted them in the first place remains constant.

Proposition 4: High levels of Identification, based on fantasy context, will lead to a congruent Regulatory Fit.

Regulatory Fit

Aaker and Lee (2006) defined the concept of regulatory fit as the increased motivational intensity that results when there is a match between the manner in which an individual pursues a goal and his or her goal orientation. When an individual's actions go in line with their goal orientation, their motivational levels increase and the intensity directed at achieving a particular goal also increases (Avnet and Higgins 2006). This phenomenon can be explained by Regulatory Focus Theory (Higgins 1997), which states that in any given situation, an individual can either adopt a promotion or prevention focus.

According to Brockner and Higgins (2001), this concept of regulatory focus deals with the process by which individuals seek to align themselves with appropriate goals. Traditionally, individuals that have a Promo-

tion-based Focus tend to gravitate towards positive outcomes, as they usually work towards the growth needs of the individual. On the other hand, those who have a Prevention Focus tend to gravitate towards negative outcomes (or the avoidance of such outcomes) which relate back to more structural and security-based needs. Chitturi et al. (2007) argued that fulfillment of prevention goals lead to the elimination or reduction of negative outcomes, thus eliciting the associated feelings of confidence and security. Conversely, fulfillment of promotion goals leads to an increased probability of a pleasurable experience, eliciting emotions such as excitement and elation. Chernev (2004) sheds light on this link between the two constructs by pointing out that individuals who tend to be promotion focused usually focus on achieving pleasure and pay greater attention to hedonic attributes of a product or service. Then again, individuals who are more prevention focused usually look to avoid undesirable outcomes and thus, tend to pay more attention to the utilitarian attributes of a product or service.

In the online consumption context (including fantasy sport), researchers suggested that users utilizing a promotion focus tend to be more attracted to the aesthetic and interaction based applications of a given website while their prevention-focused counterparts tend to be more attracted to the informational and security-based functions of the website (Batra and Ahtola 1990; Chitturi, Raghunathan, and Mahajan 2007; Dhar and Wertenbroch 2000). Understanding these propensities, a good regulatory fit would occur when a fantasy sport consumer seeks to interact with his/her league mates through the chat room or message board functions (promotion focused) and encounters well-designed and aesthetically pleasing applications that will lead to a pleasurable and satisfied fantasy session. Conversely, if the fantasy sport consumer wishes to interact with his/her league mates and comes to find improperly designed interaction applications, he/she will grow displeased with the website and may not reuse it in future seasons. These tendencies should be a starting point for web administrators in that they can direct the designers to work on improving those facets that pertain to both foci with the end goal being that the fantasy sport consumers who are more promotion/hedonic focused will have an enjoyable experience while those fantasy sport consumers who are prevention/utilitarian focused will feel a sense of accomplishment at achieving a specific goal for a given visit.

Proposition 5: A congruent Regulatory Fit will lead to a positive brand experience.

Time

Time is an important factor in determining the regulatory focus employed by the consumer. Because regulatory focus is largely situational in its application, there can

be little doubt that the amount of time spent on making a decision or the amount of time given to make a decision will greatly impact one's predisposition towards hedonic or utilitarian value orientation. To illustrate this point, Burroughs and Mick (2004) found that individuals tend to favor creativity and leisure when facing a "non-debilitating" time constraint versus those who are acting within a defined time constraint. If a decision is required more quickly, or there is less time to attend to the decision at hand, individuals tend to be more utilitarian, valuing effectiveness and efficiency in their processes. Conversely, if there is more time to evaluate alternatives or there is no time limit to make a decision, individuals tend to favor hedonic tendencies and engage in processes that are more leisure based. In a similar strain, Dhar and Wertenbroch (2000) found that if there is less time until a certain task is to be completed, the individual tends to favor utilitarian features whereas if there is more time until task completion, the individual tends to favor hedonic features. Furthermore, according to Suri and Monroe (2003), in situations where time is of the essence, individuals tend to engage in less information processing as opposed to those that have no limits on their time. Echoing these sentiments, a study by Nowlis (1995) found that increased time pressure had a limiting effect on the saliency and accessibility of available information used for any given decision and that individuals would make quick decisions to achieve cognitive closure. The most relevant fantasy example to illustrate this point deals with the fantasy drafting process. In this context, there is a predetermined amount of time in which the fantasy user must make a selection for his/her team. This finding says that if time between picks is less, the user is more likely to make a safer and more functional selection, where if the time between picks is greater, the user might be more creative or take a bigger risk in his/her selection.

Ultimately, time must be accounted for when examining goal setting and decision making because understanding when a task must be accomplished will ultimately dictate which regulatory focus an individual utilizes. For fantasy websites, website administrators should look to construct their websites with awareness of time and in ways that will be conducive to users that must make a last-minute trade or roster addition and to users that merely want to catch up on the latest rumor news or respond to league blogs.

Proposition 6: Time will moderate the relationship between Brand Experience and Satisfaction/Loyalty.

