

Developments in Marketing Science:  
Proceedings of the Academy of Marketing Science

Dawn R. Deeter-Schmelz *Editor*

# Proceedings of the 2010 Academy of Marketing Science (AMS) Annual Conference



 Springer

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# Proceedings of the 2010 Academy of Marketing Science (AMS) Annual Conference



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*Editor*  
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## Preface

The Academy of Marketing Science was founded in 1971, held its first Annual Conference in 1977, and has grown and prospered ever since. The relevancy of the Academy's mission and activities to our chosen target market of the marketing professorate has been a key factor in attracting the discipline's best and brightest from all over the world.

The revised Articles of Association of the Academy, approved the Board of Governors in the spring of 1984, and by the general membership in the fall of that year, define the mission of the Academy as follows:

1. Provide leadership in exploring the normative boundaries of marketing, while simultaneously seeking new ways of bringing theory and practice into practicable conjunction.
2. Further the science of marketing throughout the world by promoting the conduct of research and the dissemination of research results.
3. Provide a forum for the study and improvement of marketing as an economic, ethical, social and political force and process.
4. Furnish, as appropriate and available, material and other resources for the solution of marketing problems, which confront particular firms and industries, on the one hand, and society at large on the other.
5. Provide publishing media and facilities for Fellows of the Academy and reviewer assistance on the Fellows' scholarly activities.
6. Sponsor one or more annual conferences to enable the Fellows of the Academy to present research results; to learn by listening to other presentations and through interaction with other Fellows and guests; to avail themselves of the placements process; to conduct discussion with book editors; and to exchange other relevant information.
7. Assist Fellows in the better utilization of their professional marketing talents through redirection, reassignment and relocation.
8. Provide educator Fellows with insights and such resources as may be available to aid them in the development of improved teaching methods, materials, devices and directions.
9. Seek means for establishing student scholarships and professional university chairs in the field of marketing.
10. Offer Fellow of the Academy status to business and institutional executives and organizations.
11. Modify the Academy's purpose and direction as the influence of time and appropriate constructive forces may dictate.

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## Acknowledgments

The Academy of Marketing Science is pleased to recognize the individuals who contributed to the success of the 2010 Academy of Marketing Science Conference in Portland, Oregon. Many people have volunteered their time, effort, and ideas. We offer our sincere thanks to the organizing committee, the members of which have been charged with handling a wide range of details and logistical issues. Events such as this conference present many challenges, and we appreciate the efforts of the organizing committee in dealing with those challenges.

Special acknowledgment goes to our 2010 conference co-chairs, Joseph Cote and Christopher Plouffe. They have demonstrated extreme dedication in successfully managing and coordinating this event. Additionally, the track chairs played a critical role by encouraging the submission of manuscripts, managing the review process, and organizing session details.

We offer special thanks to Florence Cazenave of the AMS central office at Louisiana Tech. Florence dealt with the many administrative tasks related to this event efficiently and thoroughly. We appreciate her efforts.

Finally, the Academy of Marketing Science offers our sincere thanks to the many faculty who have played a role in this conference: authors, reviewers, session chairs, discussants, and other volunteers who have made the conference a success. The 2010 Academy of Marketing Science Conference would not have been possible without the support of these many individuals.

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2010 AMS Developments in Marketing Science

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## **KEY INFLUENCERS: LOCATING, MEASURING, AND CREATING PROGRAMS TO INFLUENCE SOCIAL MEDIA INFLUENCERS**

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### **ABSTRACT**

Pew Research estimates that 84% of U.S. Internet users, or some 100 million people, are members of virtual groups with nearly half actively creating media content on Twitter, Facebook, Blogs, User Forums, and in virtual communities. A significant portion of this social media content (SMC) relates specifically to commercial products and services. Moreover, this uncompensated, voluntarily generated, and socially embedded 'media' is fast becoming one of the most influential sources of information in the marketplace.

Marketers have come to realize that controlling these conversations is out of the question. And, in fact, remaining relevant in this environment may be one of the key challenges marketers face today as social media redefines not only marketing communications, but also customer service, and relationship management strategies. In this Special Session, practitioners and a representative from academia will speak to the challenges of developing and executing social media campaigns and to the state-of-the-art technology that has emerged to support social media measurement and tracking. Results from a longitudinal study examining changes in the consumer motivation to generate SMC will also be discussed.

Social media grows out of passion for a product and the consumption experience that surrounds it. Joining these conversations means contributing in meaningful ways on your customer's social media platform of choice. The first step however, is to learn to listen to the market, often relying on technology to sift through the noise in order to identify the truly influential conversations occurring online. Product enthusiasts as well as critics can be found on the millions of blogs and Twitter microblogs, thousands of forums, and video and image sharing websites. Social media measurement systems make 'listening to the market' manageable, by tracking influential individuals to uncover the social dynamics that surround 'unofficial' viral conversations as well as 'official' social media campaigns.

One way firms can facilitate SMC generation is by sponsoring virtual communities. Such communities often integrate peer recognition systems to motivate content generation. This feedback is typically designed to reward specific types of content generation and can be used to rein-in destructive community behavior. The results of a longitudinal study examining the effects of social media feedback, reveal the strong and often conflicting reaction such systems evoke from the community membership.

# **EVALUATING CREDENCE SERVICE QUALITY: THE EFFECTS OF EXPERIENCE SERVICE FAILURE AND TRUST**

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## **ABSTRACT**

To examine the relationship between customers' service quality evaluations within two different type of service, a conceptual model is proposed and argues that an experience service failure should have a powerful negative impact on service evaluation and trust, then influences credence service evaluation. On the impact of service failure, service guarantee and true relationship with customers should act as "buffering effect" to insulate the customer-employee relationship from the negative consequences of service failure. In the model, trust serves as the mediator between experience service evaluation and credence service evaluation.

By offering empirical investigation of relationships between perceived service quality and trust, study 1 seeks to examine the direct and indirect effects of service failure, experience service quality on trust. In study 2, two important managerial factors are added in the model—service guarantee and pseudo-relationship. Maintaining true relationship rather than pseudo-relationship with customers is hypothesized to have positively moderating effects on the relationship between trust in benevolence and credence service evaluation. This conceptual model builds upon previous research and intends to examine the impact of both service failures and organizational factors on credence service evaluation. Through a closed relationship with employee and service guarantee, dissatisfied customers should be able to transfer some negative feelings into positive affects.

References Available on Request.

## PERCEIVED CONTROL IN PRICING AND SERVICE STRATEGIES

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### ABSTRACT

In 1916, Clarence Saunders initiated a retail strategy that would drastically transform the method of service delivery. By viewing consumers as unexploited resources, he envisioned that consumers could serve themselves. For that reason, he established the world's first self-service grocery store, named Piggly Wiggly (Salomann, Kolbe, and Brenner 2006). The self-service concept is straightforward. Simply, consumers conduct tasks that were previously performed by others. Since Saunders' creation, the self-service format has significantly developed, along with the degree of automation and technology integrated into consumer relationships. It has been said that the blending of self-service and technology is "to transform the service economy in much of the same way that mass production transformed manufacturing" (Economist 2004, p. 62; Salomann et al. 2006).

A key consequence of self-service is that consumers are more active in the marketplace and perceive more control in the shopping process (Ertimur 2008; Chen, Chen and Chen 2009). More control in the shopping process has shown to generate positive emotions, higher repurchase and positive word-of-mouth intentions (Söderlund 2007), and higher customer satisfaction (Johnson, Bardhi, and Dunn 2007). Coincidentally, several retailers employing a self-service strategy often present unit prices, which are prices that state a product's price in terms of dollars or cents per unit of measure (e.g. \$2/ounce) (Kwortnik, Creyer, and Ross 2006). For instance, Whole Foods, a grocery store, has an aisle full of grains, noodles, and dry items that are priced by weight, in which a consumer fills a clear bag his/herself with the amount of product desired. Likewise, Menchie's, an ice cream shop, offers twelve different types of ice cream that are priced on a per ounce basis.

Previous research has shown that unit pricing can be difficult and confusing for consumers to interpret, such that it can impair a consumer's recognition of value (Kwortnik et al. 2006). Likewise, research has indicated that consumers often have poor abilities in making accurate judgments regarding a product's weight, height and shape; and that such cues (weight, height, shape) have a considerable impact on judgment and behavior (Wansink and Ittersum 2003). Thus, it appears that the confusion associated with interpreting a unit price as well as the difficulty in making accurate size judgments may decrease a consumer's perceived control in the shopping process, consequently offsetting self-service's positive effect on perceived control. Therefore, the purpose of this research is to determine how variations of the presented price (unit or standard price) and service strategy (self-service or full-service) affect a consumer's perceptions of control, and how different levels of perceived control affect a consumer's perceived price fairness and purchase intentions.

References Available on Request.

# IMPLICATIONS OF REMOTE SERVICE DELIVERY ON CUSTOMER RELATIONSHIP MANAGEMENT: A QUALITATIVE STUDY IN A B2B-SETTING

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## ABSTRACT

Recent advances of information technologies alter not only the nature of services and their delivery process but also the interaction at the interface between service provider and customer. Increasingly more companies offer remote services in B2B-settings, which imply a reduced personal contact between provider and customer. The transformation from close personal contact to technology-mediated interaction is challenging both the service provider and the customer. Against this background, this research focuses on the exploration of a new type of technology mediated services so-called remote service in an international B2B-context. My dissertation intends to contribute to literature by (1) exploring how customers perceive and evaluate remote services; (2) identifying their expectations; (3) revealing how the transformation from close personal contact to technology-mediated interaction affects the relationship between service provider and customer (4) comparing the results from USA, Germany and Sweden. Results of this research generate valuable managerial implications for remote service providers that help to enhance the service perception, the usage behavior and the strengthening of customer relations.

Remote services represent a relatively new field of service technology research therefore literature and concepts on remote services are limited (Wunderlich 2009). Moreover the key research questions of this dissertation have not been investigated before and seem to be important in the context of B2B remote services usage and implementation from a theoretical and practical perspective. A qualitative approach that helps to get a holistic perspective and to obtain in-depth knowledge about that topic is suitable in this context (Sinkovics et. al 2005). Large-scale surveys cannot capture the subconscious perceptions of individuals (De Beuckeleer and Wagner 2007) but without these it is hard to built theoretical foundations that help to characterize and explain inter-personal interactions (Woodside and Wilson 2003). Qualitative research consequently play an important role in industrial marketing (Easton 1995) and has been recommended in B2B marketing research (Gummesson 2003). We utilize in-depth interviews as a method to capture the underlying dimensions (Miles and Hubermann 1994, Carson et al. 2001) of how customers perceive the remote service technology, to explore basic prospects and evaluations of remote service encounters and to identify the impact of the remote service technology on the quality of customer relations. In-depth interviews were selected as they are a "useful method for exploring new and under-researched topics" and enable researchers to gather "rich and meaningful data" (Carson et al. 2001).

We have chosen the healthcare industry as unit of analysis since in the medical- and healthcare sector remote services are established to a certain extent and interview partners can refer to their experience, incidents and know-how collected over the time. Interview partners were selected according to a criterion sampling method meaning that selected interview partners must meet some predetermined criterions that method is important concerning the quality assurance of the data (Patton 2004). In accordance with our research aims we selected medical engineers and technicians being directly affected by remote service technologies. This study comprises a total of 25 extensive qualitative interviews with remote service customers and 10 interviews with remote service representatives across 10 different hospitals in the USA, Germany and Sweden. Data material is analyzed with the help of a computer-aided software tool called Gabek<sup>®</sup>/WinRelan- *holistic processing of linguistic complexity*-. The convincing strengths of Gabek are the strict rule-based coding process, the closeness to the original data and respondent's language and transparency during the complete analysis process therefore ensure reliability and validity (Buber and Kraler 2000; Zelger and Oberprantacher 2002).

Initial results from in depths interviews with remote service customers highlight main topics that need further examination. Frequently mentioned topics are higher risk and security concerns, separation of the customer during the service provision, lower benefit perception, absent evidence of services, loss of process control and missing personalization that influence the remote service perception and adoption and are challenging for the remote service provider with regard to relationship marketing. Additionally the lack of personal contact and social exchange complicate the trust building as a crucial factor for stable remote service relationships. The completion of the data analysis is the next step on my future research agenda. Supported by GABEK/WinRelan I will outline causal relations between the above mentioned topics to get a deeper understanding of the remote service customer's perspective. After that I will compare the statements and opinions of the interview partners country by country to investigate possible intercultural differences in remote service perception. My doctoral research should contribute to the holistic understanding of remote service perception and its impact on relationship marketing.

References Available on Request.

## GIFT CARD MEANINGS

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### ABSTRACT

In this multi-method study, we use theories of social interactionism and metaperception to evaluate consumers' ambivalence towards their own and others' gift card use, especially related to other gift mediums (e.g., actual gifts, cash).

The original questions that sparked this research arose among a group of friends attending a wedding: When purchasing gifts, do people tend to spend more money on gift cards or on specific gift items? Why? This conversation led to a larger, and more interesting question that is the focus of this research project: How do consumers feel about gift cards, as givers and receivers?

Our research is largely informed by literature on gift giving as symbolic interaction and personal and cultural exchange. This body of work examines the ability of gifts to convey emotional, financial and relational information between the giver and the recipient. Both parties perceive and interpret the meanings of gifts based on a range of personal and contextual influences.

One major goal of this research is to provide evidence that gift givers try to fulfill social roles, and enact these roles based on whether they deem recipients as being "easy" or "difficult." As an extension of prior research, we suggest that gift cards help transform "difficult" recipients into "easy" ones, which explains their near-ubiquitous acceptance among the general population. More generally, we explore consumers' feelings of anxiety when gift shopping.

Gift giving situations are often fraught with contingencies, ambiguities, and unique considerations that make generalization difficult. Therefore, we use a multimethod research approach, combining survey and focus group data to develop a robust conceptual model of the gift-card decision-making process. We developed our focus group questions to address gift-giving ambiguities that emerged from our quantitative and conceptual research on this topic.

In both the survey and the focus group, we find that the primary reason that consumers purchase gift cards is for their own convenience, followed closely by the consideration of recipients' desires – shopping with a gift card is fun, and a card ensures the receiver's satisfaction with the final gift. Overall, we find that consumers spend far more time and money shopping for actual gifts than for gift cards, especially those being selected for close family and friends.

Our findings support earlier research on social networks, equipollence, and gifts as symbolic communicators of relationship status. Extending these ideas, we also find that consumers make distinctions between "good" and "not-good" gifts, and are emotionally invested in seeking good, i.e., thoughtful, generous, creative, unique gifts. While gift cards are popular, most are not considered "good" gifts.

The valence and strength of focus group members' perception of gift cards as "not-good" is consistent and surprising considering how widely used they are. Informant Frank describes gift cards as "a last ditch effort." Almost all of our subjects feel that gift cards are "safe" to give – they are usually desirable and appreciated as gifts, yet they do not take much thought, creativity, or personalization. They are satisficing gift options – not bad, but not optimal, either.

We find that even though nearly all modern consumers buy them, gift cards are not considered adequate for expressing depth of feeling between givers and recipients. Thus, they cannot fully accomplish one of the primary goals of gift-giving.

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# THE 80/20 RULE OF CUSTOMER LOYALTY: EXAMINING THE ROLE OF SHARE OF WALLET (SOW) AS A MODERATOR OF AFFECT- AND TRUST-MEDIATED EFFECTS

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## ABSTRACT

This study presents a model in which store affect and store trust mediate the effects of store characteristics on store outcomes. It is proposed that the impacts of store atmosphere and merchandise value on two types of loyalty intentions are mediated by store affect and store trust simultaneously in a dual process model. Customer share of wallet is hypothesized to moderate the effects of these relationships such that affect will be the key intervening variable for low share customers while trust will be the key intervening variable for high share customers. Using multi-group structural equation modeling, the authors examine moderating effects of share of wallet on affect-mediated and trust-mediated buyer-seller relationships. The results largely favor a multicomponent dual-mediated model with affect having a greater impact on commitment for low share customers and trust having a stronger impact on repatronage intentions for high share customers.

A sample of 38 commonly-occurring store types was selected from the North American Industry Classification of retail categories (Office of Management and Budget, 1998). To represent these 38 retail-store categories, data were collected from 71 retail stores located in northeastern United States. A field survey of customers at the 71 retail stores resulted in an overall sample of 1966 respondents (mean age = 35). In the majority of cases, there were two or more stores per store type.

Except for the measure of customer share, all measures were based on a seven-point rating scale of agreement from 1 (very strongly disagree) to 7 (very strongly agree). Share of wallet was measured at the ratio level based on customer share measure used by van Doorn and Verhoef (2008).

The purpose of this study was to examine how and why the relationships between vital antecedents (store atmosphere and merchandise value) and consequences (commitment and repatronage intentions) of store affect and store trust differ for low and high share customers. Seven of the eight hypothesized relations found strong statistical support in this study further advancing the need to execute marketing strategies that incorporate both affect enhancing and trust building elements in the buyer-seller dynamic. Key contributions of this study revolve around the mediating impacts of affect and trust within the moderating context of Share of wallet. First, for low share customers, affect mediated relationships were much stronger than trust mediated ones. The fact that, as hypothesized, positive affect induced by the pleasant store atmosphere and merchandise value has a greater impact on commitment and repatronage intentions for the low share group is of considerable significance to retail managers. It is also very revealing that the impact of affect on commitment is much stronger than the impact of affect on repatronage intentions for the low share group.

In terms of marketing strategies, at the beginning of a buyer-seller relationship, retailers need to deliver an overall positive experience that emotionally connects with customers and establishes a bond that competitors' efforts are unlikely to disrupt. In effect, customers' desires to revisit the store result more from how they feel about the shopping experience than from an itemized evaluation of the product attributes and functions (Berry and Carbone, 2007). Additionally, low share customers visit the store for the overall enjoyable experience which leads to positive word of mouth for the store and willingness to pay higher prices but not necessarily larger category related purchases.

This study also establishes the importance of trust in influencing commitment and repatronage intentions for high share customers. The significance of high share customers in determining long term profitability and value has been acknowledged across industries, but the fact that the impact of trust on repatronage or behavioral loyalty is much stronger than the impact of trust on commitment for the high share group has important implications. Customers that make the majority of their category-related purchases at a particular store mainly do so because they have come to rely on the store and believe in the store's fair prices and value offerings. Thus, in order to enhance the high share group's trust-based experience, retailers must focus their marketing strategies on trust-building strategies including merchandise quality, pricing, product assortment as well as overall positive store atmosphere.

References Available on Request.

# STRATEGY FACTORS ASSOCIATED WITH THE EXPORT PERFORMANCE OF MANUFACTURING FIRMS

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## ABSTRACT

This study investigates whether the strategies of high performing exporter firms differ from those pursued by low performing firms. Data were obtained from personal survey of managers of 60 firms in Tanzania, an underdeveloped country. The study makes several contributions to our understanding of export causal relationships.

## INTRODUCTION

This paper reports the findings of an empirical study on strategy factors associated with the export performance of manufacturing firms in Tanzania. The investigation centers upon whether the strategies of high performing exporter firms differ from those pursued by low performing ones. The findings and conclusions should enhance cross-cultural understanding of export behavior.

## A CONCEPTUAL FRAMEWORK

An analytical model which provides a framework for the study is constructed as shown in [Figure 1](#). The model borrows its concepts from economics, management and marketing in an eclectic manner. In the model, the export performance that a firm attains is conceptualized as a joint function of both *macro* and *micro* level factors.

### Macro-Micro Level Factors

Macro factors exert a *general influence* and thus constitute the environment or external factors of a firm. It is generally accepted that almost all macro factors are uncontrollable, at least to most firms. Some are controllable, however, from a public policy perspective; these include infrastructure, export promotion and domestic export barriers. The macro factors over which a country has no control include the international economic conditions and trade barriers in foreign markets. In other words, firms can do little if anything about the macro-environment; the only way they can exhibit any kind of control is at the aggregate (industry) level. Micro factors exert a *specific influence* and thus constitute the internal factors of a firm. Micro factors consist of characteristics of the firm: its *strategy*, its *structure* and those of its *management* team. Micro factors are more or less considered controllable at the level of the individual firm.