Brand Experience

The concept of Brand Experience is somewhat new to marketing literature, but the development of the construct ties together and expands upon many of the popular brand constructs such as brand attitude, brand involvement and

brand loyalty and equity. Based on the work of Arnould, Price, and Zinkhan (2002), Brakus, Schmitt, and Zhang (2008), and Holbrook (2000), Brand Experience describes the consumer's search for products/brands, how and why they shop for them and/or receive related services and ultimately, when these products and services are consumed. This concept relates to fantasy sport websites from the service point of view and stands to provide new information about what fantasy sport consumers obtain from using such websites. Based on the notion that brand experiences can vary in duration (experiences with a given brand can be longer than others), strength (experiences can evoke stronger feelings in some consumers than others) and valence (experiences can be positive or negative), Oliver (1997) and Reicheld (1996) maintain that such brand experiences should ultimately affect consumer satisfaction and loyalty. Additionally, most experiences occur directly through traditional consumption methods, but according to Brakus, et al. (2009), experiences can also occur indirectly through advertising, marketing messages and through websites. As satisfaction and loyalty have grown to be chief goals of service and product providers, understanding how fantasy sport consumers experience fantasy sport brands in all facets should lead to more appropriate means of catering to this specialized population.

Proposition 7: A positive Brand Experience will lead to increased levels of Satisfaction and Loyalty.

Satisfaction v. Delight

An emerging theme of the research appears to be this battle between satisfaction and delight and which of the two constructs leads to customer retention and general loyalty to the brand/product. While many authors argue that satisfaction should be the chief goal for a product or service, 60 percent of consumers who switched to another brand in the same product category said that they were satisfied with the prior brand (Chitturi et al. 2008). Fischer and Arnold (1990) use a Christmas shopping example to help illustrate this battle between satisfaction and delight. They used focus groups to understand the thought processes of shoppers and the major issue that guided their shopping experience. In their study, they found that those who used a more utilitarian mindset were looking for overall satisfaction and were more focused on getting the job done in an effective and efficient manner while those who employed a more hedonic frame of mind were more interested in the shopping experience and the wonderment (delight) of observing the season's hot items.

As far as extending this to the fantasy sport context, if one were to apply this notion to the fantasy websites, satisfaction could be derived by building in utilities that give fantasy sport consumers the information they need in a manner that will provide for the most effective and

efficient use of their time, while delight could be built in through utilities that enhance the experience of fantasy sport (blog features, mechanisms with which to chat with other competitors and even exclusive inside information that might foster a deeper connection to the sport in question). That being the case, it would seem then, that firms should move more towards increasing the feelings of delight that an individual feels from using a certain product or service in an effort to maintain a constant consumer base of repeat customers. Taking a cue from Babin et al. (1994), in response to the aforementioned goal setting of fantasy sport consumers, there seems to be a definite difference between playing with a goal (utilitarian point of view) and playing as a goal (hedonic point of view). That said, it should be reiterated that these two concepts play small parts in the larger whole of consumer attitude towards a product or service and the advantage goes to those companies or websites that effectively capitalize on this dichotomy.

Because fantasy sport consumers engage in fantasy sports for various reasons, the more frequently used websites are the ones that have utilities that appeal to those looking for a more topical experience versus those who want to immerse themselves in the experience. Zhou and Pham (2004) discovered this very point in their research in finding that self-regulatory goals can be spontaneously triggered by exposure to certain objects. Furthermore, Shah (2003) found that the extent to which specific objects evoke goals and/or strategies and guide further action differs between individuals based on the strength of a given goal-object association.

DISCUSSION

An extensive review of the relevant literature and the development of a comprehensive conceptual model have unearthed interesting relationships that will have important ramifications on academicians and practitioners, alike. From a theoretical standpoint, while many of the aforementioned constructs have been studied in traditional consumer behavior constructs, examining them in an online setting and with a specific and highly specialized population will expand the current knowledge base of online consumption behavior. Additionally, the inclusion of Brand Experience and Regulatory Fit in the sport context could lead to stronger links in the literature to parent disciplines such as Marketing and Psychology.

This model is ripe with future directions for research. As mentioned earlier, extending the constructs of Identification, Involvement and Efficacy to both the online and sport contexts will increase our conceptual understanding and lead to new associations based on contextual uniqueness. The inclusion of Regulatory Fit and Brand Experience into the online consumption setting will create new lines of research and could lead to collaborations between

leading scholars in the respective fields. Once testing of the model is complete, the results could warrant the inclusion of additional constructs of both mediating and moderating variety.

From a practical standpoint, these relationships should serve to assist fantasy website administrators, designers and industry professionals in gaining a better understanding of their consumers and in turn, create a better and more

effective product that caters to each fantasy sport consumer's needs. Understanding core issues concerning Identification and Goal Orientation will lead fantasy website administrators to include applications that cater to both the task-oriented and experience-oriented consumers. The increased competition created by these changes should lead to a better overall fantasy experience for all who participate and should lead to high service quality perceptions on the part of the fantasy sport consumers.

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THE IMPACT OF MARKETING ON SPORT-RELATED SUCCESS

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SUMMARY

Over the last few decades, the sports market has developed to one of the most important and top-selling industries. Especially sports clubs generate sales revenues comparable with leading international companies. This development has brought a dramatic shift in the role and scope of marketing for such companies. In particular, the growing relevance of brands for customers and other stakeholder requires a professional brand management. As such initiatives are often associated with intangible outcomes marketing managers are under increased pressure to justify their investments in this area. Their decisions should create a positive financial return for the company (Rust, Lemon, and Zeithaml 2004). In contrast to many other industries, the financial success of a sports club is virtually exclusively determined by sport-related success. Therefore, sport-related success is the most important goal for a sports club and marketing decisions should be aligned to this metric.

So far no study has investigated the impact of marketing-specific factors on sport-related success. Prior research has primarily examined how sport-related success drives marketing outcomes (Gladden and Funk 2001) or has shown the relevance of marketing drivers for financial outcomes in industries others than sports (Day 1994). However, the predominant goal of sports clubs is sport-related success. Clubs with a good marketing management seem to be more attractive for higher sport competencies and therefore greater success. Consistent with that, our article explores the contribution of marketing-specific factors to sport-related success and in consequence their relevance for predicting this variable. Using a database of more than 34,000 matches which relate, in total, to 159 sports clubs in the German professional soccer leagues, we estimate a model of sport-related success as a function of sport-specific and marketing-specific predictors. In particular, our study examines (1) whether customer-based brand equity, fan commitment, and brand championing as essential marketing drivers contribute to sport-related success and (2) which functional structure can be observed for these relationships. Brand equity is the essential indicator of sport-related and managerial competencies of a sports club (Madden, Fehle, and Fournier 2006). The factor fan commitment is important to reflect the specific emotional position of a club for its fans and

therefore indicates fan support (Coulter, Price, and Feick 2003). Finally, brand championing should be included in the analysis to capture the behavior and spirit of players and managers as the “genetic code” of a sports club (Kapferer 2003). The forecasting model is developed by estimating an ordered logit regression model and several Monte Carlo simulations. It is characterized by a high flexibility and hence can be easily applied for other sports. Moreover, the required dataset can be obtained via publicly available sources.

Our results show that marketing-specific factors have a significant effect on sport-related success and vastly improve predictive power. The study identifies a non-linear (U-shaped) relationship between brand equity and sport-related success. Although the relationship is positive, a medium level of brand equity exists where the effect on sport-related success is minimal. Furthermore, the results indicate a positive impact of fan commitment and brand championing on sport-related success. In contrast to brand equity, the functional relationships are inverse S-shaped. A significant increase of sport-related success can be gained only by changes in the extremes of these two factors.

The results of our study are of particular relevance for clubs’ managers and marketing executives. The findings of this study provide evidence that marketing efforts of sports clubs really pay off in terms of boosted sport success. Therefore, sports clubs should implement superior market orientation and professional brand management to develop brand equity. To increase success, it should be in a manager’s interest to stand out from the crowd by increasing the awareness and attractiveness of the club brand. Moreover, due to limited financial resources, many clubs are not able to employ big-scale investments in managerial competence or on-field performance (e.g., acquiring talents). As the relative costs for building customer commitment are much lower, clubs focusing on this path are able to partly compensate potential sport-related disadvantages by strengthening customer relationships. Furthermore, attaching certain values and philosophies to the club that employees can identify with strengthens the formal members’ support and turns players and managers into brand champions (Morhart, Herzog, and Tomczak 2009).

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REGULATORY FOCUS: REWARD FIT AS A DETERMINANT OF LOYALTY PROGRAM SUCCESS

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ABSTRACT

This paper presents a conceptual framework that provides a regulatory focus interpretation of the choice and loyalty behavior of consumers involved in loyalty programs. It proposes that the fit between individual regulatory focus and the reward offering may enhance consumers' willingness to join a loyalty program and subsequent loyalty behavior.

INTRODUCTION

Loyalty reward programs have become one of the most widely used customer relationship management (CRM) tools over the past decade (Kivetz and Simonson 2003). While such programs aim to ensure customer loyalty by rewarding consumers for repeat purchases with a firm, the debate on their effectiveness still persists (Bolton, Kannan, and Bramlett 2000; Liu 2007). For this reason, there is a greater need to explore the various factors that may have an influence on the success of loyalty programs.

Prior studies have examined both the program-related and consumer-specific determinants of loyalty program effectiveness. Although the impact of different program-related variables such as effort requirements (e.g., Kivetz and Simonson 2002a) and rewards (e.g., Kivetz 2005) has been analyzed extensively, research investigating the effect of consumer characteristics on loyalty program success remains scarce (Liu and Yang 2009). In addition, studies on consumer-specific drivers of program success have often employed relatively objective measures such as individual purchase levels (Liu 2007) and demographics (Lewis 2004). Yet, effectiveness of loyalty reward programs may also depend on the subtle differences in individual psychological orientation that shape consumer behavior toward such programs.

The purpose of the current research is to provide a regulatory focus interpretation of the specific choice and loyalty behavior undertaken by consumers participating in loyalty reward programs. Drawing from the literature on regulatory focus theory, hedonic/utilitarian consumption, and customer loyalty, it is proposed that the fit between individual chronic personality trait of regulatory focus and the particular reward offered by a loyalty program may enhance consumers' willingness to participate in the program and subsequent loyalty behavior.

Although several theoretical explanations of consumer choice toward loyalty program rewards have been provided in the literature, choice between hedonic (affective) and utilitarian (cognitive) rewards has so far not been considered from the perspective of regulatory focus theory. Likewise, the differences in the choice and loyalty behavior of promotion- and prevention-focused consumers have not been studied in the realm of reward programs.