### Export Causation

The macro and micro factors are thought to operate at different successive stages in the export causal process. Favorable macro factors are thought to be preconditions for exporting; but whether a firm actually exports or not depends on the micro level factors, where important decisions affecting export success or failure are made. If export performance is depicted graphically ([Figure 2](#)) the role of the macro factors is to determine the Y-intercept while the role of the micro factors can be thought of as determining the slope of the curve. The role of the macro factors (effect is pervasive) is to raise or lower overall export performance for a large number of firms. This conceptualization is not entirely new. The macro-micro dichotomy is well established in economics. Its implication in export marketing is that to boost exports, efforts must be directed at both levels of export determination. However, at the micro level, the introduction of *management* as a third micro explanatory variable after *strategy* and *structure* in the well-known Strategy-Structure model may be considered unconventional. Certainly, management is part of company structure as captured in the *0-structure* of Thorelli's (1977) model. The elevation of management into a separate factor in its own right, in this study, is based on the proposition that management is different from all previous factors, namely the environment, strategy and structure that are essentially inanimate. Management is a more animate micro factor that may provide useful indications of export performance. This study is concerned with the micro factors that can be controlled from the point of view of a single firm. As illustrated in [Table 1](#) our prime concern is with variables in the third quadrant and focusing on strategy.

### Conceptual and Operational Hypotheses

Drawing on the scholarship of the marketing concept, economic theory, Cavusgil (1983), Cooper and Kleinschmidt (1985), Sharma (2004) and Maurel (2009) a broad or conceptual hypothesis was formulated. *The export performance that a firm*

achieves is associated with the kind of strategy a firm elects to follow, in particular the choice of product-markets and marketing mix decisions. This hypothesis was broken down into more specific operational hypotheses or variables for measurement as shown below:

#### **Product Market Choice**

**Hypothesis 1:** Export performance is positively associated with the number of markets served.

**Hypothesis 2:** Export performance is positively associated with the number of products offered.

**Hypothesis 3:** Export performance is negatively associated with the number of competitors.

**Hypothesis 4:** Export performance is positively associated with the sale of industrial products.

#### **Marketing Mix: Product and Package Adaptation**

**Hypothesis 5:** Export performance is positively associated with the extent of product adaptation.

**Hypothesis 6:** Export performance is positively associated with extent of package adaptation.

#### **Marketing Mix: Quality, Price and Promotion**

**Hypothesis 7:** Export performance is positively associated with relative product quality.

**Hypothesis 8:** Export performance is positively associated with price attractiveness.

**Hypothesis 9:** Export performance is positively associated with promotional intensity.

## **METHODOLOGY**

The data used in this study were based on a survey of 60 firms located in eight towns of Tanzania. The questionnaire used was highly structured, using a 5-point Likert-type scale, incorporating fill-ins and rankings. Data collection was by means of a personal survey of the executive most responsible for or most knowledgeable on the firm's export activities. Data preparation involved ranking the respondent firms in descending order on the basis of their *percent of sales exported (export intensity)*. The firms were then divided into **Low** and **High Exporters** relative to the median (10.66%) in the sample. Low Exporters were defined as firms whose ranking was equal or less than that of the median firm. This procedure resulted in the identification of 30 **Low Exporters** and 30 **High Exporters**. The statistical methods of analysis used were comparison of category mean differences for interval and ordinal data and frequency counts in cross-tabulations for nominal data. The hypotheses were tested utilizing the t-test of independent samples for interval and ordinal data and the chi-square ( $\chi^2$ ) test was used for nominal data, with significance for both tests initially established at the 5 percent level or better.

## **FINDINGS**

Table 2 contains the results of investigation into all the nine hypotheses employed in the study. In summary, this study investigated 10 Marketing Strategy variables (4 product-market and 6 marketing mix). None of the test variables displayed differences between the two performance groups that reached significance at the conventional level of 5 percent. Only one variable, price competitiveness, reached significance when the significance level was relaxed to 10 percent. Most of the remaining variables though not significant, were in the hypothesized direction or could be explained by alternative hypotheses.

## **ANALYSIS OF EXTREME GROUPS**

This section presents, in a nutshell, the results of re-analyzing the data with respect to extreme low and extreme high performers. The need for re-analyzing the data with respect to extreme groups was made necessary given the rather less revealing results noted in the previous analysis which used the full set of the data. The approach is based on the assumption that restricting the analysis to extreme groups may reveal differences that were not as prominent in the analysis of all the data.

### **Methodology: Extreme Grouping**

The criterion variable (percent of sales exported) was used to classify the 60 sample firms in such a way as to keep the bottom 20 firms and the top 20 firms. The middle group of 20 firms was excluded so that the analysis may deal only with the two extreme groups. The extreme bottom and extreme top groups will be referred to as **Low Low** exporters and **High High** exporters respectively. Only statistically significant findings are presented here in detail.



## Findings: Extreme Groups

Table 3 summarizes the results of exploring differences in strategy between the Low Low and High High Exporters. Four points emerge from the re-analysis:

1. First, the variable, price competitiveness, which was significant in the analysis of the whole data, also emerged significant in this analysis of extreme groups.
2. Second, three new variables became significant in this re-analysis. These are product quality, number of products offered, and promotion as a percentage of exports.
3. Third, product quality and the number of products offered behaved as hypothesized. That is, High High Exporters had better quality products and offered a greater diversity of products.
4. Fourth, promotion as a percentage of exports was in anti-thesis. Contrary to expectation, Low Low Exporters spent relatively more on promotion. This trend was also evident in the previous analysis, but became more pronounced and significant in this reanalysis of extreme groups. This finding is puzzling. Rather than advising exporters to spend less on promotion we just conclude that, in this sample High High Exporters may have been more efficient in the use of their export promotion budget.

In all the analysis of differences between the polar extreme performance groups was satisfactory in highlighting differences between the Extreme Low and Extreme High Exporters. It tended to confirm and reinforce the differences that were observed in the analysis of the whole data set. No contradictions were observed.

## CONCLUSIONS AND IMPLICATIONS

This section ties together the entire paper. First, the key findings are translated into a meaningful set of conclusions. Second, based on these conclusions, the implications for managerial action and export marketing theory are discussed. Third, suggestions for future research are put forward.

The study makes two broad contributions to our understanding of export causal relationships. The findings are both at variance and in conformity with existing theory.

1. The findings are different because only a *few* of the strategy factors, which were derived mainly from the literature in advanced countries, are tied significantly to export performance. This may be explained in terms of the inward looking strategies of many developing countries, which seem to reduce the explanatory power of conventional trade theories.
2. Although many of the strategy factors were not significantly tied to performance, most were nevertheless in the hypothesized direction or could be explained by alternative hypotheses. This implies that factors affecting performance may be *universal*.

In appraising performance of managers operating in Tanzania, it is important to bear in mind the constraints placed on them by the environment. Infrastructure is known to be a critical bottleneck. These environmental constraints partly explain why many of the strategy factors which are normally subject to managerial control were not significant. The implication for the selection of staff is that the caliber of managers which is considered a paramount factor in advanced countries (Bilkey, 1978) remains an important factor in Tanzania also, but at the moment it appears that the effect of factors such as strategy which are subject to managerial control is overridden or confounded by environmental factors.

In a way, the findings of this study extend the knowledge gained from earlier research. Despite the universality of export determinants, the relative importance of the factors appears different in Tanzania. Although not studied explicitly, it seems that, contrary to observations from advanced countries, environmental factors appear to play a larger role in determining performance than strategy that is subject to managerial control. Specifically, in advanced countries the influence of environmental factors such as infrastructure which is well developed is taken for granted. In Tanzania these factors, among others, pose critical bottlenecks to the export performance of many firms. It follows that in a study on export performance in Tanzania (and Tanzanian- type economies) which takes the environment for granted (i.e. omits the environment), as this study did, may be misleading because of under-specification of the causal factors.

## Suggestions for Future Research

During the course of this research, several directions or suggestions for follow-up studies were implied.

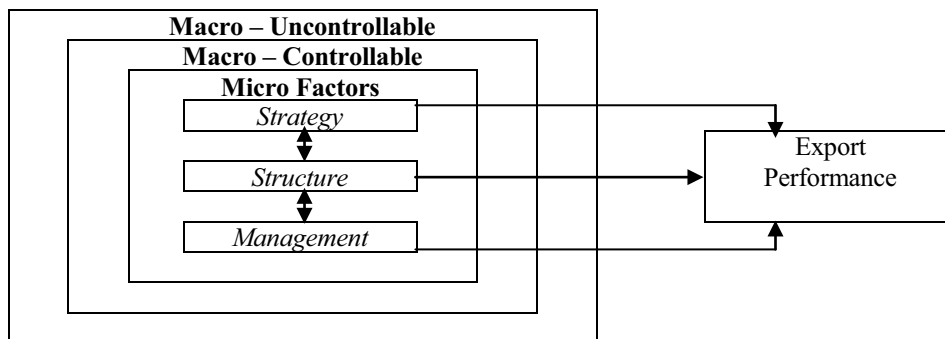
1. The findings suggest that performance may be more a function of the environment than managerial capability. This implies that studies, which focus on measuring environmental variables, may be more revealing than those that deal with managerially determined factors under the current environmental framework.

2. Other investigators may wish to test the validity of the findings reported here by replicating the study in other underdeveloped economies, but with larger samples. Until this is done, the conclusions of this study remain tentative.
3. The study did not control for possible contextual confounding effects such as type of industry, product or company characteristics on strategy. Future researchers are advised to take cognizance of these important factors.
4. The typical approach of extant research has been to operationalize the concept of adaptation in regard to product, while ignoring the need for adapting distribution, promotion and price. Future researchers are advised to consider adaptation of the full marketing mix, as opposed to the product alone.
5. There is no strong theoretical framework tying together the various components of strategy used in the literature. Strategy factors such as segmentation, degree of adaptation, extent of diversification and degree of internationalization are almost stand alone concepts. Further, the distinction between strategy and tactics is not always clear. For example, some marketing analysts treat market segmentation as strategy and the 4Ps may be extended by three more Ps for marketing services (People, Processes, Physical Evidence) as tactics for implementing the chosen segmentation strategy. In this study and most export literature the 4Ps are treated as strategy factors. The development of a framework suitable for studying export strategy may prove a fruitful research direction that may help clarify the construct.

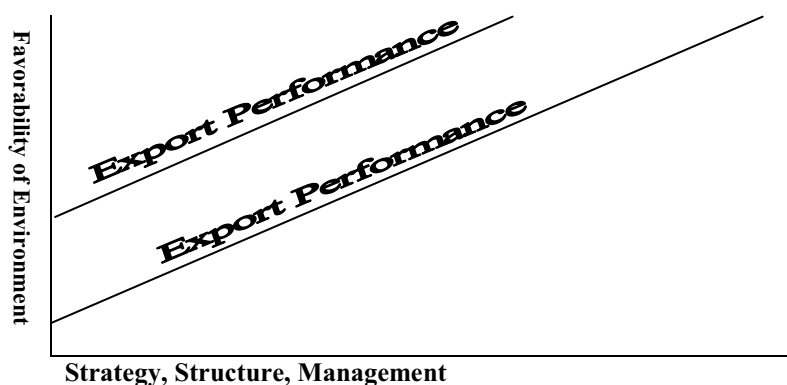
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**Figure 1 A Model of Export Performance**



**Figure 2 The Macro-Micro Dichotomy and Export Determination**



**Table 1 The Macro-Micro Dichotomy**

	<b>Controllable</b>	<b>Uncontrollable</b>
<b>Macro</b>	1. Taxation, Infrastructure, Domestic export barriers.	2. Global economy, trade barriers by other countries.
<b>Micro</b>	3. Strategy, Structure, Management	4. Competition

**Source:** Adapted from Albernathy, Clark and Kantrow. 1983:4.

**Table 2 Results of  $\chi^2$  and t-Tests, Strategy Variables and Export Performance**

	<b>Exporters</b>		<i>Differences</i>	<i>T-Test</i>	$\chi^2$ Test
	<i>Low (n=30)</i>	<i>High (n=30)</i>			
<b>Product-Market Characteristics</b>					
1. Number of markets served	1.7	1.8	0.1	0.657	
2. Number of products	2.2	2.6	0.4	0.458	
3. Number of competitors	3.7	3.9	0.2	0.985	
4. Industrial Products	43.3%	46.7%	3.40%		0.500
<b>Product Adaptation</b>					
5. Degree of product adaptation	2.1	2.3	0.2	0.715	
6. Degree of package adaptation	2.1	2.0	-0.1	0.774	
<b>Quality, Price and Promotion</b>					
7. Relative quality	2.6	2.6	0	0.896	
8. Degree of price competitiveness	2.9	3.4	0.5	0.080 Sig.	
9. Promotion as a % of sales	0.2%	0.7%	0.50%	0.128	
10. Promotion as a % of exports	19.6%	1.6%	-18%	0.129	

**Table 3 Results of t-Tests, Strategy Variables and Export Performance**

	<b>Exporters</b>		<i>Differences</i>	<i>T-Test</i>
	<i>Low Low (n=20)</i>	<i>High High (n=20)</i>		
1. Average number of products	1.80	2.60	0.80	0.048 Sig.
2. Quality	2.55	3.30	0.75	0.085 Sig.
3. Price competitiveness	3.00	3.53	0.53	0.092 Sig.
4. Promotion as a % of exports	28.2%	1.8%	-26.40	0.007 Sig.

# THE INFLUENCING FACTORS OF CHINA'S TEXTILES AND APPAREL EXPORTING PRICES: AN EMPIRICAL ANALYSIS BASED ON PANEL DATA

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## ABSTRACT

Using monthly data of price about textiles and apparel exporting from China to U.S., during the period of January 2003 to June 2009, this paper constructs panel data models to analyze how macroeconomic and policies affect the exporting price. Through the results drawn from the models, this paper identifies the exchange rate pass-through to exporting prices and analyzes specific inter-relationships between exporting prices and the macro-factors. Then this paper proposes some suggestions according to those results.

## INTRODUCTION

China's trade surplus with the United States has always been a global concern. By November 2005, China's textile and apparel exports had taken up the largest market share in the U.S.. In 2006, China's export of textile and apparel accounted for 14.9% of the total exported volume in the country; from January to November in 2007, China's export of textile and apparel witnessed a year-on-year growth by 19.9% as compared with that in 2006.

On the other hand, China's export of textile has relied heavily on the international market. Owing to the impact of international financial crisis, global economy has slow down its pace of development since 2008 and the foreign demand for China's exports has shrunk enormously, which has led to a drop in overseas market share of China's textile and apparel exports and a more fierce competition in international market. In the first six months of 2009, the amount of textile and apparel exported decreased by 10.8% as compared with that of 2008, among which the accumulated export to the US rose by 2%, with a 7.1% growth in apparel and a 10% drop in textile.

Since China's exchange rate reform in July 2005, with the appreciation of RMB, China's textile export to the US has been faced with pressure of an increase in cost. In order to maintain its overseas market share and enhance competitiveness of its products in international market, China has carried on export tax refund policy on some exports since 2004 and has begun to raise the export tax refund rate of some commodities since August 2008. In addition, the changes in China's monetary policy have also influenced its export of textile and apparel. For example, in the first six months of 2008, China's economic policies focused on preventing inflation and economic overheating and adopted a relatively tight monetary policy, which has imposed more pressure on China's export of textile and apparel.

With the application of panel data model, we intends to explore factors influencing the pricing of China's textile and apparel exports, as well as analyzing the impact of fluctuation of RMB exchange rate, global economy, competition from like products in other countries and China's monetary and export tax refund policies on price of textile and apparel exports in foreign markets. That would be a clue for products pricing in foreign markets.

## THEORY

In 1980s, scholars began to pay attention on the influence of exchange rate pass-through (EPT) to price, on the basis of law of one price researches. Dixit (1989) mentioned in his article that the exchange rate pass-through to domestic prices was found to be close to one in the phases where foreign firms enter or exit, and near zero otherwise. Froot and Klemperer (1989) researched the pass-through from exchange rates to import prices when firms' future demands depend on current market shares. The last decade, the researches about EPT did not reduce, and the continuing depreciation of dollar against other currencies has spurred new interest in researches of EPT.

There are many researches about the EPT similarly in China. Zhao (2007) drew a conclusion that the fluctuation of RMB exchange rate has more influence on imports than on exports, and analyzed the reasons on the basis of the character of incomplete and asymmetry in exchange rate pass-through. Chen (2007) found exchange rate pass-through has different effects in different industries, labor-intensive industries which have the traditional comparative advantages exhibit super-strong capability of pricing to market, however some high-tech manufactures have the phenomenon of incompleteness of EPT effect. Sha (2009) found the Yuan's exchange rate had a full pass-through effect on the prices in the long run.

In terms of pricing, Krugman (1986) pointed out exporters have applied different pricing to different foreign markets (PTM). Researches on market pricing system have taken exchange rate into consideration. Betts and Devereux (2000) put forward the concept of local currency pricing (LCP), that is, the exporters fix the price according to the currency in the target export country. Besides, they explored the reasons for the incomplete pass-through of exchange rate volatility onto price. Devereux and Engel (2003) held that the most suitable monetary policy was determined by the currency employed in pricing. When the local currency is employed in pricing, a sound and prudent exchange rate should be invited to offset economic impact.

In the exchange rate pass-through model, Campa and Goldberg (2005) discussed the influences of exporting countries' money supply and real GDP on price. Goldberg and Hellerstein (2008) put forward a theoretical model on the incomplete pass-through of exchange rate. The model states that the price of a product in a foreign market (represented by currency of the importing country) is subject to variable markups, manufacturer's marginal cost and the exchange rates between the importing and exporting countries. Among that, market share of the exporters and price of other competitors on the same product are decisive factors for variable markups; and factor prices determine marginal cost.

## DATA AND ESTIMATION METHODS

### Model Specification

In previous studies, we found there is a relation between export price and macroeconomic indicators, such as the exchange rate volatility and macroeconomic economic policies. On the basis of previous studies (Jose and Linda, 2005; Corsetti and Dedola, 2005; Goldberg and Hellerstein, 2008), and included the impact of China's export tax refund policy as a control variable, this paper constructed an empirical model as follows:

$$\ln p_{i,t} = c + \alpha_1 \ln p_{i,t}^* + \alpha_2 \ln s_{i,t} + \alpha_3 \ln e_t^* + \alpha_4 \ln mc_{i,t} + \alpha_5 \ln y_t + \alpha_6 \ln m_t + \alpha_7 etf_{i,t} + \varepsilon_{i,t}$$

where the dependent variable  $p_{i,t}$  is the price for the  $i$  product in the period  $t$ , express as the import country's currency.  $p_{i,t}^*$  is the competitors' price for the like product.  $s_{i,t}$  is the market share of export product in the import country.  $e_t^*$  is the real effective exchange rate (REER) of China and U.S..  $mc_{i,t}$  is the marginal cost for a certain exporting product.  $y_t$  is the country's economic activity indicators for the import country, which are commonly replaced by import country's GDP or IPI.  $m_t$  is the monetary policies for the export country.  $etf_{i,t}$  is the export tax refund for a certain product.

### Data and Identification

In this paper, we focus on China's export of textiles and apparel to U.S., according to 10-digit harmonized tariff schedule (HTS), we divide the export products into two major categories (I category, and II category), and combine those products as the III category (see the categories in [table 1](#)). The models are constructed separately according to the categories to analysis the real impact factors of China's textiles and apparel export prices.

Product price got from U.S. total import value from China (TIVC) divided by U.S. total import quantity from China (TIQC) of a certain product selected (according to HTS), expressing as: China's Price=U.S. TIVC / U.S. TIQC. The competitors' price got from U.S. a certain product' total import value from world deducted by U.S. total import value from China, and then divided by total import quantity from other countries, expressing as: Competitor's Price= U.S. (TIV-TIVC) / U.S. (TIQ-TIQC). All the data above, including the total import value and quantity are from USTIC.