Following a review of literature on hedonic/utilitarian consumption and regulatory focus, this paper develops a conceptual framework that applies regulatory focus theory to the context of loyalty programs. The framework offers insights into the loyalty behavior of promotion- and prevention-focused program members preceded by the unique postconsumption emotions arising from their different reward choices. After the framework and the associated research propositions are presented, the theoretical and managerial implications of the study are discussed. Finally, suggestions for future research to strengthen the framework are delineated.

THEORETICAL BACKGROUND

The Unique Nature of Hedonic versus Utilitarian Products

Consumer participation in loyalty programs is largely determined by individuals' perception of the effort requirements and the rewards to be earned (Dreze and Hoch 1998; Kivetz and Simonson 2002a). Hence, the type of reward offered is a crucial factor in enticing consumers to a loyalty program. Although other classifications are possible, loyalty program rewards in this study are distinguished based on their hedonic and utilitarian attributes.

Consumers often have to make a choice between hedonic and utilitarian goods in the context of loyalty programs. Some loyalty programs are known to offer their members a choice between a hedonic and a utilitarian reward of equal monetary value in return for complying with the effort requirement. In addition, loyalty programs have become increasingly standardized in many industries that consumers can make their decision to choose among identical programs on the basis of the hedonic or utilitarian reward offerings.

In order to understand the affective and cognitive processes underlying consumer choice between hedonic

and utilitarian loyalty program rewards, it is of utmost importance to first examine the unique nature of these attribute considerations. In today's competitive marketplace, many products are designed to provide both hedonic and utilitarian benefits to consumers (Batra and Ahtola 1991). Yet, as one of these attribute dimensions often dominates the other, it is possible to identify a good as relatively more hedonic or utilitarian (Dhar and Wertenbroch 2000).

Hedonic goods provide individuals with an affect-based consumption experience that delivers benefits of aesthetic or sensual fun, pleasure, and excitement (Hirschman and Holbrook 1982). As the purchase of hedonic goods is triggered largely by emotional motives, these products can be characterized as affective preferences or "wants" (Bazerman, Tenbrunsel, and Wade-Benzoni 1998; Dhar and Wertenbroch 2000; Sloot, Verhoef, and Franses 2005). There often is a correspondence between hedonic products and luxuries (Kivetz and Simonson 2002a).

On the other hand, consumption of utilitarian goods is often cognitive-based and driven by a need to acquire functional, practical, and instrumental benefits (Strahilevitz and Myers 1998). Since utilitarian goods are usually bought as a result of rational motives, they can be defined as cognitive preferences or "shoulds" (Bazerman, Tenbrunsel, and Wade-Benzoni 1998; Dhar and Wertenbroch 2000; Sloot, Verhoef, and Franses 2005). There usually is a correspondence between utilitarian products and necessities (Kivetz and Simonson 2002a).

Consumer Choice Between Hedonic and Utilitarian Products

In general, individuals find consumption of hedonic goods that offer enjoyment-related benefits more tempting than consumption of utilitarian products that provide practical benefits (Okada 2005). However, the indulgence-based nature of hedonic consumption also triggers feelings of guilt within individuals (Lascu 1991; Prelec and Herrnstein 1991; Strahilevitz and Myers 1998). Therefore, guilt makes purchase of hedonic products more difficult to justify than purchase of utilitarian goods (Prelec and Loewenstein 1998). In order to overcome their feelings of guilt, consumers tend to buy hedonic products when they can easily justify their behavior (Kivetz and Simonson 2002a, 2002b; Okada 2005). If the situation does not allow for such justification, the anticipated pain of paying for luxuries forces consumers to buy necessities which are more of essential nature than luxuries which tend to be relatively discretionary (Prelec and Loewenstein 1998; Thaler 1999; Weber 1998).

Consumer choice between hedonic and utilitarian products is determined by an individual's perception of

the degree of justification required by the hedonic alternative under different decision situations. For instance, Okada (2005) found that when consumers consider a hedonic and a utilitarian product of equal value separately, they tend to favor the hedonic option. Yet, when the same two products are evaluated together in a trade-off context, the utilitarian alternative is more likely to be chosen (Bazerman, Tenbrunsel, and Wade-Benzoni 1998; Okada 2005). This is because while the absence of a comparison alternative in separate evaluation conditions makes hedonic consumption easier to justify, the presence of a utilitarian alternative in joint evaluation conditions prompts a detailed comparison process which makes it more challenging to justify the "wants" over the "shoulds" (Bazerman, Tenbrunsel, and Wade-Benzoni 1998; Herr, Sherman, and Fazio 1983; Wedell 1995).

Above all, decision context also impacts consumer preference between hedonic and utilitarian goods through the particular choice task presented to the individual. Consumers often display different choice behavior when faced with acquisition and forfeiture tasks (Tversky and Kahneman 1991). Under acquisition choice conditions, consumers tend to prefer utilitarian over hedonic goods (Dhar and Wertenbroch 2000). In such cases, attribute uncertainty regarding the alternatives may prompt individuals to assess the relative importance of hedonic versus utilitarian attributes whereby utilitarian attributes which help maintain benefits are valued more than hedonic attributes which help enhance benefits (Kahn and Meyer 1991).

On the other hand, as consumers are more reluctant to give up hedonic goods than utilitarian goods, they are more likely to prefer hedonic over utilitarian items in forfeiture conditions (Dhar and Wertenbroch 2000). Since forfeiture choices usually elicit a surge of negative emotions within individuals due to the unpleasant consequences of losses, consumers may prefer to retain the hedonic alternative in an attempt to reduce these negative emotions that arise following their forfeiture choices (Dhar and Wertenbroch 2000).

In the context of loyalty programs, the level of effort required to obtain rewards may determine consumer choice between hedonic and utilitarian alternatives. Specifically, high levels of program requirements help consumers alleviate the guilt associated with consumption of luxuries as consumers believe that they have invested a significant effort to deserve the right to indulge hedonic rewards (Kivetz and Simonson 2002a, b). Likewise, when meeting program requirements is especially more difficult for a consumer relative to others, choice of luxury over necessity rewards becomes easier to justify (Kivetz and Simonson 2002a). Since individuals tend to choose alternatives that are easily justifiable, they will be more likely to exhibit a preference for luxury over necessity rewards

when the perceived loyalty effort is high and work-related (Kivetz and Simonson 2002a; Simonson 1989). Similarly, when the loyalty requirements are perceived to be high, consumers show an increased preference for programs that offer luxury rewards over those that provide necessity rewards (Kivetz and Simonson 2002a).

Regulatory Focus Influences on Consumption Goals

People strive to reduce the gap between their current states and desired end-states in a process known as approach motivation (Higgins 1997). The desired end-states that people are motivated to approach are either promotion-focus aspirations and accomplishments or prevention-focus responsibilities and safety. According to regulatory focus theory, individuals exhibit different regulatory inclinations to approach these two types of desired end-states (Higgins 1997). While a promotion-focus is associated with self-regulation of hopes and wishes (ideals), a prevention-focus is related to self-regulation of duties and obligations (oughts) (Cesario, Grant, and Higgins 2004; Higgins 2000).

Promotion-focused individuals are concerned with the presence and absence of positive outcomes (gains and non-gains) in an attempt to pursue maximal goals of advancement, growth, and accomplishment (Brendl and Higgins 1996; Higgins 2000; Idson, Liberman, and Higgins 2000). On the other hand, prevention-focused individuals are interested in the presence and absence of negative outcomes (losses and non-losses) in order to attain minimal goals of protection, safety, and responsibility (Brendl and Higgins 1996; Higgins 2000; Idson, Liberman, and Higgins 2000).

When it comes to consumption, different product attributes help individuals fulfill different regulatory focus goals. Kivetz and Simonson (2002b) argue that while luxuries tend to have hedonic attributes that provide consumers with pleasure, necessities tend to have utilitarian attributes that enable consumers to avoid discomfort. Individuals consume hedonic products to acquire enhancements and utilitarian goods to maintain benefits in their lives (Dhar and Wertenbroch 2000). Accordingly, hedonic attributes allow consumers to reach their promotion goals whereas utilitarian attributes permit them to attain their prevention goals (Chernev 2004).

There is a correspondence between hedonic products and the promotion goals of advancement, growth, and accomplishment (Chernev 2004). Since individuals with promotion goals are inclined to maximize their potential gains, they attempt to enhance pleasure derived from consumption (Chitturi, Raghunathan, and Mahajan 2008; Higgins 1997). Promotion-focused consumers tend to place more emphasis on products that provide hedonic

benefits in order to realize their “maximal” goals (Chernev 2004). Hence, promotion goals, which represent ideals, are usually satisfied through consumption of luxuries or “wants” (Chitturi, Raghunathan, and Mahajan 2007).

Also, there is a match between utilitarian products and the prevention goals of protection, safety, and responsibility (Chernev 2004). As individuals with prevention goals are concerned with minimizing their losses, they strive to eliminate any potential pain associated with consumption (Chitturi, Raghunathan, and Mahajan 2008; Higgins 1997). Prevention-focused consumers show a tendency toward products that present utilitarian benefits in order to fulfill their “minimal” goals (Chernev 2004). Therefore, prevention goals, which represent oughts, are often met through consumption of necessities or “shoulds” (Higgins 1997; Kivetz and Simonson 2002b).

CONCEPTUAL FRAMEWORK

The above discussion forms the basis of the conceptual framework developed in this section. In particular, the framework proposes that consumers’ regulatory focus orientation may exert an impact on their initial choice and subsequent loyalty behavior in the context of loyalty programs. The predicted relationships are outlined in Figure 1.

The fit or misfit between individual regulatory focus and the type of program reward offered may influence consumers’ decision to join a particular loyalty program. Consumers are more likely to participate in loyalty programs that provide them with a sense of regulatory fit.