China product's market share uses its quantity share importing to U.S., expressing as: China's market share= U.S. TIQC / U.S. TIQ from the world. Data are from USTIC. The real effective exchange rate (REER) is from IMF. Marginal cost data refer to Goldberg (2008) method, use China's textile and its products' raw materials purchasing price index (RMPPI) instead, and the data is from China Economic Information (CEI) Economic Statistics Database. The U.S. IPI expresses as index of importing country's economic activity. The monetary policy index of export country uses the Narrow Money Supply M1 and the Broad Money Supply M2 to measure separately. The IPI, M1 and M2 data derived from Economist Intelligence Unit (EIU) Country Data of BvD Database. Export tax refund rates derived from the database of China Tax Refund Network. In this paper, the apparel products' export tax refund rates are zero. Monthly data from 2003:1 to 2009:6 comprise the sample period. Using 2002 as the base period (2002=100), we adjust the data of RMPPI and IPI. Then we smooth the data through taking natural logarithm of all the data except the ETF rates data.

## ESTIMATE RESULTS AND ANALYSIS

### Price Models Results Analysis of Textiles Exporting to U.S

According to the statistics results (table 2) and common theories, the model 1 and model 2 are appropriate:

$$\text{Model 1: } \ln p = -73.7801 - 0.2207 \ln s + 14.7792 \ln mc + 1.2836 \ln y + 0.2340 \ln m1 - 1.6149 \text{eff}$$
$$(-3.79) \quad (-12.71) \quad (3.47) \quad (2.51) \quad (2.23) \quad (-2.62)$$

$$\text{Model 2: } \ln p = -76.6130 - 0.2206 \ln s + 15.4044 \ln mc + 1.3098 \ln y + 0.1954 \ln m2 - 1.6026 \text{eff}$$
$$(-4.01) \quad (-12.70) \quad (3.70) \quad (2.56) \quad (2.19) \quad (-2.60)$$

From the results of model 1 and model 2, we find that the marginal cost of the product, the importing country's economic development and the exporting country's monetary policy have positive impacts of China's textiles price, in which the marginal cost has a greatest impact. The U.S. economy condition will influence China's textile export price significantly, the prices will increase with U.S. economy growth. China's domestic money supply increase will pass the inflation pressure to textiles export price. With the market share growth, the price will fall obviously. The export tax refund policy effectively increases textiles competitive in U.S. market, and the export tax refund rate rise cause the export price fall in U.S. However, we have noted that the bilateral real effective exchange rate impact is not significant for the textiles exporting to U.S..

### Price Models Results Analysis of Apparel Exporting to U.S.

According to the statistics results (table 2) and common theories, the model 3 is appropriate:

$$\text{Model 3: } \ln p = -51.6387 - 0.0689 \ln p^* - 0.1817 \ln s - 0.9541 \ln e^* - 9.8930 \ln mc$$
$$(4.06) \quad (2.34) \quad (-13.77) \quad (-3.85) \quad (-3.64)$$

The results estimated from model 3 demonstrate that the export apparel prices will fall with the increase of competitors' prices, market share in U.S., bilateral real effective exchange rate between China and U.S., and products' marginal cost respectively. Market share in U.S. and the prices have showed a significant negative correlation. Export quantity increase leads to the result of competition intensity among China's exporters, which reflected in a decline in export prices. Exporter's cost increases with Yuan's appreciation, reflected in negative coefficient of real effective exchange rate.

### Exporting Price Models Results Analysis of Textiles and Apparel as a Whole

According to the statistics results (table 2) and common theories, the model 4 is appropriate:

$$\text{Model 4: } \ln p = 5.0929 + 0.0743 \ln p^* - 0.1977 \ln s - 0.8992 \ln e^* - 1.4629 \text{etf}$$
$$(11.21) \quad (2.60) \quad (-18.38) \quad (-4.44) \quad (-3.26)$$

Through aggregating the China's textiles and apparel exports data as a whole to analyze the export price impact factors of the China's textile and apparel industry in U.S. market. We choose the model 4 finally. From the results in model 4, competitors' prices, China's market share in U.S., REER, export tax refund rate will have impact on textiles and apparel' prices. The export tax refund policy increases the product's competitiveness in foreign market, through decreasing the export prices.

### The Relationship between Export Price and Exchange Rate.

According to our research, the real effective exchange rate, in that the Yuan's appreciation would affect the changes in prices of textiles' export. There is an incomplete exchange rate pass-through to textiles and apparel' prices as a whole, and meanwhile, it's no significant relation between exchange rate change and the apparel' price change especially. The values of  $\alpha_3$  are different, which reflects the differences of comparative advantages between China and U.S., and the differences of exporting markets' competitions.

## CONCLUSIONS

This paper has set up a panel data model on China's export of textiles and apparel to the United States. With a case study on a 78-month data about 22 products from January 2003 to June 2009, it has probed into the factors which influence the price of Chinese textile products and apparel exporting to the US. According to the analytical results, the conclusions are as follows.

(1) The price-influencing factors for different products vary remarkably. The US domestic economy has minor impact on China's textile exports. In addition, due to the differences between Chinese and the US economic structures, an increase in the cost of the exports has led to a decrease in price. For example, owing to the low processing cost by labor-intensive manufacturers, China's apparel exports to the US, have always taken up a relatively large share in the domestic market in the US. Meanwhile, the investment and trade of foreign-funded enterprises have also facilitated the export of textile products. An increase in market share has intensified the competition among exporters in China. Therefore, as an exporter of textile products, China should not only keep to its advantage of low cost, but also constantly upgrade the structure of textile industry and strengthen control in overseas textile markets. Besides, China should recognize the potential risks brought by severe competition and actively prevent the rise of trade protectionism.

(2) The implementation of the ETF policy has an influence on the exports price. An increase in tax refund rate contributes to lowering the price, which in turn is beneficial to enhancing competitiveness in overseas markets and expanding market share. According to statistics, the average export price of the 10 textile products is about US \$7.89. Based on Model 1 and Model 2, every 1% rise in export tax refund rate leads to a drop of more than 1 percentage points in the price of textile exports. Therefore, exporters should make full use of the opportunities provided by tax refund policy, maintain the overseas market share, change the structure of export products and make the exports more value-added to increase their competitiveness.

(3) Appreciation of RMB has brought up the price of export products. As a result, foreign trade policies should provide more favors to for export and encourage import industry to eliminate the inferior exporters to optimize industrial structure. The Chinese Government and corresponding industrial sectors should timely release warnings about foreign financial risks, in order to enhance exporters' awareness on guarding against risks.

On the basis of the case study, this paper has found that factors in macro-aspect have an influence on the exporting price of China's textiles and apparel. However, we have also noticed that the exporting price of China's textile products is 4 to 5 times lower than the selling price in the US supermarkets. Foreign purchase agents and distribution channels have an inevitable impact on the pricing of China's export products. Future research will be focused on an in-depth analysis from a microscopic point of view.

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**Table 1 Corresponding of HTS-SITC code about the products selected in this paper**

I category (Textiles)		II category (Apparel)	
10-digit HTS	3-digit SITC corresponded	10-digit HTS	3-digit SITC corresponded
5207.10.0000、5401.10.0000、5407.10.0010	SITC 651-656	6104.69.8038、6105.10.0010、6105.20.2030	SITC 841-844
5407.10.0090、5407.69.3000、5808.90.0010		6108.92.0025、6109.10.0012、6110.20.2020	
6005.22.0000、6005.34.0010、6005.34.0080		6203.43.4020、6204.69.6040、6204.69.9044	
6006.34.0080		6204.69.9046、6205.30.2040、6205.30.2050	

Note: the data above is from USTIC.

**Table 2 Pricing impact factors statistics analysis: panel regression specifications (FE)**

Independent variable	Dependent variable: p			
	model 1	model 2	model 3	model 4
Constant	-73.7801*** (-3.79)	-76.6130*** (-4.01)	51.6387*** (4.06)	5.0929*** (11.21)
p*			0.0689** (2.34)	0.0743*** (2.60)
s	-0.2207*** (-12.71)	-0.2206*** (-12.70)	-0.1817*** (-13.77)	-0.1977*** (-18.38)
e*			-0.9541*** (-3.85)	-0.8992*** (-4.44)
mc	14.7792*** (3.47)	15.4044*** (3.70)	-9.8930*** (-3.64)	
y	1.2836*** (2.51)	1.3098*** (2.56)		
m1	0.2340** (2.23)			
m2		0.1954** (2.19)		
etf	-1.6149*** (-2.62)	-1.6026*** (-2.60)		-1.4629*** (-3.26)
observations	720	720	891	1610
F value	39.64***	39.60***	50.51***	94.52***
R <sup>2</sup> -overall	0.0253	0.0253	0.0355	0.1086
R <sup>2</sup> -within	0.2194	0.2192	0.1876	0.1927
R <sup>2</sup> -between	0.0166	0.0166	0.0071	0.1058

Note: \*, \*\*, \*\*\* indicate statistical significance at the 10%, 5%, and 1% levels respectively.



# **RECONCEPTUALIZING CONSUMER PERCEPTION OF RELATIONSHIP QUALITY: AN EMPIRICAL TEST OF THE CONSTRUCT AND ITS NOMOLOGICAL VALIDITY**

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## **ABSTRACT**

Despite conceptual agreement that relationship quality is a higher-order construct, there still remains a gap between such conceptualization and its corresponding operationalization. In this article, we provide conceptual, methodological, and empirical support for modeling relationship quality as a second-order reflective construct consisting of first-order dimensions of trust, commitment, and satisfaction. The second-order reflective model is tested within a hierarchy of models for factor structure comparison and its nomological validity compared with alternative conceptualizations of relationship quality. Based on justice theories, we explain the origins of the second-order construct and provide the methodological rationale for the efficacy of a reflective model. We situate the second-order RQ model in a nomological net in which we model its direct effects and indirect effects, via consumer-company identification, on future patronage and positive WOM promotion. Using surveys in two samples, airline and retail, this study provides sufficient evidence on the reliability, validity, and generalizability of the second-order factor structure of relationship quality. These findings are discussed along with implications and directions for future research.

References Available on Request.

## AN ALTERNATIVE SCALE OF EMOTIONAL ATTACHMENT

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### ABSTRACT

Emotional attachment (EA) is defined as the emotional bond connecting an individual with a specific target (Thomson, MacInnis, and Park 2005). Recent research has stressed the importance of EA in the marketing domain (e.g. Park, and MacInnis 2006; Ariely, Huber, and Wertenbroch 2005). Marketing scholars acknowledge the importance of the study of attachment because of its relation to desirable marketing consequences. It has been shown that attachment is related to trust, commitment, and satisfaction (Rempel, Ross, and Holmes 2001; Spake, Beatty, Brockman, and Neal 2003; Thomson 2006; Thomson, MacInnis, and Park 2005), consumer defections (Liljander and Strandvik 1995), consumer's forgiveness (Ahluwalia, Unnava, and Burnkrant 2001), disposal choice (Walker 2006), brand loyalty and willingness to pay (Thomson, MacInnis, and Park 2005). Also, attachment has been proposed as a mediator (e.g., Novemsky and Kahneman 2005) of the effects of intentions on loss aversion, or a moderator for loss aversion (e.g., Ariely, Huber, and Wertenbroch 2005).

Despite all the research, there is no consensus on how the construct should be measured (Kleine and Baker 2004). This confusion is in part due to the confounding of emotional attachment and its antecedents or its consequences which also limits the conceptualization of the construct (Jiménez and Voss 2007). The lack of a parsimonious, reliable, valid, and generally applicable scale for measuring emotional attachment is an impediment to research that could better our understanding of how individuals create bonds with goods and services. Understanding how emotional attachment is created and its consequences is important because EA has been shown to be related to a core marketing concept: value. If marketers and academics have a valid measure of emotional attachment, it would facilitate conceptual models and empirical research aimed at better understand when and how consumers create strong EA bonds with the market offerings.

We developed an alternative, five-item, one-dimensional scale that reliably and validly captures emotional attachment to an object following procedures from Churchill (1979), Gerbin and Anderson (1988), and Mowen and Voss (2008). First, we review the literature on EA and its measures. We point out its shortcomings. Next, we carefully review the construct validity of the measure by distinguishing EA from its antecedents and consequences. After defining the construct we conducted four studies to develop the measure. Study 1 identified potential items that would tap into the construct. A five-item scale was selected and its psychometric properties were tested in Study 2. The scale showed internal consistency and unidimensionality. Study 3 supported the discriminant, convergent and criterion validity of the measure. The EA scale showed to be related to but different from satisfaction and involvement and it significantly predicted separation distress.

Finally, in Study 4 we tested the nomological validity of our measure. We show in study 4 that EA is antecedent to WTP. Further, we suggested that EA and self-concept maintenance (the degree to which an object or a brand reflects who the individual is) would interact in determining an individual's willingness to pay a price premium for a valued brand. Our data supported this conceptualization. Our findings suggest that a brand that reflects who the individual is may be valuable but not necessarily implies an emotional attachment. Specifically, when self-concept maintenance is low, WTP is predicted by emotional attachment. However, when self-concept is high, the effect of EA on WTP is not that strong.

It is important noting that a distinctive advantage of this scale is that it showed consistency across contexts. In study 2 individuals used the scale in a context of expected (pre-owned) emotional attachment to an object (i.e. gift). This context is relevant in decision making and choice where researchers may be interested to measure pre-factual attachment to objects (e.g. Dhar and Simonson 1992; Carmon, Wertenbroch, and Zeelenberg 2003; Ball and Tasaki 1992). In Study 3 individuals assessed their level of EA to an owned object (i.e. car). Emotional attachment to objects has long called for a reliable measure of attachment (Kleine and Baker 2004). Finally in Study 4, individuals assessed their level of EA to a brand. Recent research has stressed the importance on making brand connections (e.g. Thomson et al. 2005). The consistency of the EA scale across contexts supports the context generalizability of the measure. Thus, we propose this EA scale as a reliable and valid measure of emotional attachment that can be used in several contexts. In addition, we contribute to the development of a nomological network that advances our understanding of EA (Cronbach and Meel 1955; Mowen and Voss 2008) and prevents the confounding of terms and definitions (Teas and Palan 1997). The distinctions between EA and its consequences and antecedents are important to better understand the role of EA in marketing.

References Available on Request.

## EXAMINING THE CONSTRUCT VALIDITY OF THE LOCKWOOD GOAL ORIENTATION SCALE

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### ABSTRACT

This research examines the psychometric properties of Lockwood, Jordan, and Kunda (2002) 18-item scale goal orientation using a survey design. Although Lockwood et al. (2002) goal orientation scale has been used previously in the marketing literature (Zhao and Pechmann 2007), the psychometric properties of this scale have not been tested before. Furthermore, given the wording of some of the items in this scale (e.g., my major goal in school right now is to achieve my academic ambition), suggest that the scale generalizability is limited as it can only be used in a context relating to initial and continuing education.

In pursuing our objective, it was essential to test whether promotion and prevention orientations are two dimensions of the same construct (goal orientation as specified by Lockwood et al., 2002) or in fact two different constructs. To that end the nomological network for promotion and prevention was investigated. In this research, the general hierarchical model (GHM) (Mowen and Voss 2008) is used as a framework for examining the structure of the individual goal orientation scale. This framework minimizes the problems that occur in the scale development process: (a) defining the construct, (b) drawing items from multiple domains, (c) identifying dimensions, and (d) showing nomological validity. If the promotion and prevention dimensions have different antecedents and consequences, they should be treated as separate constructs.

In the study, the items from Lockwood et al.'s (2002) goal orientation scale were administered to 280 undergraduate students from a large mid-western university. Preliminary analysis revealed the scale had very poor psychometric properties. After a series of structural equation models, a final scale was obtained which was composed of 10 items, 5 of which measure promotion orientation and 5 of which measure prevention orientation. The two dimensions had good discriminant validity. The correlation between the two scales was 0.26, which gives a signal that the two scales are tapping different domains. To further test whether or not promotion and prevention are two separate constructs, or two dimensions of a single construct, the nomological network for promotion and prevention was investigated using the general hierarchal model (GHM) (Mowen and Voss 2008). Two measurement models were built. The first specified goal orientation as a second order construct of two dimensions (promotion vs. prevention). The second model specified goal orientation as two separate constructs of promotion and prevention orientation. The fit indices revealed that specifying goal orientation as two constructs is a better fitting model. Additionally, examining the structural relationships in the two models revealed that the predictors and outcomes of goal orientation were different. For example, when specified as a single construct, the needs for material resources and for body resources were found to be significant predictors of the goal orientation construct. Moreover, two constructs were found to be significant outcomes of the goal orientation construct: value consciousness and financial conservatism. However, when specified as two constructs, three of the antecedents constructs were found to be significant predictors for the prevention orientation construct: introversion, consciousness, and emotional instability. On the other hand, two constructs were found to be significant predictors for the promotion orientation construct: the need for material resources and for body resources. Finally, none of the constructs were found to be significant outcomes for either the prevention orientation or the promotion orientation constructs.

In conclusion, the researchers were able to achieve a shorter, yet more acceptable scale, the fact that the correlation between promotion and prevention was not significant ( $r = 0.26$ ) and that the loadings of each prevention and promotion dimension on the higher order construct were not similar in magnitude (prevention = 0.30; promotion = 0.87) and significant for one dimension (i.e., promotion,  $t = 3.2$ ), strongly suggests that the dimensions are different constructs. Finally, the second order model was compared to a two-factor model of promotion and prevention focus. The CFA fit indexes for the two-factor model were identical to those indexes obtained for the second-order factor. These results support the conclusion that promotion and prevention focuses are in fact two separate constructs.

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## ON THE CONSEQUENCES OF MARKET ORIENTATION

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### ABSTRACT

The authors apply logical atomism to examine market orientation and its consequences through decomposition, and illustrate how this type of inquiry can enhance our understanding. To that end, they develop models for two consciousness levels and derive twenty-nine propositions to demonstrate the diverse effects of market orientation on financial performance.

A common term in marketers' vocabulary, market orientation is deeply rooted in the main pillar of the discipline: the marketing concept. Despite its centrality to marketing, the consequences of the marketing concept were not empirically examined until the late eighties, and its benefits were more of an "article of faith" (Day 1994, p.37). As a result, relatively few firms operationalized the espoused philosophy and implemented it (Webster 1988).

Fortunately, the marketing concept has found its much needed manifestation in market orientation (MO) since then, and great progress has been made. We owe gratitude to dozens of researchers whose ground-breaking efforts have allowed us to build upon their "foundation for the systematic development of a theory of market orientation" (e.g., Deshpande et al. 1993; Gebhardt et al. 2006; Narver and Slater 1990; Kohli and Jaworski 1990, p.16). After two decades of meticulous research and thousands of pages published on MO worldwide, we have developed an adequate understanding of what MO is and how it robustly merits an organization, a view reinforced with several meta-analyses (Cano et al. 2004; Ellis 2006; Grinstein 2008a, 2008b; Kirca et al. 2005; Shoham et al. 2005). In their seminal article, Kohli and Jaworki (1990) considered MO a sustainable competitive advantage. As such, work on MO has transversed beyond marketing journals and well across strategy literature (Hult et al. 2005; Morgan et al. 2009).

However, as our understanding of the construct progresses, it is important to admit how little we know on how much it actually impacts the bottom-line of the firm, despite the ongoing *Marketing Science Institute* initiatives to assess marketing productivity, and link marketing metrics to those of financial performance. Deshpande (1999) called on for further research to understand MO's optimal and multiple levels, a call that has gone unanswered to date. Given the importance of conceptual development in furthering marketing thought (Yadav 2010), it is our hope to construct the facets to such an understanding by delineating the linkages between MO and its consequences.

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## DYNAMISM INSIDE THE MO BOX: THE CREDIBILITY OF MARKET INFORMATION AS A KEY FACTOR IN MARKET ORIENTATION

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### ABSTRACT

The objectives of this research are twofold. First, we intend to clarify how market orientation is affected by the credibility of marketing information. Second, we wish to reach a deeper understanding of the interplay between a marketing unit's influence, credibility, and market orientation. We also examine the effects of those factors on firm performance. Toward these objectives, we engaged in empirical research on large-scale Japanese firms in various industries. Before conducting a questionnaire survey, we held in-depth interviews with top management, marketing managers, and marketing professionals to identify factors which hinder market orientation in the Japanese business environment. An extensive questionnaire survey of Japanese firms was then conducted, in which we collected data on market orientation, the credibility of marketing information, the influence of marketing units within a firm, and the firm's performance.

Based on a literature review and findings from the interviews with marketing professionals, we extracted the conceptual model. We examined the impacts of credibility of marketing information on market orientation, which forms the main hypothesis of our study. (H1) Since credibility is a concept closely related to the influence of the marketing department, we also examined the effect of marketing department influence on market orientation. (H2) We then compared the impact of credibility with that of influence in order to reach a deeper understanding of these two delicately interconnected concepts. (H3)

We pay attention to qualitative differences among the three major components of Kohli and Jaworski's (1990) classification of market orientation. Their concept of market orientation consists of three sub-concepts: market intelligence generation, intelligence dissemination, and responsiveness. We assume that these concepts are not parallel activities, but occur as a series of information processing activities. Firms gather market and customer data, and spread them to related departments. Then, marketing and other departments consider and implement various measures to improve their current situation. If these activities can be assumed to be a series of processes, there would be a causal relationship among these three activities.

Our data consists of responses regarding a range of unit and organizational functions measuring market orientation in different areas and positions. 1,021 managers in 139 business units, representing 20 Japanese firms responded. We excluded all respondents who did not complete the entire survey, leaving a sample of 999 respondents. A market orientation scale was designed, based on the Kohli, Jaworski, and Kumar (1993). *Credibility of marketing information* is measured using our original scales. These scales measure the degree to which information from the marketing department is trusted by other departments. The *influence of marketing department* is measured directly through the respondents' impressions. We assessed business performance by asking respondents for their subjective assessments of their business units.

We test our hypotheses by using structural equation modeling. Our model is judged to fit well with the data ( $\chi^2=12.38$ ,  $p=0.01$ , GFI=1.00, AGFI=0.97, CFI=0.99, RMSEA=0.06). The results show that the credibility of marketing information has a positively significant effect on market orientation, which suggests strong support of hypotheses H1. But there is a weaker relationship between the influence of the marketing department and market orientation, compared with the effect of credibility of marketing information. This difference of effects is statistically significant. This result supports the hypothesis 3. The total effects on business performance also suggest the importance of credibility.

Past research examined advocacy by top management or interdepartmental coordination as the antecedents of market orientation. However, the marketing department's influence based on organizational power, as induced by top management emphasis, might not be effective if the overall business trend is toward the organization without a strong marketing department.

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**MANAGING MARKETING EMPLOYEES FOR SUPERIOR BUSINESS PERFORMANCE THROUGH HIGH-INVOLVEMENT HRM PRACTICES: DOES MARKETING DEPARTMENT STRUCTURE MATTER?**

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**ABSTRACT**

This study examines how high-involvement HRM practices affect marketing department performance and the moderating role of marketing department structure. Using multiple key informants, high-involvement HRM practices led to higher marketing department performance and this positive relationship was (a) stronger in a moderately formalized and task interdependent marketing department while (b) weaker in a centralized marketing department. Theoretical and practical implications are discussed.

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## SOCIAL CAPITAL AS A MICRO-LEVEL ORIGIN OF ORGANIZATIONAL CAPABILITIES

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### ABSTRACT

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: 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 (eg. 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.

Examining survey data from 280 German firms, results from structural equation modeling indicate that social capital indeed is key antecedent for superior marketing and R&D capability. This research hence contributes to the RBV literature by introducing social capital as an important source for the development of organizational capabilities, and thus augments previous studies, such as Adler and Kwon (2002) and Nahapiet and Ghoshal (1998). It is among the first studies to broaden the RBV's unit of analysis and integrate individual level considerations in the predominantly organizational level concept. The authors conclude that the creation and maintenance of social capital is an important task for a firm's top management in order to keep the competitive edge.

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# ENGAGING WITH THE ENEMY: UNDERSTANDING ADVERSARIAL STAKEHOLDER PROCESSES AND OUTCOMES

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## ABSTRACT

Obesity, because it is linked to chronic diseases like diabetes and heart disease, is a growing health issue in North America and around the world. In 2009, *Business Week* reported that obesity rates are increasing among both adults and children, that two-thirds of U.S. adults are now considered overweight or obese, and that 30% of children in 30 states are overweight or obese (Arnst 2009). Similarly, Statistics Canada reports that 23.1% of Canadians aged 18 or older are obese, and that another 36.1% are overweight (Tjepkema 2005). As witnessed by movies such as *Super Size Me*, marketers are often seen as part of the obesity problem, but are rarely approached as part of the solution. Given the importance of the issue, it is not surprising that a vast network of stakeholders have focused on the topic. Much of the interaction and engagement among stakeholders who are concerned about obesity is adversarial, which afforded us the opportunity to examine stakeholder engagement under difficult conditions. While there is a growing body of research focusing on positive stakeholder encounters, less attention has been paid to the dark side of stakeholder engagement. The purpose of our paper is to examine this knowledge gap. To examine these processes, we draw on literature and theory from relationship marketing, network theory, stakeholder theory, corporate social responsibility, ethics, management and organizational behavior.

Stakeholder engagement is “an organization’s efforts to understand and involve stakeholders and their concerns in its activities and decision-making processes” (Partridge et al. 2005, p. 6). A stakeholder is anyone who has an interest in, or who may be impacted by, the actions of an organization (Freeman 1984). Successful stakeholder engagement is critical to fully manifesting corporate social responsibility (CSR) and building legitimacy among diverse constituencies. In light of these definitions, we can see that marketing, a discipline focused on interfacing and building relationships between an organization and a range of stakeholders, is pivotal in this practice. To date, much of the extant literature on stakeholder engagement is normative in nature and there is a surprising lack of rigorous empirical research that investigates the drivers of the stakeholder engagement process, the variables that affect success and failure, and the various outcomes (e.g., see Lockett, Moon, and Visser 2006; Margolis and Walsh 2003).

We explored stakeholder engagement from a network perspective, in which networks of stakeholders form around common social issues and the firm is embedded as a stakeholder within a network of other stakeholders (Edelenbos and Klijn 2006; Foster and Jonker 2005; Payne and Calton 2004; Roloff 2008; Svendsen and Laberge 2005; Wheeler, Colbert and Freeman 2003). We used participant observation over a two year period of on-going stakeholder engagement processes surrounding the issue of obesity. This allowed for an insider’s view of a complex, evolving network of stakeholders – food marketers, public health officials, government regulators, media, activists, and social marketers to name a few. To help verify findings from the participant observation processes, we also conducted 15 elite interviews using purposeful sampling (Patton 2002).

Overall, our research suggests that stakeholder engagement is a more complex process than the current literature acknowledges. If movement towards collaborative, substantive action to resolve the obesity issue is taken as the measure of success, the stakeholder engagement processes we observed were relatively unsuccessful. In most cases, the various stakeholders never moved beyond their own agendas to arrive at tangible solutions that might address the obesity issue. In one instance, greater levels of trust were built and a process of working together was established. However, the focus remained on the trust building and engagement process, whereas hard questions surrounding the obesity issue itself were rarely entertained. Therefore, our findings help reveal the factors associated with adversarial, unsuccessful stakeholder engagement versus successful stakeholder engagement. We identified a number of variables and patterns of behavior that characterize unsuccessful stakeholder engagement. We identified two critical mediators: lack of respect and negative emotion, along with two final outcomes: defensive actions and power building. The lack of respect was underpinned by a number of behaviors and beliefs: assumptions of fragmentation and uniformity, preconceived solutions that blamed the other, selective use of evidence, different worldviews and sector cultures, and systemic distrust across sectors. The defensive actions included: demonizing the other, advocating one’s own position, and establishing counter-evidence and reason. Finally, we observed three sets of actions the various groups undertook to build their perceived power: coalition building, offsetting actions, and seeking the moral high ground.

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# DECONSTRUCTING RESEARCH ON INFORMATION TECHNOLOGY (IT) CAPABILITIES: IMPLICATIONS FOR MARKETING STRATEGY

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## ABSTRACT

In the marketing strategy literature, researchers have long since recognized the role of information/knowledge as a potential source of competitive advantage (e.g., Glazer 1991; Li and Calantone, 1998; Li and Cavusgil 2000; Madhavan and Grover 1998). For example, for Glazer (1991), the economy will continue to be information intensive based on the inherently non-scarce and seemingly unlimited, renewable, and regenerative aspects of information/knowledge. In addition, researchers from disciplines such as economics (e.g., Cohendet 2001; Fransman 1994) and corporate Strategy (e.g., Baden-Fueller and Pitt 1996; Grant 1996; Nelson and Winter 1982) have started paying greater attention to the firm as a knowledge processor, and as a body of knowledge respectively. According to these perspectives, the firm is (1) essentially a locus of setting up construction, selection, usage, and development of knowledge and (2) sensitive to sharing and distribution of knowledge/information. Accordingly, we contend that *technology* that facilitates the efficient and effective construction, selection, usage, and development of knowledge and sharing of information/knowledge can also provide firms with competitive advantages.

In the management information systems (MIS) literature, there have been a number of articles that established the relationship between IT capability and firm performance (e.g., Bhatt and Grover 2005; Bharadwaj 2000; Jarvenpaa and Ives 1990; Karimi, Gupta, and Somers 1996; Mata, Fuerst, and Barney 1995; Rai, Patnayakuni, and Seth 2006; Ray, Muhanna, and Barney 2005; Saraf, Langdon, and Gosain 2007; Stoel and Muhanna 2009). However, with the exception of a few researchers (e.g., Bharadwaj, Bharadwaj, and Bendoley 2007; Bharadwaj 2000; Goslar 1986; Ray, Muhanna, and Barney 2005), not many have addressed the issue of the influence of IT capabilities on marketing strategy. Although the research on IT capability is fairly well established, some issues still require researchers' attention: conceptualization and measurement of IT capability, scope of IT capability at the macro as well as micro levels in strategy execution, and research at the interface of firm's IT capabilities and marketing strategy. Therefore, in this paper, first, we review IT capability literature and, then, deconstruct IT capability research. Second, we briefly review the marketing strategy literature for the role of IT in general and the role of IT capabilities in particular. Third, we discuss the implications of the deconstruction of IT capability research for marketing strategy. Here, we discuss the implications for firm's overall marketing strategy in general and for specific forms of marketing strategy in particular.

In conclusion, the deconstruction of IT capabilities research presented and the implications of the deconstruction for marketing strategy introduced in this article extend and elaborate on the IT capabilities concept for marketing strategy. We hope that this article acts as a catalyst for further exploration of IT capabilities in the contexts of marketing strategy in general and specific forms of marketing strategy in particular.

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# DOES CSR INFLUENCE THE TASTE OF CHOCOLATE?

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## ABSTRACT

Previous corporate social responsibility (CSR) research has generally ignored the influence of CSR information when consumers consume products. The purpose of this paper is to test whether CSR information can influence the taste of chocolate. More specifically, this paper also examines the stability of this influence.

## INTRODUCTION

Corporate social responsibility (CSR) has becoming increasingly important in recent years. As a broad concept, CSR includes issues such as environmental protection, relations with local communities, working conditions, employee supports, and philanthropy (e.g., Berens, van Riel, and van Rekom, 2007; Sen and Bhattacharya 2001). Specifically, positive CSR refers to companies' activities that "positively affect an identifiable social stakeholder's interests and does not violate the legitimate claims of another identifiable social stakeholder (in the long run)" (Strike, Gao, and Bansal 2006, p.852), whereas negative CSR refers to activities that "negatively affect an identifiable social stakeholder's legitimate claims (in the long run)" (Strike, Gao, and Bansal 2006, p.852). Most research on CSR mainly focuses on how consumer respond to CSR information before they make purchase decisions and the results show that consumers avoid companies with bad CSR reputation and prefer to choose companies with good CSR reputation (e.g., de los Salmones, Crespo, and del Bosque 2005; Sen and Bhattacharya 2001; Brown and Dacin 1997; Klein and Dawar 2004; Ellen, Webb, and Mohr 2006). However, little is known about the influence of CSR on consumers' subjective consumption experiences because many consumers get CSR information after they have already built a relationship with a brand.

There is plentiful research on how information influences consumers' subjective consumption experiences and the most examined consumption experience is taste. Previous research generally focuses on information that are highly related to product performance such as ingredients information (e.g., Obermiller, Burke, Talbott, and Green 2009), brand name (e.g., McClure, Li, Tomlin, Cypert, Montague, and Montague 2004), and price (e.g., Shiv, Carmon and Ariely 2005). CSR information, which instead conveys a company's value systems, remains unstudied. Thus, this research aims to examine how CSR information impacts consumers' taste evaluations. Moreover, this research explores whether the negative influence of negative CSR information can be laundered under some conditions.

## CSR AND TASTE EVALUATION

Consumers view a company's CSR information as a source which provides consumers with insight into the company's value system, soul, and character (Sen and Bhattacharya 2001). In other words, CSR information acts as a communicator of company identity. Consumers will have positive attitudes toward the company if they identify with the company's values and will have negative attitudes if they disidentify with the company's values. When consumers think about how their relationships with the company may potentially influence other social stakeholders, their affective states may change. For example, consumers may feel guilty when they consume a product from a socially irresponsible company because guilt will emerge "if an individual (a) engages in actions or inactions that have negative consequences for another and (b) is motivated to consider the impact of such actions based on a concern for the well-being of that person" (cf. Dahl, Honea, Manchanda 2005, p.308). On the contrary, consumers have positive feelings when they know that their actions or inactions contribute to other people's well-being.

Significant empirical evidence suggests that affective states influences consumers' judgments of product quality. Isen, Clark, Shalcker, and Karp (1978) find in their study that a positive feeling state induced by receiving a free gift can improve consumers' evaluations of the performance of products they own. Compeau, Grewal, and Monroe (1998) examine feeling state induced by product related stimuli. They find that consumers' feeling states have a positive effect on their judgments of product quality. Thus, it is expected that the valence of CSR information can influence consumers' taste evaluations. However, ample evidence shows that adults display a negativity bias when they process and use positive versus negative information. Generally, adults tend to learn from and use negative information for more than positive information to make sense of their world (Vaish and Grossmann 2008). They are far more attentive to and more influenced in most psychological domains by negative information than by positive information (Rozin and Royzman 2001; Taylor 1991). Thus, compared to negative CSR information, positive CSR information may not have obvious influence on taste evaluation.

H1: The valence of CSR information is positively related to consumers' taste evaluations. Consumers will give lower taste evaluations when negative CSR information presents (vs. does not present).

H2: The influence of negative CSR information on taste evaluation is more obvious than that of positive CSR information.

### **Experiment 1**

Experiment 1 will have three conditions: positive CSR condition, negative CSR condition, and no CSR information condition. At the beginning of the experiment, students will be told that they are invited to evaluate the taste of a new brand of chocolate but for confidential consideration the name of the chocolate company will not be released during the survey. Participants will first read an article which is used to manipulate CSR information (positive, negative, or no CSR information) and then be asked to eat the chocolate and evaluate the taste of the chocolate. They will also be asked to evaluate their affective states.

Isen et al. (1978) find that the affective state which is not induced by product related information can also influence consumers' evaluations of product quality. Will the affective state induced by a company's CSR information influence consumers' evaluations of products produced by another company? I propose that this will not happen because CSR information only induces specific affective tag instead of affect in general. Two experimental conditions will be added to test this argument. The only difference is that participants will read the description of one company and taste the chocolate from another company.

### **LAUNDERING THE NEGATIVE IMPACT**

Prior choices can serve as a license to choose options that are inconsistent with the prior ones. For example, people act less altruistically and have more bad behaviors (e.g., cheating) after purchasing green products (vs. conventional products) (Mazar and Zhong). Therefore, consumers may have more altruistic behaviors after they purchase or consume products from socially irresponsible companies. Since helping behaviors improve the helpers' moods (e.g., Williamson and Clark 1989), consumers who consume products from socially irresponsible companies will have positive moods if they choose to act altruistically. As a result, altruistic behaviors may counter the negative CSR information and finally "launder" the negative consumption experience to some extent.

H4: Consumers' evaluations of consumption experiences will not be influenced by the negative CSR information if consumers are given opportunities to help others after consuming the products.

### **Experiment 2**

Participants will be given an envelope with \$7 inside as honorarium and will be told that the honorarium was provided by a chocolate company. Then participants will read an article describing the chocolate company's bad social performance on protecting employees' rights. After that, all participants will be told to work on the second, unrelated task. Participants in the donation condition will be asked whether they would like to donate one dollar to one of three charities (i.e., environmental charity, children's charity, and employee charity). Participants in the no donation condition will be asked to recommend one of three movies to their friends. After participants made their choices, they will eat the chocolate and evaluate the taste of it.

### **DISCUSSION**

CSR researchers study consumer responses toward CSR as one way to test the CSR-CFP relationship. As a result, much attention is paid to examine those variables that directly or indirectly related to consumers' purchase intention. Variables having been examined include purchase intention (e.g., Sen and Bhattacharya 2001), attitudes toward company and product (e.g., Brown and Dacin 1997), loyalty (e.g., de los Salmones, Crespo, and del Bosque 2005), and attributions of CSR initiatives (e.g., Ellen, Webb, and Mohr 2006). However, consumers' subjective experience when they consume a product is generally ignored. The purpose of this paper is to find out the influence of CSR information on consumers' subjective consumption experience s because many consumers learn the CSR information after they have already purchased a product or have had a relationship with a brand.

I propose that CSR information influences consumers' subjective consumption experience because consumers' affective states can be influenced by the valence of CSR and affective states can bias how consumers evaluate their consumption

experiences. However, I propose that negative CSR information can generate more obvious influence on consumption experience than positive CSR information because of negativity bias. The second study explores whether the negative impact of bad CSR reputation on consumption experience can be laundered by consumers. I propose that the negative impact can be laundered when consumers engage in altruistic activities.

This paper contributes to the CSR literature by examining subjective consumption experience which has generally been ignored by researchers. Moreover, it explores the stability of the negative CSR information and finds that the negative impact of CSR information can be removed under specific conditions. This paper has great managerial implications. Managers should realize that bad CSR reputation not only prevents consumers from purchasing the products but also gives consumers bad consumption experience that may further influence their purchase decisions in the future. However, strong brand commitment can protect the companies from the negative impact of bad CSR reputation. Moreover, consumers can even improve their bad consumption experiences by themselves.

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## **DO CONSUMERS VALUE CORPORATE SOCIAL RESPONSIBILITY IN AN ECONOMIC DOWNTURN?**

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### **ABSTRACT**

Research examining consumer support for corporate social responsibility (CSR) has grown significantly over the past decade, demonstrating a generally positive level of support. However, our understanding of how consumers value CSR is limited by the context of relatively stable economic growth over the past decade. During times of economic uncertainty, when consumers retrench in their decision-making to attributes such as price and quality, this level of support for CSR is questionable. In the heart of the recession, we interview consumers and find that they do indeed find some CSR expendable. However, we find consumer support for other forms of CSR – those that add functional value to products – grow even more valuable during times of recession. The context of the recession extends not only previous research showing largely consistent support for CSR, but also provides a more nuanced examination of how consumers receive value from CSR.

References Available on Request.

# INTENTION ATTRIBUTIONS AS A MEDIATOR BETWEEN CORPORATE SOCIAL RESPONSIBILITY INITIATIVES AND STAKEHOLDER PERCEPTION

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## ABSTRACT

There is a natural incongruence between a company's traditional profit maximizing objectives and the social and environmental goals of corporate social responsibility (CSR) initiatives. When companies engage in CSR, they create an expectancy violation and stakeholders are driven to react to this by considering and evaluating the company's intentions behind their CSR initiatives. Attribution theory predicts that people are driven to make judgments and respond to an action based on its underlying intentions. Attribution theory is highly relevant to stakeholder perceptions and this paper develops a model with intention attributions as a mediating variable between CSR initiatives and stakeholder perceptions.