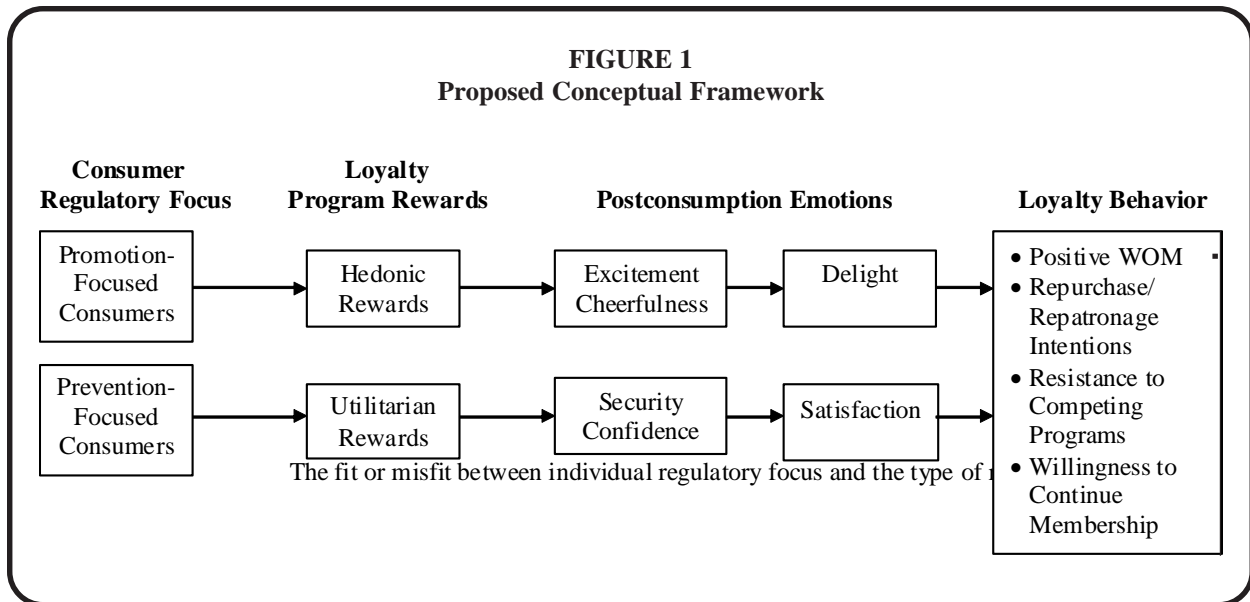
P1a: Promotion-focused consumers are expected to show greater willingness to join loyalty programs that offer hedonic rather than utilitarian rewards of equal monetary value.

P1b: Prevention-focused consumers are expected to show greater willingness to join loyalty programs that offer utilitarian rather than hedonic rewards of equal monetary value.

Furthermore, some loyalty programs give their members the option to choose the type of reward they would like to receive from a set of alternatives. When given a choice between hedonic and utilitarian rewards of equal monetary value, consumers are expected to choose the type of reward that corresponds to their regulatory focus in order to experience regulatory fit.

P2a: When given the choice, promotion-focused members of loyalty programs are more likely to prefer hedonic over utilitarian rewards of equal monetary value in return for their loyalty efforts.

FIGURE 1
Proposed Conceptual Framework



P2b: When given the choice, prevention-focused members of loyalty programs are more likely to prefer utilitarian over hedonic rewards of equal monetary value in return for their loyalty efforts.

The natural fit between promotion-focused consumers and hedonic products and between prevention-focused consumers and utilitarian products also arises from the different emotional expectations of promotion- and prevention-focused individuals from consumption. An individual's regulatory focus orientation exerts a significant influence on his or her emotional state. Thus, promotion- and prevention-focused individuals experience different types of pleasure from attaining their consumption goals (Higgins, Shah, and Friedman 1997). Also, promotion- and prevention-focused people face different types of pain when they fail to realize their consumption goals (Higgins 1997).

Promotion-focused individuals feel arousal-oriented emotions of excitement and cheerfulness from achieving their ideals (Higgins 2001). In contrast, failure to reach promotion goals triggers dejection-related emotions of disappointment and sadness (Higgins 1987, 2001). Prevention-focused individuals experience quiescence-oriented emotions of security and confidence from fulfilling their oughts (Higgins 2001). Conversely, failure to fulfill prevention goals evokes agitation-related emotions of guilt and anxiety (Higgins 1987, 2001).

The fit or misfit between individual regulatory focus and the particular reward consumed in a loyalty program may determine the type of postconsumption emotions experienced. Positive emotions are expected to emerge once regulatory fit is attained through the consumption of the appropriate reward alternative by loyalty program members. In contrast, regulatory misfit, caused by the

consumption of the inappropriate reward by program participants, is expected to yield negative emotions within these individuals.

As the consumption behavior of promotion-focused people is driven by the goal of maximizing positive emotions, they tend to prefer hedonic products that provide them with increased excitement and cheerfulness (Chitturi, Raghunathan, and Mahajan 2007; Wegener and Petty 1994). Accordingly, in the context of loyalty programs, consumption of hedonic rewards would foster positive emotions among promotion-focused program members. Since consumption of utilitarian products do not fulfill promotion goals, choice toward these goods is more likely to evoke disappointment and sadness among promotion-focused individuals (Chitturi, Raghunathan, and Mahajan 2007). Hence, utilitarian reward consumption is expected to yield negative emotions among promotion-focused loyalty program participants.

P3a: Hedonic rewards are more likely to evoke excitement and cheerfulness among promotion-focused members of loyalty programs.

P3b: Utilitarian rewards are more likely to evoke disappointment and sadness among promotion-focused members of loyalty programs.

Prevention-focused individuals tend to choose utilitarian products that help minimize the potential negative emotions associated with consumption by ensuring security and confidence (Chitturi, Raghunathan, and Mahajan 2007; Lazarus and Folkman 1984). Therefore, consumption of utilitarian rewards is expected to create positive emotions among prevention-focused loyalty program members. As consumption of hedonic goods do not meet prevention goals, preference toward these products tends

to trigger guilt and anxiety among prevention-focused individuals (Chitturi, Raghunathan, and Mahajan 2007; Kivetz and Simonson 2002a). Thus, prevention-focused loyalty program participants would be more likely to experience negative emotions from the consumption of hedonic rewards.