We build on Ellen, Webb and Mohr's (2006) categorization of intention attributions which lie on a continuum of self-centered attributions which are egoistic or strategic to other-centered attributions which are stakeholder-driven or values-driven. We develop propositions for the intentions attributed to increasingly common CSR practices of engaging in CSR initiatives which are contradictory to the nature of the company's core business and inconsistent CSR initiatives which occur only when a company has slack financial resources. We propose that engaging in CSR initiatives which are contradictory to the core business of the firm will be positively related to stakeholder-driven and egoistic intention attributions and engaging in CSR initiatives that are inconsistent due to their dependency on slack resources will be positively related to stakeholder-driven and egoistic intention attributions.

We prioritize the categorization of intention attributions and propose that the most positive stakeholder perceptions are generated when both values-driven and strategic intention attributions are attributed to the company. By understanding the mediating role of intentions on stakeholder perceptions of CSR initiatives, companies can better manage their CSR initiatives so that positive stakeholder perceptions are achieved.

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## RELATIONAL TRUST AND FIRM PERFORMANCE

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### ABSTRACT

Marketing executives, especially in the services industry, invest effort and money in building trust by being customer oriented, ensuring managerial continuity, and rewarding long standing customers. Documenting the positive effect of marketing efforts aimed at building customer trust in terms of firm performance helps marketing executives gain a better understanding and control of their firm's value creation role. In this study, we establish that relational trust is a key intervening construct that explains the impact of customer orientation and managerial continuity on a firm's return on assets (ROA) and customer switching behavior.

We explicate the scope of the three key constructs, customer orientation, managerial continuity, and relational trust, as applicable to our study. Customer orientation is the sufficient understanding of one's target buyers to be able to create superior value for them continuously. Activities such as availability, helpfulness, and openness in communication characterize a service firm's customer orientation. Managerial continuity refers to the degree to which firms maintain personnel stability over time. Often a customer's contact with a key contact employee may be stronger than a customer's relationship with the firm. Relational trust refers to a trustor's belief that a 'trustee' will act beneficially because the trustee cares about the trustor's welfare. Hence, relational trust differs from the more general notion of trust in that it refers to trust that is devoid of the trustor's assumptions of the trustee's self interest.

We develop hypotheses that propose linkages between the three key constructs mentioned above and two outcome variables, 1) firm ROA, and 2) customer switching. We simultaneously examine the intervening role of relational trust in six key paths, 1) between customer orientation and customer switching intentions, 2) between customer orientation and a firm's ROA, 3) between managerial continuity and customer switching, 4) between managerial continuity and a firm's ROA, and 5) between relationship duration and a firm's ROA.

To test our hypotheses, we obtained primary data from 930 small-firms and the 217 bank managers that serve them. A key feature of our data is we obtain customers' perception on a firm's customer orientation and managerial continuity. The unit of analysis for this research is the small-firm bank dyad. We also collected secondary data on performance and descriptive variables for the banking firms whose managers participated in the survey. The use of the structural equation modeling (SEM) technique helps us account for measurement error and simultaneously examine several direct and indirect relationships between latent and observed variables. We find that customer orientation has a positive effect on relational trust, relational trust has a positive impact on ROA, relational trust has a negative impact on the likelihood of switching, managerial continuity has a positive effect on relational trust, long standing customers are not necessarily more trusting than other customers, and long standing customers do not necessarily contribute more to ROA than other customers.

Managers should evaluate processes and strategies aimed at enhancing customer orientation in terms of the impact they have on the key intervening variable relational trust. Top managers should be concerned with the customer interfacing employee turnover rates in their organizations as it is detrimental to the growth of relational trust. Also, managers should not design loyalty rewards programs based solely on how long a customer has been with a firm.

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# MARKET SEGMENTATION AND PERFORMANCE: A CRITICAL REVIEW OF THE LITERATURE AND A RECONCEPTUALIZATION AS A DYNAMIC CAPABILITY

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## ABSTRACT

Market segmentation has been at the cornerstone of strategic marketing for the last fifty years, aiming to adjust product and marketing offer to consumer requirements in order to gain “depth of market position in the segments that are effectively defined and penetrated” (Smith, 1956, p. 64). More recently, market segmentation is required to handle a very heterogeneous market and is plagued by implementation problems (Dibb 2001). Therefore an important question remains as to the role of market segmentation in the success of current marketing practices. Consequently, the objectives of this paper are to review the conceptual and empirical evidence on the link between market segmentation and business performance and suggest a new way of conceptualizing market segmentation – as a dynamic capability.

From a micro-economics perspective, segmenting based on consumers’ response elasticities allows firms to engage in price discrimination among segments and thus maximize profits based on consumers’ willingness to pay (Frank et al. 1972). From the behavioral school of marketing, segmenting based on consumer needs is seen as the implementation of the marketing concept and therefore leading to better fit between customer needs and the firm’s offer in the marketplace (Piercy and Morgan 1993). The third explanation highlights the importance of targeting quality, which is achieved through more accurate identification of and access to the consumers most likely to buy (Mahajan and Jain 1978). The managerial school of marketing suggests that market segmentation may lead to superior performance primarily through guiding resource allocation and marketing planning. Market segmentation is argued to determine the context within which managers think through and implement every recurrent marketing decision (Roberts 1986). The positioning school of marketing emphasizes the role of market segmentation in achieving a competitive position in the marketplace and identifying new market opportunities.

However, the paper argues that these explanations are only partial as they do not consider the holistic and dynamic nature of the concept and the full scale of its impact. Furthermore, they are too context specific and difficult to generalize, many are based on normative models which do not accurately reflect reality nor the actual decision making process undertaken in companies and they do not account for organizational issues that can hinder even the “best” segmentation scheme.

In exchange, the paper adopts a resource based view and offers a re-conceptualization of market segmentation as a dynamic capability in recognition of the shortcomings of previous explanations. The paper argues that market segmentation is a dynamic capability since it ‘fits’ the description of dynamic capabilities as capabilities who can help companies sense market opportunities, seize market opportunities and reconfigure resources (Teece 2007). Its dynamic nature has been largely ignored in the literature even though it is this ability to keep abreast with changes in market segment structure and content and to use segmentation in a continuous and flexible manner that truly provides a competitive edge (Blocker and Flint 2007). Viewing market segmentation within a capabilities perspective may facilitate a more satisfactory prescriptive approach – rather than simply describing market segmentation approaches, the emphasis will be on identifying key segmentation capabilities, which companies must develop in order to improve the outcomes they achieve from segmentation.

Finally, the paper argues that market segmentation is comprised of five separate capabilities: segmentation research, segment monitoring, operational implementation, strategic implementation and organizational integration. This re-conceptualization thus encompasses all relevant issues that have been highlighted in the empirical studies of market segmentation practice. In doing so, the paper breaks free of the previous approach of explaining segmentation success through particular choices or decisions, which have been shown to be too context dependent and achieves a context free, accurate description of what it means to be “excellent” at segmentation. In addition, this re-conceptualization provides an alternative explanation of the influence of market segmentation capability on business performance through the development of first-order marketing capabilities, such as new product development, market sensing and customer linking (Day, 1994).

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# AN EMPIRICAL TEST OF AN INTEGRATIVE MODEL OF CONSUMER TRUST IN AN E-RETAILER

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## ABSTRACT

This study developed an integrative model of consumer trust in an e-retailer that identifies the key components (i.e., website design, fulfillment/reliability, security/privacy, and customer service) of a consumer's direct transactional experience with the e-retailer as antecedents, future intentions and loyalty as outcomes, and consumer transaction costs as the mediator between trust and its outcomes. The model was empirically tested it using a large-scale sample randomly selected from national online consumers. Although the empirical test supported most of the research hypotheses underlying the proposed relationships in the model, some surprising findings were demonstrated by the empirical results. First, although trust was still central in online transactions, the degree of its centrality was challenged by the empirical results that trust played a partially mediating role between its antecedents and outcomes instead of the fully mediating role predicted by the researcher. Second, when testing the model in the multi-channel online store context, five out of the nine hypotheses were rejected. The results demonstrated that trust mechanisms underlying the consumer-multi-channel e-retailer relationship were different (to some degree) from what was predicted by the researcher.

Future studies are needed to further examine and compare the trust mechanisms underlying consumer-pure e-retailer exchange relationship and that underlying consumer-multi-channel e-retailer exchange relationship. And a larger sample (at least 330) is needed to adequately assess the model in multi-channel context. Additionally, the way that the scale of consumer transaction costs was dealt with in the SEM analyses in this study might be a problem. Although the consumer transaction costs scale is a formative scale, it was not treated as a formative one in the analyses. That might be the reason why CTC did not affect future intentions in the overall sample analysis and CTC did not affect both future intentions and loyalty in multi-channel context. Future research needs to address this problem.

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## AN EXPLORATORY INVESTIGATION OF TWO TYPES OF BROWSERS

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### ABSTRACT

This research extends knowledge of browsers by segmenting browsers into two groups: browsers who make a purchase and browsers who do not make a purchase. Differences were investigated between both groups of browsers and shoppers who intended to make a purchase and did. Several of the results supported the hypotheses.

Browsers are considered beneficial to retailers as they demonstrate higher levels of product involvement, product knowledge, and opinion leadership, all of which have the potential to influence the shopping and purchase behavior of other consumers in specific product categories (Bloch et al. 1989). Some browsers will also make a purchase, increasing incremental sales and profit for the retailer. The current research extends theory on browsing in several different ways. Previous research has treated browsing as a general tendency, much like a personality variable, classifying consumers into groups such as non-browsers or browsers based on their responses to a general browsing tendency scale (cf. Bloch et al. 1989; Jarboe and McDaniel 1987). However, browsing in the current research is treated as a situation specific variable based on the shopping motive of a single shopping trip. This is an important distinction as many shoppers who choose to browse a retailer on a specific shopping trip may not be classified as a browser using a self-reported browsing tendency scale. Further, the primary focus of previous research on browsing has been to investigate differences between browsers and non-browsers (as classified using a general browsing tendency scale). The current research extends previous research by further segmenting actual browsers into two distinct groups (browsers who make a purchase and browsers who do not) and investigating potential differences between these groups. The current research also extends previous research by investigating strategic outcomes of browsing that are critical to retailers' long-term success, such as satisfaction and repatronage intentions.

The primary objective of this research was to investigate situation specific browsing behavior. Based on expectancy disconfirmation theory (Oliver 1981), we expect that browsers who make a purchase will experience positive disconfirmation because they went to the store not expecting to purchase anything but did, thus they experience a more positive outcome of the shopping trip than expected. Comparatively, browsers who do not make a purchase and individuals going to the store intending to make a purchase and do experience simple confirmation because the results of their shopping trips are congruent with their expectations. Therefore, we hypothesize that browsers who make a purchase will report higher levels of (1) satisfaction, (2) positive affect, (3) repatronage intentions, and (4) positive word of mouth compared to browsers who do not make a purchase and shoppers who go to the store intending to make a purchase and do.

The hypotheses were tested using a survey consisting of established scales distributed at a single retail location. A total of 500 surveys were distributed and 161 returned. Using analysis of variance, we find that compared to browsers who do not make a purchase, browsers who do make a purchase report higher levels of satisfaction, positive affect, repatronage intentions, and positive word of mouth. No differences were found between individuals who intended to make a purchase and did and browsers who made a purchase. These results suggest that while the two types of browsers are starkly different, once browsers make a purchase, they become more like shoppers who intended to make a purchase and did. This is logical given that both of these groups experience product acquisition, which reflects a type of goal attainment, and prior research demonstrates that goal attainment increases consumer satisfaction (Dellande et al. 2004).

References Available on Request.

# LOYALTY PROGRAMS BUILDING CUSTOMER-RETAILER RELATIONSHIPS: ROLE OF IDENTITY SALIENCE

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## ABSTRACT

Customer loyalty programs are prevalently used by retailers as a means of attracting consumers for repeated patronage. The initial goal of loyalty programs is to “establish a higher level of customer retention in profitable segments by providing increased satisfaction and value to certain customers” (Bolton, Kannan, and Bramlett 2000, page 95). In doing so, it is suggested that when a consumer feels connected with a loyalty program, he/she will feel benefits of the loyalty program more, and engage in more participation in the program. However, empirical research on loyalty programs from a consumer’s membership identity perspective is lacking. Therefore, a few questions arise: Does a retailer’s loyalty program elicit a consumer-retailer relationship? And, what factors of a loyalty program can make a consumer feel connected with the retailer? To answer these questions, this study focuses on the role of salience of the identity (the activation of an identity as a patronage shopper of the store) as a member of the loyalty program in consumer-retailer relationship formation. More specifically, this study examines (1) the effects of two identity-inducing factors of a loyalty program (self-expression and distinctiveness) on the salience of identity as a member of a certain loyalty program and (2) the effects of identity salience on satisfaction, trust, and loyalty intention toward the retailer offering the loyalty program.

The incentives provided in loyalty programs are usually economical, e.g., special discounts. However, previous studies suggest that the rewards can also be intangible, e.g., the pursuit of luxury, feeling of superiority, preferential treatment (Drèze and Nunes 2009; Kivetz and Simonson 2003; Lacey, Suh, and Morgan 2007). Mimouni-Chaabane and Volle (2010) identified five significant dimensions of consumers’ perceived benefits of customer loyalty programs that influence consumer perceptions of relationship investment: utilitarian (monetary savings and convenience), hedonic (exploration and entertainment), and symbolic (recognition) benefits. Such psychological benefits as recognition and/or feeling superior lead consumers to perceive themselves as part of a selected customer group, distinctive from other consumers, identify themselves with the group as a member of a loyalty program, and exhibit favorable responses to consumer-retailer relationship building.

Social identity refers to a person’s knowledge that he/she belongs to a certain social group that has some emotional and value significance to the person (Tajfel 1974). Social identity theory has been empirically applied in retail settings. For example, researchers indicated that consumers may socially identify themselves with the companies (Scott and Lane, 2000; Bhattacharya and Sen, 2003), and the social identity in turn influences their purchasing behaviors (Bhattacharya and Sen, 2003; Reed II, 2004). Researchers further suggested that the distinctiveness of the identity and identity primes are major factors leading to identity salience (Forehand, Deshpande, and Reed II 2002; Bhattacharya and Sen 2003). Accordingly, the symbolic value from being treated superiorly with a loyalty program will trigger one’s perception that he/she has a strong connection with the program as its member. Therefore, two identity related characteristics (self-expression and distinctiveness) are proposed as factors that induce the salience of identity as a member of the loyalty program. Also, considering the effect of social identity with the loyalty program, it is proposed that identity salience would lead to consumers’ satisfaction with the loyalty program, and trust and loyalty intention toward the retailer.

Data were collected from a web-based experiment with a sample of 1,123 female students from a Midwestern university. Four scenarios guiding customer loyalty program information were manipulated to represent different levels (high vs. low) of the self-expression and distinctiveness one may perceive from his/her experience with the loyalty program. The results of this study support the proposed model in that identity-related characteristics of a loyalty program influence identity salience which in turn influences the relational responses. Both self-expression and distinctiveness of the program lead to the salience of the identity as a member of the loyalty program. Social identity salience is supported to have positive influences on consumers’ satisfaction with the loyalty program, and trust and loyalty toward the retailer. Further, loyalty program satisfaction contributes to consumers’ loyalty and trust toward the retailers. The results support previous studies that found the effects of social identity salience on identity related behaviors (i.e., Bhattacharya and Sen 2003) by testing them in of the retail loyalty program setting. Furthermore, this study extends the understanding of symbolic value in loyalty programs (Mimouni-Chaabane and Volle 2010), namely, self-expression and distinctiveness, and their role in building customer-retailer relationship. Theoretical and managerial implications for retailers are provided.

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## SELF-GIFTING: WHAT COULD THIS MEAN FOR ME?

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### ABSTRACT

Giving a gift to oneself, known as self-gifting, is considered to be a relatively new domain in consumer research. As a part of gift-giving literature, self-gifting has recently received more attention from consumer researchers due to the fact that it constitutes an important element in self-directed consumer behavior. The phenomenon of self-gifting has been perceived to be widely occurring in American society (Mick and DeMoss 1990a, 1990b) and to be fairly common and important, particularly in western consumer behavior (e.g. Mick and DeMoss 1990a, 1990b; Mick, DeMoss and Faber 1992). Not surprisingly, the subject has been largely ignored for non-American consumers. Sherry and his colleagues (1995) stated that there is a need to understand the self-gift behaviors of various types of consumers who are located and thoroughly embedded in their native cultures. Four papers included in the session present findings on the subject involving non-American consumers, and also provide valuable new insights regarding how self-gifting relates to individual emotions and self-concepts. In addition, the researchers from the USA, UK, Turkey, Thailand, and Japan address how self-gifting may be used as a way of balancing one's emotional wellbeing in different cultures.

Self-gift consumer behavior is a phenomenon of interest in its own right that has been little studied outside the US and Scandinavia, and remains a poorly understood phenomenon. It helps us to make sense of the nature of consumption by shedding light on self-indulgent motivations for buying, and on ways in which people justify those purchases. The first paper, "I Deserved It! The Nature, Contexts and Emotions of Self-Gift Giving," by M. Teresa Heath, Caroline Tynan, and Christine Ennew, presents an analysis of a two-stage exploratory study of self-gift consumer behavior employing in-depth exploratory interviews followed by personal critical incident technique interviews. The findings illuminate the nature of self-gift consumer behavior and the variety of circumstances, motivations and emotions surrounding self-gift experiences.

The act of giving to others reflects an other as well as a self-orientation. Since both self and other are closely implicated in gift giving, it is reasonable to expect that different dimensions of the self will be activated in different gift-giving contexts depending on who the receiver is and the occasion of the gift. The second paper, "Can Giving a Gift Really Change Me?" by Suri Weisfeld-Spolter and Maneesh Thakkar, examined how different gift-giving scenarios affect our self-concept, and more specifically our gender identity and self-construal. By proposing that different gift-giving situations can affect these constructs, we are making an important theoretical contribution by showing that not only does our sense of self affect our consumption, but that our *consumption* affects our sense of *self*.

While the preponderance of consumer research has typically focused on the ethnic minority group of first generation immigrants, in recent years the effects of generational differences toward consumption behavior have attracted more attention. The third paper, "Exploring Generational Differences in Minority Consumers' Self-Gifting Behavior," by Theeranuch Pusaksrikit and Jikyeong Kang, studied self-gifting as a means through which immigrant consumers express who they perceive themselves to be and who they aspire to be. Our results showed that second generation immigrants focus more on material objects, and that they are more likely to give themselves gifts on various occasions, whereas the first generation is more likely to engage in non-monetary activities.

It is argued that "Our accumulation of possessions provides a sense of past and tells us who we are, where we have come from, and perhaps where we are going" (Belk 1988, p160). The final paper, "Memory Creating Consumption as Self-Gift," by Junko Kimura and Yoko Fukui, studied memory creating consumption using scrap-booking. By analyzing video-taped data, we found that by creating and giving a scrapbook to oneself, consumers can feel as if they actualize ideal reality by creating two types of hyper-real memories: (1) approaching the actual memories, and (2) decorating the actual memories with materialistic products such as still photos, craft materials and written journals.

# UNCERTAIN TRAVEL ENVIRONMENTS AND RISK ATTITUDES SCALES

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## ABSTRACT

Risk attitudes play a key role in travel choices under uncertainty. Current practice of a-priori segmenting travelers into risk takers, risk avoiders and a risk-neutral category or of identifying latent classes based on actual travel decisions is limited in that it does not cover the full spectrum of risk attitudes on a continuous scale. Based on the conjecture that decision-making under uncertainty is domain-specific, the goal of this study is to develop a scale for measuring risk attitudes in uncertain travel environments. This project was funded by NWO-Connect in the context of the PITA program.

## INTRODUCTION

Although often risk is not included in models of consumer behavior, many consumer choice decisions involved some degree of risk and uncertainty. Stores may have run out stock, prices may have changed, queue length will be uncertain. If consumer choice involves travel, the travel environment will also be uncertain. Due to the accumulated nature of many individual decisions, by definition, individual travelers/consumers cannot be certain about the state of the transportation system, for example in terms of expected travel times.

In the relevant disciplines, two general approaches have been used to include risk in analyses of consumer choice behavior: models and scales. Over the years, several modeling approaches have been suggested in the literature. Predominantly, variations of expected utility models, such as the mean-variance model (e.g., Sen *et al.*, 2001) and Bayesian approaches have been used. These models assume that consumers will choose the alternative that yields the highest *expected* payoff (or utility). More recently, (cumulative) prospect theory has gained increasing attention in modeling and analyzing travel choice in uncertain environments (e.g., Avineri and Prashker, 2004). In these models, risk attitudes are captured either on the basis of a-priori segmentation (risk seekers versus risk avoiders) or by empirically identifying latent classes, capturing different decision styles. Risk avoiders attach a lower weight to the utility of risky choice alternatives, while risk-seekers weigh these alternatives much higher. Risk attitude is thus a descriptive label for the shape of the utility function and weighted probability function presumed to underlie travel choices (Weber *et al.*, 2002).

In contrast, scale development is based on the assumption that risk attitude is a personality trait and hence should be directly measured. The number of risk attitude scales in the context of uncertain travel environments is however limited. Zimbardo *et al.*, 1997) developed a scale of risk attitude for driving behavior. Weber *et al.* (2002) developed a set of scales to measure risk attitudes in five different domains: financial decisions, health/safety, ethical, social and recreational decisions. Weber *et al.* (2002) argued that risk attitude and risky behavior are essentially domain-specific. Therefore, a scale successfully measuring risk behavior in one domain may fail to capture risk behavior in others. It is logical to argue that risk attitude towards travel is different from risk attitude toward gambling. The question is whether risk attitudes for different types of travel, triggered by different activities (shopping, recreation, work) also differ?

The purpose of this study therefore is twofold. First, we develop a scale that measures travel-related risk attitudes in an activity-travel context. Second, we check the relationships between this travel risk scale, a recreational risk attitude scale, and the future-oriented time perspective. In the following sections, we propose and test a scale which specifically measures travel risk attitudes in an activity-travel context. First, we discuss the items comprising the scale and reduce these to a smaller, consistent set based on their internal consistency. Second, the validity and reliability of the refined scale will be examined.

## SAMPLE

The construction of the travel risk scale was part of a larger study, which aimed at developing a model of activity-travel rescheduling decisions under multiple sources of uncertainty and information provision. A web-based survey was designed to collect the data required for the estimation of the model. In addition, a battery of questions was added to measure travel risk attitudes for respectively car users, public transport users and mixed car/public transport mode users. Respondents were selected from a sample of neighborhoods stratified on urban density in the Eindhoven region. Between the end of February 2008 and the beginning of April 2008 6000 invitation cards were distributed to households in the selected neighborhoods. In

total, 743 respondents entered the dedicated web site and started the experiment. A total of 602 finished the first short survey which included questions about socio-demographic characteristics and transport mode use frequencies and entered the hypothetical simulation experiment. Of these, 397 completed the last part of the survey on risk attitude and information acquisition behavior. The scale construction is based on the responses of these 397 respondents. Of these, 194 were females, while 203 were males. The average age was 38.2 with a standard deviation of 14.4 years. Based on their answers to questions about transport mode use, respondents were allocated to different types of mode users: car users (176), mixed car/public transport users (127), and public transport users (94).

## SCALE DEVELOPMENT

### Measurement Approach

To develop the scale, items were phrased in terms of possible decisions in uncertain travel environments. Respondents were asked to indicate using a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) the extent to which they agreed with statements about how they would act when faced with the specified uncertainty. These responses served as input to a series of analyses. First, factor analysis was used to test the unidimensionality of the resulting scale. Second, a validation test was conducted. To that end, the full sample (N=397) was randomly split into two groups with one sample size slightly larger than the other. Group I consisted of 190 respondents (97 females and 93 males), while Group II consisted of 207 respondents (97 females and 110 males). Group I contains 90 car users, 50 mixed mode users and 50 public transport mode users. Group II has 86 car users, 77 mixed mode users and 44 public transport mode users. The first group is used for exploratory factor analysis to check the dimensionality of the travel risk attitude scale and its internal consistency, whereas the second group was used for confirmatory factor analysis. Note that this is primarily an analysis of international validation; external validation should be addressed in future research.

### Item Elicitation

To construct a uni-dimensional scale measuring activity-travel risk attitudes, item-total correlation, Cronbach's alpha and exploratory factor analysis were used to reduce the initial item pool. Following commonly used rules of thumb (e.g., Nunnally and Bernstein, 1994), 0.30 was used as the threshold for item-total correlations, while a Cronbach's  $\alpha$  exceeding 0.7 was selected to indicate an acceptable.

### Scale for Car Users

Item-total correlations and Cronbach's  $\alpha$ 's are listed in [Table 2](#). Note that due to the aim of the project, we are primarily interested in risk related to travel delay. After removing items that have a lower item-total correlation than the threshold of 0.3, a total of 6 items is left for constructing the scale for car users. [Table 2](#) shows the item-total correlations of the selected items and Cronbach's alpha without that item. The Cronbach alpha of final selected items is 0.71, which is above the suggested acceptance level. The second column of [Table 1](#) demonstrates that only the eigenvalue of the first extracted dimension is higher than 1.0.

### Scale for Mixed Car and Public Transport Users

Item-total correlation and Cronbach alpha's for the pool of items used to construct the risk attitude scale for the mixed car and public transport users are given in [Table 2](#). After removing items with item-total correlations lower than the chosen threshold, six items remain. Item-total correlations are all well above the threshold of 0.3. Cronbach's alpha of 0.72 suggests good consistency of the resulting risk attitude scale for mixed mode users. The eigenvalues are shown in the third column of [Table 1](#). Again, only the eigenvalue of the first dimension is larger than 1.0, suggesting a unidimensional scale.

### Scale for Public Transport Users

The results for this user segment are shown in the last section of [Table 2](#). After removing items with an item-total correlation less than 0.3, a total of 7 items remains. Cronbach's alpha for this scale is equal to 0.73, while all item-total correlations exceed the chosen threshold value. The eigenvalues support the uni-dimensionality of the constructed scale.

## Final Scale

The results reported above indicate that scales for all three travel mode users appear to be uni-dimensional, with good item-total correlations and evidence of internal consistency. A final scale was constructed by using the common items for all three transport modes. Cronbach's alpha for this final scale is equal to 0.72. Again, eigenvalues of respectively 2.43, 0.83, 0.77, 0.53 and 0.44 suggest that the final travel risk attitude scale has good internal consistency and is uni-dimensional.

## Confirmatory Factor Analysis

Confirmatory factor analysis (CFA) was applied to give further evidence of the validity of the scale. The CFA results for the second sample/group ( $N = 207$ ) show a good model fit. Note however that due to the small sample size the power of the test is low. The goodness-of-fit index is equal to 0.99, the adjusted goodness-of-fit index equals 0.96, the adjusted root mean square error of approximation is only 0.049, Tucker-Lewis TLI index has a value of 0.97, Bentler CFI index is 0.99, while Chi-square is equal to 7.46 with  $p = 0.189$ , indicating there is no statistical difference. The item loadings are shown in [Table 4](#). It demonstrates that all loadings are sufficiently high and significant at the conventional level.

## CONCLUSIONS AND DISCUSSION

This study has been motivated by the argument that the construction of a domain-specific travel risk attitude scale will be useful for better understanding travel decisions in uncertain travel environments. Stable risk attitude scales that measure a personality trait will complement current practice that focuses on labeling travelers based on statistical distributions, derived from observed behavior. Interpreting such statistical distribution in terms of underlying risk attitudes may be unwarranted.

Based on the conjecture that behavior under uncertainty is domain-specific, implying that attitudes/styles (and models for that matter) cannot necessarily be transferred from one domain to another, a scale was developed for measuring risk attitudes in the context of activity-travel scheduling and rescheduling decisions. Using commonly used rules of thumbs, evidence was obtained for the reliability and unidimensionality of the final scale and of the specific scales for respectively car users, public transport users and mixed car/public transport users. Results show promise, but a larger sample and external validation are warranted to further develop the scale.

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**Table 1 Eigenvalues of factor solutions**

Dimension	Eigenvalues		
	Car users	Mixed car/public transport users	Public transport users
1	2.56	2.56	2.63
2	0.99	0.90	0.98
3	0.83	0.78	0.82
4	0.67	0.73	0.71
5	0.59	0.55	0.55
6	0.32	0.44	0.35

**Table 2 Item-total correlations and Cronbach's alpha different mode users**

<i>Item</i>	<i>Item-Total Corr</i>	<i>Alpha</i>	<i>N</i>
<b>Car users</b>			
I will always avoid a route of which I cannot assess well how long the journey will take	0.38	0.71	176
If I have to be somewhere in time and there is a probability of delay than I always incorporate a sufficient safety margin	0.58	0.65	176
If it is really necessary to be in time then I rather take a route where the probability of a delay is smallest even if the travel distance then is considerably larger	0.43	0.69	176
If I evaluate a route then I always look at how long the trip will take in the worst case	0.48	0.68	176
If there is a probability of delay then I always incorporate sufficient margin in my appointments with others	0.58	0.65	176
If there is a probability of delay, then I take it as it happens	0.31	0.73	176
<b>mixed car/public transport users</b>			
If I have to be somewhere in time and there is a probability of delay than I always incorporate a sufficient safety margin	0.46	0.68	127
If I have to be in time somewhere then I always take a train earlier	0.58	0.65	127
If it is really necessary to be in time then I rather take two trains than one train earlier	0.44	0.70	127
If I evaluate a route then I always look at how long the trip will take in the worst case	0.39	0.68	127
If there is a probability of a delay then I always incorporate a sufficient margin in my appointment with others	0.55	0.66	127
If there is a probability of a delay then I take it how it happens	0.33	0.71	127
<b>Public transport mode users</b>			
If I have to be somewhere in time and there is a probability of delay then I always incorporate sufficient margin	0.63	0.75	94
If there is a probability that I miss a connecting train and it is important to arrive in time then it depends strongly on how big the probability is whether I take a train earlier	0.41	0.78	94
If it is really necessary to be in time then I rather take two trains than one train earlier	0.49	0.77	94
If I evaluate a trajectory then I always look at how long the trip will take in the worst case	0.53	0.76	94
If there is a probability of delay then I always incorporate sufficient margin in my appointments with others	0.5	0.77	94
If there is a probability of delay, then I take it as it happens	0.45	0.78	94

**Table 3 Item-total correlations and Cronbach's alpha for the final travel risk scale**

<i>Item</i>	<i>Item- Total Corr</i>	<i>Alpha</i>	<i>N</i>
If I have to be somewhere in time and there is a probability of delay then I always incorporate sufficient margin	0.55	0.66	190
Car: If it is really necessary to be in time then I rather take a route where the probability of a delay is smallest even if the travel distance then is considerably larger	0.44	0.70	190
Mixed: If it is really necessary to be in time then I rather take two trains than one train earlier			
Public: If it is really necessary to be in time then I rather take two trains than one train earlier			
Car: If I evaluate a route then I always look at how long the trip will taken in the worst case	0.55	0.65	190
Mixed: If I evaluate a route then I always look at how long the trip will take in the worst case			
Public: If I evaluate a trajectory then I always look at how long the trip will take in the worst case			
If there is a probability of delay then I always incorporate sufficient margin in my appointments with others	0.53	0.66	190
If there is a probability of delay, then I take it as it happens	0.38	0.71	190

**Table 4 Loadings on items of final travel risk scale**

<i>Items</i>	<i>Loadings</i>	<i>Std Error</i>	<i>z value</i>	<i>Pr(&gt; z )</i>
If I have to be somewhere in time and there is a probability of delay then I always incorporate sufficient margin	0.61	0.072	8.6	0.0e+00
Car: If it is really necessary to be in time then I rather take a route where the probability of a delay is smallest even if the travel distance then is considerably larger				
Mixed: If it is really necessary to be in time then I rather take two trains than one train earlier	0.44	0.077	5.7	9.5e-09
Public: If it is really necessary to be in time then I rather take two trains than one train earlier				
Car: If I evaluate a route then I always look at how long the trip will taken in the worst case				
Mixed: If I evaluate a route then I always look at how long the trip will take in the worst case	0.54	0.074	7.3	2.0e-13
Public: If I evaluate a trajectory then I always look at how long the trip will taken in the worst case				
If there is a probability of delay then I always incorporate sufficient margin in my appointments with others	0.85	0.073	11.6	0.0e+00
If there is a probability of delay, then I take it as it happens	0.36	0.076	4.8	2.0e-06

## DO INVESTORS REWARD CAR MANUFACTURERS: DRIVING CUSTOMER SATISFACTION?

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### ABSTRACT

Marketing profession is under considerable strain to provide empirical evidence of its contribution to shareholder value creation (e.g., Hanssens et al. 2009; Srinivasan and Hanssens 2009). In this context, customer satisfaction in particular has received significant attention. Especially, an intense debate has emerged from the fact that several studies have reported conflicting results about the financial market mispricing effect associated with this market-based asset (e.g., Jacobson and Mizik 2009a, 2009b; Fornell et al. 2009; Ittner et al. 2009). The underlying mispricing hypothesis assumes that current information about this metric can predict future abnormal stock returns. However, the (non)-existence of such a mispricing effect says nothing about the value relevance of this asset—i.e., whether changes in customer satisfaction provide incremental information in explaining contemporaneous changes in stock prices (Jacobson and Mizik 2009c).

Despite its importance for evaluating the value relevance of customer satisfaction, very few studies have explored this occurrence effect (Aaker and Jacobson 1994; Srinivasan et al. 2009; Jacobson and Mizik 2009c). Surprisingly, these studies reveal that there is hardly any significant relationship between (changes in) customer satisfaction and abnormal stock returns, which casts doubt on the conventional wisdom of customer satisfaction research and marketing practice. While these studies provide valuable insights for this very recent stream of research, their results may be subject to several limitations, which we address with our study. Our study wants to enhance the internal validity of previous results regarding the value relevance of customer satisfaction in the automotive sector across three countries. By considering three key customer satisfaction drivers—perceived product quality, satisfaction with cost of ownership, and perceived quality of after-sales service—we provide a much more complete picture of customer satisfaction's value relevance.

We apply a stock return response model which is based upon changes in stock prices and the first differences of the exogenous variables controlling for autocorrelation. This method allows for incorporating further explaining factors and, hence, permits to identify the incremental information content of customer satisfaction (Srinivasan et al. 2009). As stock returns do not only stem from differential changes in expected cash flows which are directly associated with the focused covariates but also from differences in a multitude of risk factors, we control for expected returns on the basis of the four factor financial benchmark model (Fama and French 1993; Carhart 1997). In order to avoid obscured results caused by multi-collinearity in the satisfaction drivers we combine the stock return response model with the principal component regression methodology (Massy 1965). Our sample covers almost the whole population of car brands sold. We use data on 52 brands sold by 22 manufacturers in the U.S., UK, and German markets between 2004 and 2008.

First, our results confirm that changes in the examined drivers of customer satisfaction, which are not anticipated by investors and are thus not yet reflected in stock prices, are significantly positively associated with abnormal stock returns. Consequently, information associated with customer satisfaction in the automotive industry is shown to have incremental value relevance for investors. Second, we find a significant association between the perceived product quality driver and abnormal stock returns, whereas satisfaction with cost of ownership and perceived quality of after-sales service are not value relevant. Third, our findings imply that unexpected variations in customer satisfaction drivers in the large U.S. market are highly associated with abnormal stock returns “absorbing” the effects of dynamics of satisfaction drivers in Germany and the UK.

References Available on Request.

## **DOES MARKETING PERFORMANCE DRIVE FINANCIAL PERFORMANCE?**

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### **ABSTRACT**

Critics of marketing commonly allude to problems with its accountability and credibility. In order to address these issues, marketing professionals have been called on to demonstrate the contribution of marketing to firm performance. A better understanding of current research in marketing performance can better enable marketing managers to justify its expense. In addition, very limited studies in this area have been conducted in transition economies. Thus, the objective of this research is to examine how marketing drives firms' financial performance in the context of China, the largest emerging economy in the world.

Using data collected from 370 business leaders in China, the current research established a significant positive relationship between marketing performance and financial performance, which provides additional strong evidence of marketing's contribution to a firm's performance. However, different elements of marketing performance contributed very differently to financial performance. The customer satisfaction/retention and market share variables had strong positive and significant impacts on financial performance. But a non-significant impact of brand equity on financial performance was found in this research. Furthermore, the innovation variable was not statistically significant in relation to financial performance, though the relationship showed a positive sign. The interesting finding sheds some light on understanding the role of brands and innovation in enhancing firm's financial performance for Chinese companies, and the unexpected results warrant further investigation.

Taken as a whole, there is enough evidence to show that the outcome of marketing performance can drive a firm's financial performance. These research findings help to justify marketing expenditures, and to establish marketing as a distinct capability within the firm (Luo and Donthu 2006, O'Sullivan and Abela 2007). Implications and limitations of the research are also provided.

References Available on Request.

# STANDING OUT FROM THE CROWD – DETERMINANTS OF CONSUMERS' NICHE ORIENTATION

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## ABSTRACT

As the demand for more individualized products increases, market niches – i.e. specific submarkets of products tailored to the needs of very specific target groups rather than to the mass market – are increasingly regarded as an option to be successful despite fierce competition on saturated mass markets. Recently, the internet has especially facilitated this development by enabling companies to offer a wider range of more individualized products, and by making it easier for consumers to find niche products.

Much of the research previously conducted has focused on the company perspective, evaluating the opportunities and risks of niche strategies or the effect that niche strategies have on corporate success. Regarding the demand side, little is known about niche consumers, their attitudes, and their psychological traits. This study takes the consumer perspective into account, aiming at the identification and an empirical assessment of the antecedents of consumers' niche orientation.

Consumers' niche orientation, as the dependent variable, is herein defined as the inclination towards consuming products with a higher relative specificity than complementary mass products (i.e. niche products). Based on a broad literature review and building on the optimal distinctiveness theory as well as on information processing theory, seven hypotheses regarding the determinants of niche orientation were deduced. These determinants are consumers' *desire for uniqueness*, *susceptibility to normative peer influence*, *product involvement*, and *opinion leadership*, all of which were hypothesized to positively influence niche orientation. Additionally, opinion leadership was hypothesized to be a mediating variable, assuming it to be positively influenced by the other three exogenous variables. While the endogenous variable niche orientation was measured by a previously developed scale, all other constructs were based on established scales.

Data was collected from 500 German consumers with a standardized questionnaire via a nationwide online access panel. Respondents were qualified for the sample to be representative to the German population by gender and age. For the three domain-specific constructs (i.e. niche orientation, product involvement, opinion leadership), the product category hair care products was chosen. Validity of the questionnaire had been ensured through expert judge revisions, an item sorting task, as well as a pilot test.

Since the assumption of multivariate normality did not hold, hypothesis testing with LISREL was based on Satorra-Bentler corrected chi-square. The results supported the hypothesized relationships, except for the one between susceptibility to normative peer influence and niche orientation due to a non-significant path. Opinion leadership yielded the strongest direct effect on consumers' niche orientation, followed by involvement and desire for uniqueness. Regarding the effects on the mediating variable opinion leadership, involvement showed the strongest influence, followed by susceptibility to normative peer influence and desire for uniqueness. Product involvement had the strongest total effect on consumers' niche orientation.

While supporting the hypothesized effect, the relatively low effect of desire for uniqueness on niche orientation is notable, showing evidence that the desire to be different from others is relatively less important for niche consumers. Additionally, this result could hint at the importance of other determinants of niche orientation, e.g. innovativeness. The non-significant effect of susceptibility to normative peer influence on niche orientation could at least partially be due to the fact that hair care products are usually consumed in private.

Managerial implications of the research findings include the need for creating high levels of involvement as well as identifying and targeting opinion leaders. At the same time, highlighting the unique nature of niche products can support the acceptance among niche consumers.