P4a: Utilitarian rewards are more likely to evoke security and confidence among prevention-focused members of loyalty programs.

P4b: Hedonic rewards are more likely to evoke guilt and anxiety among prevention-focused members of loyalty programs.

Since experiencing pleasure constitutes a “want,” attainment of promotion ideals presents consumers with additional gains beyond basic needs (Kivetz and Simonson 2002b). Hence, when hedonic expectations are met or exceeded, the resulting intense positive emotions of excitement and cheerfulness would lead to the high-arousal postconsumption emotion of delight among promotion-focused consumers (Chitturi, Raghunathan, and Mahajan 2008). As such, when promotion-focused members of loyalty programs are offered hedonic rewards, they are more likely to be delighted with their program participation.

Because hedonic expectations tend to be more discretionary, the failure to realize these ideals would elicit negative emotions of disappointment and sadness, prompting the low-arousal postconsumption emotion of dissatisfaction among promotion-focused consumers (Chitturi, Raghunathan, and Mahajan 2007, 2008). Accordingly, when promotion-focused loyalty program participants are presented with utilitarian rewards in return for their loyalty efforts, they are more likely to be dissatisfied with their program experience due to the resulting regulatory misfit.

P5a: Hedonic rewards are more likely to evoke delight among promotion-focused members of loyalty programs.

P5b: Utilitarian rewards are more likely to evoke dissatisfaction among promotion-focused members of loyalty programs.

On the other hand, as avoiding pain is considered a “should,” meeting prevention responsibilities provides consumers with fundamental necessities (Kivetz and Simonson 2002b). Therefore, when utilitarian needs are met or exceeded, the resulting positive emotions of security and confidence would lead to the low-arousal postconsumption emotion of satisfaction among prevention-focused consumers (Chitturi, Raghunathan, and Mahajan 2008). For this reason, prevention-focused par-

ticipants of loyalty programs are more likely to be satisfied with their program experience when offered utilitarian rewards.

At the same time, because prevention-focused consumers are more reluctant to compromise on basic necessities, the failure to meet utilitarian goals would result in the intense pain of guilt and anxiety, triggering the high-arousal postconsumption emotion of anger among these consumers (Chitturi, Raghunathan, and Mahajan 2007, 2008; Lazarus 1991). As such, when prevention-focused loyalty program members are presented with hedonic rewards, they are more likely to feel angry about their program experience.

P6a: Utilitarian rewards are more likely to evoke satisfaction among prevention-focused members of loyalty programs.

P6b: Hedonic rewards are more likely to evoke anger among prevention-focused members of loyalty programs.

The fit or misfit between consumer regulatory focus and program rewards may determine the success of loyalty programs. This is because the postconsumption emotions arising from these fit or misfit conditions can shape future customer loyalty behavior (Chitturi, Raghunathan, and Mahajan 2008). When loyalty program participants experience the positive postconsumption emotions of delight and satisfaction under fit conditions, they are more likely to exhibit loyalty toward the promoted product/service brand, retailer/service provider, or the program itself. Conversely, the negative postconsumption emotions of dissatisfaction and anger activated under misfit conditions are expected to hamper the prospects of attaining customer loyalty.

One indicator of customer loyalty has been known as word of mouth that follows from individuals’ emotional responses to consumption experiences (Jacoby and Chestnut 1978; Swan and Oliver 1989). When people are delighted or satisfied with their consumption activities, they are inclined to share their positive experiences with others (Chitturi, Raghunathan, and Mahajan 2008). As such, loyalty program participants are more likely to engage in positive word of mouth when they encounter a fit between their regulatory focus and the specific loyalty reward offered. This positive word of mouth behavior can range from advocating the advertised product/service brand or store to recommending the loyalty program to prospective customers.

Yet, individuals are also motivated to communicate their negative consumption experiences to others when they are dissatisfied or angry (Richins 1983). Thus, when loyalty program members encounter a misfit between

their regulatory focus and the loyalty reward provided, they are more likely to spread negative word of mouth about various aspects of their program participation.

Furthermore, when loyalty program participants fulfill their promotion or prevention goals under fit conditions, the resulting positive emotions toward the program experience are expected to develop into a positive attitude and a strong commitment toward the brand or the store promoted by the program. Hence, while loyalty program members are more likely to repurchase the brand or revisit the store under fit conditions, they are less likely to demonstrate such loyalty behavior under conditions of misfit (Jacoby and Chestnut 1978).

In addition, program participants may also establish a strong loyalty toward the program itself as a result of the fit experienced. When such loyalty is formed, members are better able to resist persuasion attempts (Dick and Basu 1994). Accordingly, the fit between individual regulatory focus and the loyalty reward may increase participants' resistance to competing loyalty programs and enhance their willingness to continue their membership. However, when members encounter misfit conditions, they tend to be more prone to persuasive messages from other loyalty programs and are expected to defect more frequently from their current program.

P7a: Promotion-focused consumers are more (less) likely to exhibit loyalty toward the promoted brand/store/program when they join loyalty programs that offer hedonic (utilitarian) rewards.