Overall, this study contributes to the existing knowledge by conceptualizing the construct niche orientation as well as by investigating into the factors that influence consumers towards purchasing niche offers. Both the construct and the tested influences of other constructs can lead to a better understanding of consumer behavior regarding market niches. Additionally, niche orientation represents a new variable that companies can use when identifying customer segments.

References Available on Request.

## CONSUMERS' NEED FOR UNIQUENESS IN THE WORKPLACE

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### ABSTRACT

The individual's pursuit of dissimilarity through consumption has fascinated scholars across disciplines and was recently been encapsulated by the concept of consumers' need for uniqueness (CNFU, Tian et al. 2001). Despite the importance of CNFU in multiple domains, much of its literature has focused on the attainment of unique identity in private domains (e.g., at home: Ruvio 2008), and its possible implications were examined primarily with regard to consumption behaviors. In contrast, this study aims to present a broader perspective of the implications of CNFU in domains other than the individuals' homes by investigating its role in one of the most significant spheres in many individuals' lives: the workplace. The literature suggests that nearly 90% of workers personalize their workplace (Wells et al. 2007). This behavior can be regarded as expressions of CNFU, although this concept has never been explored in the workplace context.

Two studies were designed to explore whether the presentation of personal possessions in the office is in fact a manifestation of CNFU among workers. Additionally, the paper will attempt to rule out a competing theory that the display of possessions is designed to create an impression of oneself. Finally, the relationships between expressions of CNFU in the office and other work-related constructs--innovative behavior at work (IWB), organizational commitment (OC), and job satisfaction--will be tested in each of the studies. Study 1 explored the relationships between CNFU and its expression at work, and the way it affects individuals' work behavior. Data were collected from convenience samples of 226 workers in two organizations. The respondents were asked to fill out a close ended questionnaire which tested their level of CNFU, unique consumption behavior at work (*UCB-work*), IWB, OC, and job satisfaction. Using a SEM analysis a positive and significant relationship was established between CNFU and *UCB-work*. Significant and positive relationships were also found between *UCB-work* and the three organizational constructs. Supporting the broadened view of CNFU, the findings substantiate the relationships between CNFU and the unique personalization of one's work space.

The literature suggest (e.g. Tian and Belk 2005; Wells et. al. 2007) that workers personalized their space to signal out their self-identity. Thus, Study 2 tested which of these two needs motivates unique office personalization. Data were collected from 118 managers who, in addition to the constructs of the first study, reported their expression of uniqueness and their expression of self-identity in the office. The SEM analysis demonstrated significant relationships between CNFU and expressions of uniqueness and of the self in the office. The expression of uniqueness was positively and significantly related to all three organizational behaviors. In contrast, the expression of the self in the office was only weakly related to IWB. As in Study 1, CNFU was found to be a motivational force of office personalization. In addition, it showed that personalization is governed by the need to project a unique identity as opposed to self-identity.

This paper aimed to expand the theory of CNFU beyond the existing knowledge in the consumption behavior domain. It offers a new perspective on CNFU as a bridging construct across multiple disciplines that study the use of possessions to signal a unique identity. Two studies substantiated the relevancy of the expression of unique identity in one of the most salient realms of adult life – the workplace (Tian and Belk 2005). The findings also provide compelling evidence that expressions of CNFU govern the manifestation of self-identity and have implications for individuals' work behavior. As such, these findings contribute to the theory of CNFU and the theory of personalization as well. From a consumer behavior perspective, it is evident that the manifestation of CNFU is not restricted to the private realm of home (Ruvio 2008; Tian et al. 2001); rather, it occurs in other, more public, domains. The relationship between the manifestation of uniqueness and organizational behaviors offers an alternative explanation of the motivation for office personalization, highlighting the salient role that the desire for a unique identity has on workers' behavior. Based on the reported results, managers are strongly advised to encourage the projection of unique identity via personal possessions, as it will contribute to the well-being of employees and the climate of the organization (Wells et al. 2007). This study provided an initial insight into the dynamic of nature of CNFU and its effect on individuals' behavior. However, the broad perspective on the expression of CNFU needs further confirmation.

References Available on Request.

# **PRODUCT INFORMATION PRESENTED AS RATIOS AND CONSUMER PROCESSING MODES: CAN ANALYTICAL PROCESSING LEAD TO MORE BIASED JUDGMENTS FOR CERTAIN RATIO FORMATS?**

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## **ABSTRACT**

The results of three experiments show that while computing averages of data in ratio formats, such as detergent usage information in “loads per container” or exercise routine information in “calories burned per minute,” consumers tend to make inaccurate judgments. Paradoxically, more thorough processing further accentuates the inaccuracy.

Consumers often encounter information presented in the form of ratios (Peters et al. 2007; 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 important, we also examine how processing mode might moderate the effects of ratio formats on consumer averaging judgments.

We hypothesized that consumers incorrectly compute averages more often when data is presented in inverse ratio formats and that error increases under certain processing modes. The results of three experiments reveal an interesting counterintuitive result – analytical (vs. heuristic) processing accentuates judgment bias when processing certain ratio data; likewise, higher cognitive capacity reduces judgment accuracy for certain ratio data. 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 be enhanced when consumers are making judgments under an analytical (vs. heuristic) processing mode. 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. In Study 3, we replicated the findings in the first two studies related to potential bias in computing of averages of ratios, but this time in the context of laundry detergent usage. We additionally examined how presenting ratio information through a medium (e.g. Hsee et al. 2003) such as price per load might reduce consumer judgment bias. Finally, while in Study 1 processing mode was manipulated, Study 3 measured processing mode as an inherent personality trait.

In sum, the results of three experiments highlight how some commonly used ratio formats might bias consumer judgments when they are computing averages. Equally interesting, 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. The bias can be corrected if the data are presented in alternative formats, which are conducive to linear mathematical processing.

References Available on Request.

## **THE REVELATION OF WAL-MART'S FAILURE IN CHINA**

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### **ABSTRACT**

Wal-Mart--the world's largest retail corporation-- had ambitious hopes to create 100 billion U.S. dollars sales miracle in China. However, since Wal-Mart entered China in 1996, after a decade of development, its operating conditions are unsatisfactory. This retail giant is still suffering losses in the Chinese market. As compared to its growth in the United States, what awkward situations has Wal-Mart's low-cost path encountered in China these years?

The purpose of this paper is to analyze the Wal-Mart situation in China and find out the real causes behind the Chinese market failure, then make some recommendations.

In this paper, after analyzing three examples of Wal-Mart's failure in China, the author points out four real causes which led to Wal-Mart's failure: Rough Low-Cost Strategy (Logistics Systems, Information Systems), Repeated Negligence of Localization, Different Purchasing Habits of Chinese Customers, and Policy Restrictions in China. Logistics Systems and Information Systems are the most powerful hands of Wal-Mart, however, the scattered layout and small-scale size of stores in Chinese market can not make Wal-Mart find room for its development. In addition, Chinese policy limits the size of its stores, so without enough numbers of stores, Wal-Mart's advanced systems cannot play its scale advantage. Furthermore, due to the lack of localization and the realization of the difference purchasing habits between Chinese customers and American local customers, Wal-Mart is still suffering losses in Chinese market.

At the end of the paper it is deciphered that five factors can contribute to Wal-Mart's success in China: Improved Logistics Systems, Upgraded Vendor Information Systems, Attaching Importance to Localization, More Understanding of Chinese Customers' Purchasing Habits, and Better Policy Support from Chinese Government.

References Available on Request.



# **THE ENDORSEMENT EFFECT OF COUNTRY LEADERS ON THE COUNTRY BRAND EQUITY**

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## **ABSTRACT**

Countries around the world are increasingly involved in developing country brands, and therefore, are striving to have strong country brand equity. Previous research suggests that countries with significant brand equities are able to attract foreign direct investment, talented people, increase their exports and have important revenue due to tourism effects. This paper discusses the effect of country leaders on the country's brand equity. It suggests that country leaders can be considered as celebrities and as such have similar effects on their country as celebrity endorsers have on the products they endorse. If the country leader is perceived to be credible, an expert and the right match-up with the country, he or she is perceived as an effective endorser of the country, and thus positively affects the country brand equity.

References Available on Request.

# **DO PRICE COMPARISON WEBSITE PRACTICES INVOLVE ETHICAL PROBLEMS? A PRELIMINARY ASSESSMENT OF THE PRACTICES OF PRICE COMPARISON WEBSITES AND THEIR OPERATOR(S)**

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## **ABSTRACT**

Price comparison websites (PCWs) have become established fixtures on the Web but standards and regulations have proven difficult to apply to e-commerce on the World Wide Web. The practices that drive PCWs can be difficult to evaluate and the potential ramifications of these practices combine to potentially raise ethical issues.

The World Wide Web continues to grow rapidly and further exerts a significant influence on everyday life. Traditional practices that establish standards and regulations have proven difficult to apply to e-commerce on the World Wide Web. Price comparison websites (PCWs) have become established fixtures on the Web during this seemingly unfettered growth and may be a source of ethical concern for researchers. This concern arises due to the practices that underpin these websites and the difficult to discern intentions and potential ramifications of these practices.

Many PCWs are generally operated by groups whose affiliations are unknown. With little to assess the credibility of a business entity, researchers are left at this juncture to figure out how to assess the ethical or unethical nature of a PCW. Some of those ethical issues arise when considering the methods of gathering pricing information such as a technique called 'spidering' and the intention that determines what information is presented on PCWs. Also, the nature of the relationships between PCWs and those companies whose information is included on the PCWs deserve a more critical evaluation. Potential new ethical issues arise when retailers and manufactures no longer exert as much control over prices; thus, the novel aspect created by PCWs is this: consumers have never before had access to such a vast array of pricing information in such a convenient forum while not understanding the nature of the relationships the websites have with the listed products or services, their respective manufacturer or retailer, and the manner in which the data is gathered.

This paper seeks to begin a critical assessment of PCWs for the purpose of evaluating the impact they have on consumers and the tourism industry due to the practices employed by PCW operators. Through this critical assessment the author seeks to explore the ethical orientations of PCW operator(s) and/or creator(s) in order to better understand the intentions of their operations. Also, a preliminary discussion about the potential impact of PCWs on the pricing practices of companies in the industries included on PCWs will be initiated for the purpose of developing a more enriched understanding and dialogue of said impact. Embarking upon this research will hopefully help to enhance our understanding of the ethical nature of PCWs and e-commerce ethical issues in general. This is important for researchers and consumers alike to understand because of the potential for a widespread impact across many industries created by organizations (PCWs) that may not realize the impact they have on industries or consumers; or, the impact may be known yet intentionally disregarded.

Research questions generated by the potential ethical issues created by PCW practices for the purpose of this paper are:

1. Is 'spidering' a means used to hide a deceptive practice? If so, is it the intention of the PCW operator(s) to use 'spidering' to aide a deceptive practice?
2. Do PCW practices pressure companies to engage in unethical pricing practices? If so, is it the intention of PCW operators to influence unethical pricing practices?

References Available on Request.

## FACTORS INHIBITING THE STANDARDIZATION OF GLOBAL CHANNEL STRATEGY

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### ABSTRACT

The standardization vs. adaptation debate in the marketing literature has inspired a substantial research stream over the past four decades. What is more, the focus on globalization and the difficulties that many multinational companies have faced while implementing a global marketing strategy have reignited this debate in recent years. Basically, the standardization vs. adaptation debate centers on whether firms operating at an international or global level should standardize their marketing strategies and programs to offer an essentially uniform marketing mix in all of the markets within which they operate around the world (Levitt 1983, Ohmae 1989, Yip 1996, Backhaus and van Doorn 2007). Or, whether the marketing mix should be adapted to reflect differences in macro-environmental factors among various countries (Britt 1974, Buzzell 1968, Douglas and Wind 1987, Katsikeas et al. 2006, DeMooij 2000). Both sides of the debate have been addressed in the marketing literature over the years with arguments offered as to why an emphasis on standardization rather than adaptation should be pursued and vice versa (Douglas and Craig 1986, Theodosou and Leonidou 2003, Vrontis et al. 2009). A definitive outcome to this debate has still not emerged. For the most part, however, the standardization vs. adaptation debate has been conducted at a comprehensive level of marketing strategy. That is, the arguments have generally been presented as if they apply equally to all four strategic components of the marketing mix: product, price, promotion, and place (channels of distribution). Therefore, if a case can be made for standardizing product strategy, the same reasoning would apply to pricing, promotion, and place strategies. This would result in virtually the same product being sold, using the same promotional message, at the same price, and through the same channels of distribution in all different countries being targeted.

The purpose of this paper is to show that the standardization vs. adaptation debate does not apply equally across all the four strategic areas of the marketing mix. Specifically, we argue that three underlying phenomena or forces in global markets, *culturally distant distribution behavior*, *distributive institution rigidity*, and *international functional fragmentation*, inhibit the firm's ability to standardize channel strategy across global markets. First, *culturally distant distribution behavior* requires MNCs to understand and respond to the cultural norms and value systems of their foreign channel members. In other words, cultural distance creates a considerable barrier to a standardized channel strategy in global markets. Therefore, even a large and powerful MNC must take into account cultural differences and adapt its channel strategy accordingly. Further, the distributive institutions that comprise the marketing structure in many countries around the world are typically not fluid and changeable in the short run. Rather, they tend to be rigid and stable for relatively long periods of time – in some cases for centuries. We refer to this characteristic of distribution infrastructure as *distributive institution rigidity*. Finally, distributive institutions emerge and exist to perform the numerous marketing functions or distribution tasks that need to be undertaken to create the channel flows that connect sellers and buyers together in the marketplace (Vaile et al., 1952). However, marketing intermediaries of the same type and size in different countries do not perform identical distribution functions (Czinkota 1985b, Rosenbloom et al. 1997, Stock and Lambert 1983). We call this phenomenon *international functional fragmentation*.

References Available on Request.

# THE TENSION BETWEEN BUSINESS AND ROMANCE: A QUALITATIVE STUDY IN THE GLOBAL WINE INDUSTRY

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The global wine industry is increasingly competitive and challenging. One of the strategic challenges involves dealing with an ongoing tension within and between individuals, organizations and culturally different regions regarding the antagonism between the romance of wine and the business of wine. In this paper we provide insights to this tug of war through a grounded theory study conducted in New World wine regions in 2009. The insights are expected to inform theory and practice in international marketing strategy.

Economies all over the globe are currently experiencing a recession, which has brought about significant turmoil in the business world (Dooley et al. 2010). Results of this range from companies reducing their spending to many going out of business, causing industry competition levels to increase among the survivors. The wine industry has not escaped this phenomenon. The global wine industry has seen a significant increase in both consumer demand and in the number of global wine producers competing for that demand (Anderson 2003). Although overall demand is growing due to changing regulations and consumption patterns along with reports of the apparent health benefits of wine, the world currently produces more wine than it can consume. Production surpluses have ranged between 15 and 20% over the past 10 years (Hussain et al., 2007). Consumer behavior with respect to this product is also changing. Purchases by most segments are governed by reducing the perception of risk (Spawton 1991); as such consumers are becoming more educated about the product and demanding more variety. What in the past has been characterized as a 'cottage enterprise' is expected to be indistinguishable from any other highly competitive global industry (Anderson 2003). Thus those wine businesses best able to deal with these market conditions will flourish. Our study sought to determine how managers in this increasingly competitive industry dealt with their business environment. We posed this specific research question: How do managers in New World wine regions approach marketing and channel management in such a competitive industry? It was in pursuit of an answer to this question that the notion of "the tension between business and romance" emerged.

We conducted depth interviews and interpretative analyses within the Glaserian approach to grounded theory in this study due to the interpretive freedom it allows (Glaser 1992, 2001). Our data, collected throughout 2009, consist of 28 formal in-depth interviews, 32 informal in-depth interviews, over 100 hours of observation, and hundreds of contextually relevant documents (e.g., winery brochures, photographs, advertisements, press releases). Data collection took place in wine regions on the South Island of New Zealand, Western Australia and California.

The core category that emerged from our data is that of tension between romance and business. This tension manifested itself at several levels. Tension occurred within individuals in a social psychological sense as they wrestled with self-image and motives for being in the wine business. Some participants believed themselves to be or commented on how others were torn between the romantic and passionate aspects of the product and industry and the business aspects of producing and selling wine. Some of our study participants stood clearly at one point on this continuum, but many reflected an internal struggle between the two. This form of tension that we discovered can be informed by research on self and identity, stress, role/agency theory, and cognitive consistency/congruency. Tension also emerged at the business level along this same romance-business continuum. Here different employees within an organization holding different views contributed to a business culture containing this tension. More profoundly though, were supply chain partners and competing organizations holding different views along the continuum creating tense business relationships. If we extend the tension produced by divergent organizational cultures to other forms of culture, we find that there exists differences in views on the wine industry between countries within the New World wine regions explored thus far (New Zealand, Australia and California). Additionally, through our participants' comments from within these we find portions of a felt tension between them and the wine companies in Old World wine regions. Our findings mirror tension discussed with respect to inter-functional coordination (Kahn 1996; Song and Thieme 2006; Song and Xie 2000) as well as cross-organizational relationships (Song, Benedetto and Zhao 2008; Xie, Song, and Stringfellow 2003). Beyond these research areas, this study suggests future research in buyer-seller relationships, international business/market entry strategies, the impact of regional and industry history on corporate culture and strategy, the role of tension in the growth of an organization, and balancing market orientations (i.e., business) with product orientations (i.e., passion). Considering the current business environment, balancing these orientations is imperative in order to survive; if you are no longer in business, you cannot continue the romance.

References Available on Request.

## PARALLEL IMPORTS DEBATE AND RESOURCE-ADVANTAGE THEORY

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### ABSTRACT

The debate over permitting parallel imports in the global economy has been grounded by principles derived from neo-classical competition. However, some of the principles of this line of economic thought have misled the debate in market-based economies. Based on the R-A theory, authors argue that parallel imports should be prevented.

Parallel imports, also called gray market imports, are genuine tangible and intangible goods (often produced under intellectual property protection such as a trademark, patent, or copyright) which are sold in one market, and then imported by a reseller into another market without the authorization of the owner of the intellectual property right. It is important to note that these goods are authorized for original sale, not counterfeited, pirated, or black-market merchandise. Since customs authorities generally do not identify parallel import goods, data regarding this activity are extremely hard to come by. However, it is documented that parallel imports are endemic across a wide variety of product categories, ranging from high end consumer goods carrying recognized trademarks, to heavy construction equipment. Parallel imports can lead to significant potential profit losses from international sales (Antia et al. 2006; Duhan and Sheffet 1988; Maskus 2000).

Although parallel imports may threaten a firm's survival, there is a debate over whether parallel imports are pro-competitive or anti-competitive in the global arena. Proponents of permitting parallel imports argue that restraints against parallel imports constitute non-tariff barriers to global trade and are inconsistent with the World Trade Organization (WTO)'s fundamental principle of integration of markets (Abbott 1998). In their argument, they strongly advocate that any vertical arrangements to control parallel imports have monopolistic purposes and artificially raise prices. On the other hand, proponents of controlling parallel imports argue that there is a strong connection between intellectual property rights (IPRs) and the enhanced economic performance (Bale 1998; Barfield and Groombridge 1998). According to them, IPRs are forms of knowledge capital, and they have been the key determinant of long run growth in national economies (Nelson and Romer 1996). Therefore, national governments and international agreements should legalize the restrictions on parallel imports. In the next section of the paper, the two sides' arguments and their reasoning will be presented in more detail.

Based on the R-A theory of competition (Hunt 2000), this article supports restricting parallel imports and argues that parallel imports harm the economic growth of nations, and are detrimental to global welfare in the long term. With its focus on market segments as basic units of competition, R-A theory emphasizes firms' superior financial performance results from developing market offerings that match the needs of a specific market segment, and therefore, occupying a market place position of competitive advantage. R-A theory also emphasizes the intangible and higher order resource nature of intellectual property rights. Therefore, full protection of IPRs is essential today for invention, innovation, and for the healthy expansion of global economic system.