P7b: Prevention-focused consumers are more (less) likely to exhibit loyalty toward the promoted brand/store/program when they join loyalty programs that offer utilitarian (hedonic) rewards.

THEORETICAL AND MANAGERIAL IMPLICATIONS

The present research contributes to the existing literature on loyalty reward programs and hedonic/utilitarian consumption in several ways. Although prior research on loyalty reward programs has focused on various consumer-specific drivers of program success, these efforts have largely been limited to certain objective measures such as individual purchase patterns (frequency and transaction size) (Liu 2007) and demographics (Lewis 2004). Therefore, this study adds to the relatively scarce literature on consumer psychological characteristics that have also been found to influence loyalty program success (Liu and Yang 2009).

The current research suggests a regulatory focus interpretation of the specific choice and loyalty behavior exhibited by consumers involved in loyalty reward programs. In particular, the fit between individual regulatory

focus and the particular reward offered by a loyalty program is expected to enhance consumers' willingness to participate in the program and subsequent loyalty behavior. Hence, this study contributes to the loyalty reward program literature by introducing consumer regulatory focus as another intrinsic determinant of program success.

Furthermore, studies on loyalty reward programs have often explored the consequences of program participation on future consumer behavior (e.g., Liu 2007; Meyer-Waarden 2008). Although this paper makes such predictions on customer loyalty behavior as well, it also proposes regulatory fit as a key antecedent of consumer participation in loyalty programs. As such, the current study fulfills the need for research that takes an a priori approach in investigating loyalty program membership.

Above all, the framework developed in this paper may help extend the literature on consumer choice behavior in loyalty reward programs. Though individual regulatory focus has been found to shape hedonic versus utilitarian product choices in different consumption situations, this relationship has so far not been demonstrated in the realm of loyalty programs. If the relationship is validated in the context of loyalty reward consumption, regulatory focus theory may provide an alternative explanation of consumer choice between hedonic and utilitarian rewards.

The current research also has practical implications regarding the successful design and promotion of loyalty reward programs. As loyalty programs are an important CRM tool, they should be tailored to the unique "needs" and "wants" of individual customers (Kivetz and Simonson 2002a). Therefore, loyalty program marketers should obtain information on the specific consumption goals of their target customers and utilize these valuable insights as bases for segmentation. Through such segmentation initiatives, marketers are more likely to offer loyalty rewards that fit the particular goal orientation of their core customers.

The specific loyalty program rewards to be offered should be determined on the basis of the different emotional consequences of hedonic and utilitarian consumption experienced by promotion- and prevention-focused individuals. As such, loyalty programs should delight their promotion-focused members through affective rewards and satisfy their prevention-focused participants through cognitive rewards.

Since the fit between individual regulatory focus and the loyalty reward provided is expected to influence both consumers' likelihood of joining a specific program and subsequent loyalty behavior, marketers should strive to elicit this perception of fit among consumers. In particu-

lar, marketers may consider developing loyalty programs that give members the option of choosing between a hedonic and a utilitarian reward of equal monetary value. Such a “reward mix” is more likely to fulfill the different consumption goals of promotion- and prevention-focused participants and provide a fit for both types of consumers. The strategy of presenting a particular reward type with no choice alternatives should be avoided because this may cause a backlash from those consumers whose regulatory goals are not met by the reward offering.

Moreover, marketers can increase participation in loyalty reward programs through promotional efforts that aim to create a perception of fit among prospective members. Loyalty programs targeting promotion-focused consumers should use gain-framed messages, emphasizing the pleasure and excitement to be experienced through the consumption of a hedonic reward (Lee and Aaker 2004). In contrast, loyalty programs addressing prevention-focused consumers should employ loss-framed communications, stressing the functional and instrumental value of a utilitarian reward that would be missed by not joining the program (Lee and Aaker 2004). Marketing campaigns that evoke a fit between potential members’ regulatory goals and the promoted program are likely to result in enhanced persuasion and willingness to participate among these consumers.

Finally, loyalty program marketers need to build an understanding of the intricate relationships among consumer regulatory focus, reward choice, postconsumption emotions, and loyalty behavior. Achieving the fit between consumer regulatory focus and reward offerings should be one of the most important goals of loyalty programs since the positive postconsumption emotions experienced

from this fit may be the primary antecedents of future customer loyalty.

CONCLUSION

As loyalty reward programs have become increasingly widespread in many industries, research on the numerous factors that impact the success of such initiatives continues to reveal important insights for academics and practitioners alike. The present study has introduced a conceptual framework that examines the range of influences individual regulatory focus orientation exerts on the choice and loyalty behavior of consumers in a loyalty program context.

The framework suggests that promotion- and prevention-focused consumers tend to choose loyalty program rewards that meet their unique consumption goals. The positive postconsumption emotions resulting from this sense of fit are predicted to foster loyalty behavior as measured by positive word of mouth, repurchase/repurchase intentions, resistance toward competing loyalty programs, and willingness to continue with current program membership.

Consequently, future empirical research is needed to test the validity of the framework and the propositions presented in this research. Facilitation of the study through laboratory experiments and field surveys that utilize various hedonic and utilitarian rewards in different loyalty program contexts would especially prove fruitful to our understanding of the behavioral implications of the fit between consumer regulatory focus and loyalty reward offerings.

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