The inconclusive nature of initial TRIPS negotiations through Article 6 does not conclude the debate regarding parallel imports. Vigorous competition requires institutions, laws, and regulations that promote the linkage between innovation and rewards. That means, vigorous competition requires governments to provide IPR owners the power to control parallel import activities. These policies should be flexible enough that if there are any collusive pricing practices, governments should have the ability to apply their competition laws (e.g., Sherman Act, Clayton Act) to curb such practices. Permitting parallel imports to prevent collusive business practices is nothing but sawing off the branch that we are sitting on.

References Available on Request.

## **PERFORMANCE IMPACT OF INTEGRATED DOWNSTREAM SUPPLY CHAIN PARTNERSHIPS: MEDIATING ROLE OF PROCESS IMPROVEMENTS**

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### **ABSTRACT**

The relentless pursuit of sources of competitive advantage has led current research to focus on strategic interfirm partnerships to deliver superior performance gains (e.g., Dyer and Hatch 2006). Supply Chain Management (SCM), which fundamentally involves functional and process integration across partners in the supply chain, thus has gained prominence as a strategy for maximizing customer value and generating enhanced performance. However, literature lacks adequate explanation on the superior rent-generating capabilities in supply chain partnerships. Borrowing from the relational view (Dyer and Singh 1998), this research advances the notion that close supply chain partnerships leverage certain capabilities to derive performance benefits.

Building on the relational view and process perspective, the paper develops a conceptual framework of relationships. The framework suggests a causal linkage between three supply chain capabilities and process improvements, for realizing overall performance improvements. We posit that ‘resource specificity’, ‘resource complementarity’, and ‘collaboration’ capabilities are leveraged to provide intermediate level process improvements that ultimately result in sustainable competitive advantage and enhanced overall financial performance. Current literature still lacks adequate explanation of such pathways by which supply chain capabilities generate super-normal performance outcomes (e.g., Ramaswami et al., 2009).

The paper contributes towards filling a literature shortcoming by providing a theoretical framework that bridges relational view of competitive advantage and the process perspective in an integrated supply chain context. Empirical investigation of the conceptual relationships has the potential to provide critical insights into how close-knit supply chain partners exploit relational capabilities through intervening process enhancement mechanisms to realize super-normal rents. Relationships between variables in the framework are derived for future empirical investigation.

References Available on Request.

# CONVERGENCE AND DIVERGENCE IN MEANINGS AMONG ACTORS IN THE VALUE CHAIN FOR POTATOES

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## ABSTRACT

This paper studies how different actors in the Danish potato sector collaborate to develop, produce and market high-quality fresh potatoes to consumers. Specifically, the paper explores meaning and meaning construction. Although meanings are quite convergent, actors have difficulties in finding common ground and therefore relationships between actors are strained.

## INTRODUCTION

Even mundane products such as fresh potatoes are constructed in recursive interactions between numerous actors. This paper discusses how different actors in the Danish potato industry work together to develop, produce and make high-quality fresh potato products available for consumption. More specifically, the paper explores meanings and meaning construction in relation to potatoes on three analytical levels:

1. The historically conditioned and presently constructed reality.
2. The recursive processes that result in the ongoing development of the constructed reality.
3. Suggestions for reconstructions of the reality.

Studying meanings and meaning construction is relevant because a certain degree of convergence in meaning is necessary for transactions to take place in marketing channels. Organizations that have similar meanings “should find it easier to transact with each other and to engage in various forms of co-operative activity” (Pfeffer 1981, p. 26). Conversely, if buyers and sellers do not have minimum level of convergence in understandings about the product to be exchanged, its monetary value and the terms of business, they will find it difficult to collaborate. Convergence does not imply that meanings are identical. Identical meanings might in fact hamper innovation since differences in meanings foster creative discourse. On the other hand, large differences in meanings may create conflict or stifle communication.

The contribution of the paper is to explore these ideas in the setting of the Danish potato sector. Focus is on fresh potatoes sold for private consumption. Although the Danish Nutrition Council recommends increased consumption of potatoes, sales of potatoes to consumers have declined by 50% in volume terms over the last 20 years. The paper explores how different actors in the sector attempt to halt and perhaps revert this trend by trying to develop new, higher value products that appeal to modern consumers. In particular, it studies how different actors construct convergent or divergent meanings, conflicts of interest between actors and how meaning construction facilitates co-operation between different actors in the potato sector.

## THEORETICAL BACKGROUND

According to Maturana and Varela (1992, p. 212), “human beings are human beings only in language. Because we have language, there is no limit to what we can describe, imagine, and relate. It thus permeates our whole ontogeny as individuals: from walking to attitudes to politics.” This statement can be seen as the starting point for the present paper, which focuses on how understandings and concrete products are constituted in ongoing relationships between actors in the potato sector.

In order to coordinate action, actors have to develop congruent understandings of important concepts. In this connection it is important to emphasise that congruent understandings or congruent agreements do not refer to overlapping content but to the often implicit agreements about a set of inter-related narratives that serve as an interpretative context (Dachler and Hosking 1994). The meaning of a concept is not self-evident, but always problematic and subject to negotiation: “Concepts cannot be defined on their own as single ontological entities; rather, the meaning of one concept can be deciphered only in terms of its ‘place’ in relation to the other concepts in its web. What appear to be autonomous categories defined by their attributes are reconceived more accurately as historically shifting sets of relationships that are contingently stabilised” (Somers 1995, p. 136). Thus words, concepts and symbols “derive their meanings only from their location within concrete utterances, but these in turn only make sense in relation to other utterances within ongoing flows of transactions” (Emirbayer 1997: 301).

Discussions of meanings and meaning construction have not been preeminent in the marketing channels literature which has traditionally been dominated by the political economy paradigm (e.g., Stern and Reve 1980). The political economy

paradigm does not acknowledge the constructed nature of organisational realities, emphasising instead economic efficiency and rationality. Furthermore, the political economy paradigm overlooks the ubiquitous influence of institutional environments on marketing channels (Grewal and Dharwadkar 2002).

To enrich current understandings of marketing channels, this paper uses the concept of organisational field which reflects that organisational realities are constituted in the recursive interactions of members of a sector. Organisational fields are understood as sets of differentiated, inter-dependent organisations that “constitute a recognised area of institutional life: key suppliers, resource and product consumers, regulatory agencies and other organisations that produce similar services or products” (DiMaggio and Powell 1983, p. 143). An organisational field encompasses a diverse array of organisations working within a given arena or domain (Scott 2008). The concept of organisational field not only directs attention to individual organisations but to their organisation set: exchange partners, customers, competitors, intermediaries, consultants, regulators, funding agents etc. Furthermore, the concept recognises that organisations pay particular attention to and are influenced by organisations that exhibit similar features and compete for the same resources.

The concept of organisational field reminds us that *the* organisational environment is not ‘out there’, given once and for all, just waiting to be analysed and to which companies must adapt if they are to survive, but rather that organisational environments are plural and that they are actively constructed and are constantly reconstructed through the complex interplay of the symbolic interpretations and concrete activities of various organisational actors constructing their worlds (Smircich and Stubbart 1985). The term enactment captures that in organisational life people participate in constructing part of the environment they face through their actions. “They act, and in so doing create the materials that become the constraints and opportunities they face” (Weick 1995, p. 31). The term enactment emphasises that “managers construct, rearrange, single out, and demolish many “objective features” of their surroundings. When people act they [...] literally create their own constraints” (Weick 1979, p. 164). Firms not only observe and interpret their environments; they construct and modify them.

Material and socio-cognitive aspects of business rivalry are thickly interwoven. Managers’ subjective interpretations of externally situated information become objectified through an ongoing input-output cycle which over time enables the construction of meanings that are shared by several members of a transactional network (Porac, Thomas and Baden-Fuller 1989). The organisation is involved in material transactions with other actors in their sector. These material transactions provide the organisation with “an ongoing stream of cues that must be noticed and interpreted by organisational decision-makers” (Porac et al. 1989, p. 399). Together with information exogenous to the transactional network, these cues constitute building blocks for the construction of mental models of competition through processes of induction, problem-solving, and reasoning. These mental models consist of at least two types of beliefs: “beliefs about the identity of the firm, its competitors, suppliers and customers, and causal beliefs about what it takes to compete successfully within the environment which has been identified” (Porac et al. 1989, p. 399). These beliefs focus managers’ attention on some transactional partners to the exclusion of others, thus influencing what market cues are noticed, interpreted and acted on.

## STUDY DESIGN AND METHODOLOGY

The methodological strategy adopted for the present study borrows elements from constructivist grounded theory and the extended case method. Constructivist grounded theory (Charmaz, 2006) adopts well-known grounded theory guidelines such as simultaneous generation and analysis of data, coding and theoretical sampling as tools but does not subscribe to the objectivist, positivist assumptions of earlier formulations of grounded theory (Glaser and Strauss 1967). The extended case study method (Burawoy 1991) differs from the original version of ‘grounded theory’ (Glaser and Strauss 1967) in that it is not focused on developing new theories from scratch, but on using empirical data from case studies to integrate and extend existing concepts and theories. This is also in line with view that Anselm Strauss, one of the originators of grounded theory, later took when he argued that existing concepts and theories should play a guiding and sensitizing role in research (Strauss and Corbin 1998). Rather than begin from scratch and develop new theories, this study therefore attempts to consolidate and develop concepts borrowed from constructionism, institutional theory and relationship and network theory.

Empirical data were primarily gathered using semi-structured, narrative interviews with informants from different actors in the potato field. These different actors represent individual cases in our study. The interviews sought to give informants ample space to elaborate on issues or to introduce new issues to the conversation in order to learn about the rules, norms, values, interpretations and ‘taken-for-granted’ understandings that shape their potato-related activities (Rubin and Rubin 1995; Schütz 1953). Selection of informants was based on theoretical sampling, as we wanted to interview informants representing different links in the supply chain and representing different types of companies, and snowballing (Berg, 2007). All interviews were recorded and subsequently transcribed verbatim. A total of 20 interviews were conducted. Informants



include three potato growers, an agricultural advisor, a breeder of new potato sorts, seven wholesalers/packers, five processors and three retail buyers.

Initially, each case was analysed in isolation. Transcripts, notes and documents were read thoroughly looking for themes and patterns in the empirical material (Miles and Huberman 1994). Analysis began by coding documents and transcripts using categories developed based on theoretical concepts (Coffey and Atkinson 1995). Because coding may decontextualise data by 'separating data extracts from their context' (Coffey and Atkinson 1995, p. 30), the empirical material was also analysed using 'meaning condensation' (Kvale 1996), which involves the reduction of the empirical material into more concise statements. Finally, the empirical material was analysed across cases to discern patterns of similarities and differences between the cases. Among the issues analysed were the meanings that different actors associated with the words 'quality' and 'health' with regard to potatoes, the processes through which actors learn and develop knowledge about potatoes, with whom actors construct meanings, how concepts develop/change and the opportunities for product and process innovation.

## **PRODUCT AND SETTING**

The setting for the study was the Danish potato sector. Specifically focus was on fresh potatoes intended for private consumption. Such potatoes only represent a minor part of total potato production (about 20%). Potatoes grown in Denmark are primarily used to produce starch (about 65% of potato production). Furthermore, potatoes are used in the processing sector to produce potato chips, French fries and other frozen potato products. Finally, there is a substantial production of seed potatoes. The growing of fresh potatoes for consumption thus competes with growing potatoes for other purposes (and with growing other crops such as wheat). To some extent, the quality of fresh potatoes sold to consumers is therefore influenced by the demands and wishes from other users of potatoes (producers of starch, processors, caterers, etc.).

## **MEANINGS IN THE DANISH POTATO SECTOR**

Retailers and suppliers have developed a relatively clear division of labour. Suppliers are responsible for developing new concepts/products but retailers sometimes claim that they also make inquiries or come up with ideas. Retailers, for their part, are responsible for selling products. This involves building assortments, developing packaging designs and marketing potatoes in stores and in retailer circulars. Suppliers are allowed to present ideas for products to be included in assortment. Before doing so, they should identify holes in the market and develop products that can fill the void. When they do so, retailers are usually open and willing to listen (but some retailers take good ideas to their existing main suppliers).

Developing new potato varieties is a slow process. It takes 10-15 years from a new crossing between two or more varieties of potatoes has been made by a breeder, until propagation makes it possible to produce the new crossing in sufficient quantities as to be suitable for large scale production and marketing. Rather than develop new potato varieties, product development in collaboration between retailers and suppliers is therefore focused on changing processing and packaging.

The starting point for innovation is argued to be consumer demands. Informants at different levels in the marketing channel have developed quite convergent views about consumers. Both retailers and packers argue that consumers 'buy with their eyes' and that buying decisions are made at the point of purchase. Consumers are seen to prefer potatoes with a clean, smooth surface that are of similar size and are easy to prepare. Consumer preferences are interpreted as having changed over the last 20 years: from white to yellow potatoes and potatoes are bought in smaller packages (600-1000 grams) rather than by the 5kg sack (as used to be the case). Danish consumers are seen as very conservative and slow to adopt innovative products (such as fresh, microwaveable potatoes). On the other hand, consumers want to buy products that are easy to prepare and cook, i.e., are convenient. In this connection, a recurring theme across different types of informants is that consumers do not like peeling. Therefore retailers and suppliers collaborate in order to make products visually attractive: Potatoes are washed and in some cases polished, which also has a convenience aspect, as it reduces the time needed to prepare potatoes. Furthermore, packers sort out potatoes with eyes, scabs, blemishes and sort them according to size in order to make products more visually appealing. Retailers focus on developing attractive packaging.

Innovation processes are in some cases somewhat short of being systematic, consisting mainly of booking a trip to London to seek inspiration from UK retailers and suppliers. It is argued to be difficult to develop radically new products and what some companies consider to be innovation simply involves copying competitors. Opportunities for innovation are seen as existing in relation to packaging, potato varieties and convenience aspects. Furthermore, some informants argue that it is necessary to develop product concepts that can generate impulse purchases and that are more focused on creating customer value than has

hitherto been the case. Retail buyers think more in terms of the value they offer to consumers, one trader argues, while packers forget this.

The meanings that actors in the sector have constructed about consumer preferences are translated into quality criteria and quality control routines. Some actors at the processing or wholesale level have developed elaborate quality control schemes to ensure that the products they sell are of consistent quality, even though potatoes are regarded as a volatile crop that is very dependent on weather conditions (rain, sun) and soil conditions. Quality control schemes typically include guidelines for growers about how to grow potatoes, what fertilisers to use (or not to use), when and how to use pest controls or when to dig up potatoes. The quality control routines of processors and wholesalers provide transparency in the marketing channel.

Although consumption has declined steadily and retailing has become increasingly concentrated, the number of traders/packers has remained more or less the same. This link in the marketing channel is therefore characterised by surplus capacity which is seen by growers and wholesalers/packers as enabling retailers to pit wholesalers/packers against each other when buying and thereby to secure lower prices. The bargaining power of traders/packers is further weakened by short-term thinking among potato growers and some traders/packers who, according to their colleagues, are more concerned about selling their entire production than on getting good prices. Surplus production is thus often dumped on their market and profitability is therefore low among traders/packers. Because of shortsightedness and opportunistic behaviour, it is difficult to build close relationships between growers and traders/packers. The two groups are inherently suspicious of each other. Some traders/packers complain that many growers are more interested in production yields than in the quality of potatoes they grow. On the other hand, some traders/packers are accused of working without any kind of system and not enforcing their own quality demands. That growers and wholesalers/packers are shortsighted and act opportunistically is typical of agriculture, one retail buyer argued.

Retailers are also the objects of severe criticism from other actors. There are too few people with any substantial knowledge of potatoes working for retailers, which is unfortunate as the importance of having a competent person in charge of fruits and vegetable departments is stressed by several traders/packers as being all-important. Retailers are also accused of only focusing on prices, not on quality, and of being faithless. Several informants representing actors prior to the retailers in the marketing channel argued that many retailers have practices at the store level that do not suit potatoes. This is for instance the case with regard to how potatoes were stored (too warm) or displayed (too warm and too much light), resulting in poorer quality for the end-consumer. In contrast, retailers are generally considered to be competent (with regard to potatoes) at chain level. For their part, retail buyers consider it important to have relationships with competent suppliers, and relationships between retailers and main suppliers are characterised as cooperative with frequent interactions about day-to-day operations. In addition, regular information exchange about future cooperation occurs 3-4 times a year when retailers and suppliers sit down to discuss ongoing projects and to develop mutual understanding of the direction in which the market/they are moving. Relationships are non-exclusive, as both retailers and suppliers have different partners.

## DISCUSSION

Due to space constraints, the analysis presented above is only rudimentary. Although actors in the potato field express serious misgivings about their colleagues and actors on other levels of the supply chain, it would appear that this criticism is mainly valid for broad types of actors, not for the specific actors that they themselves are doing business with. Thus, both retailers and packers report to be closely involved in long-term relationships with particular others. Our analysis supports our initial contention that actors with similar meanings are more likely to transact and engage in co-operative activities with each other. Actors might engage in transactions with actors with divergent meanings, but these transactions are focused on the economic utility of that specific transaction. Finally, our analysis indicates that over time different actors have developed similar notions about the potato sector and what is required in order to be competitive. This reflects that actors in the transactional network interpret similar market cues and face similar material problems with a finite number of solutions. It also reflects direct imitation because actors are quick to copy perceived successes.

Given more space, it would have been possible to explore more fully how retailers and suppliers collaborate and how the meanings they have constructed about consumers and the market are translated into new potato products.

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# **EXAMINING PROJECT MANAGEMENT THROUGH A MARKETING LENS: A LITERATURE REVIEW AND RESEARCH AGENDA**

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## **ABSTRACT**

This paper briefly reviews the relevant project management and marketing literature and proposes a research agenda that argues that project management is a service that requires the development of inter-firm relationships and can be executed more efficiently if a clear understanding of customer requirements exists.

## **INTRODUCTION**

The emergence of project management as an academic discipline is a relatively recent phenomenon. Although project management owes much of its heritage to the scientific management movement that was popular in the early 20<sup>th</sup> century, projects do not receive great attention as a unit of analysis until recent times. Having emerged from engineering-intensive industrial settings, project management is unique in that the body of work on which it is based mostly results from practitioner experience rather than academic enquiry.

The marketing implications of project management are not yet clearly understood. Most research conducted regarding both of these fields focuses on new product development and internal marketing. While a range of marketing activities are conducted using project management techniques, there is some debate regarding the appropriateness of this approach (Pons, 2008). This paper summarizes some of the areas within the marketing discipline that could inform the further development of project management. Chief among these suggestions is the notion that projects should be studied as a service. Studying project management from a relationship marketing perspective could also yield some valuable results. These suggestions echo those by Cova and Salle (2005), although they adopt a marketing perspective rather than a project management perspective.

## **PROJECT MANAGEMENT AS A DISCIPLINE**

A project is a temporary endeavour with a defined beginning and end, which is conducted to meet particular goals and objectives of project stakeholders (Barkley, 2007). This differs from other forms of management primarily due to the finite nature of projects and through project-specific resource allocations.

The study of project management as a discipline has a relatively recent history, although the fundamental aspects of project management are traceable to the scientific management movement popular in the early 20<sup>th</sup> century. Scientific management advocates a structured, mechanistic view of management. It involves quantification of work practices and resources and their allocation to well-defined ends. This approach focuses on achieving maximum resource efficiency through resource specialization. The human elements of project management represent a significant gap in the literature, although these elements receive some recent attention. The role of the project managers as project champions (Kandemir, Calatone, and Garcia, 2006; Woodcock and Starkey, 2001) and the effect of organizational culture on project management (Morrison, Brown, and Smit, 2008) are some recent examples. However, scope exists for the incorporation of other fields of inquiry. Indeed, Bredillet (2008) and Cova and Salle (2005) call for more research into the role of marketing in project management.

## **CURRENT RESEARCH IN MARKETING AND PROJECT MANAGEMENT**

Many marketing activities are executed using projects. Advertising campaigns, sales campaigns, market research, system implementation and re-branding initiatives are some examples. However, only limited consideration of these types of projects appears in the literature. New product development receives the most attention from this perspective.

### **New Product Development**

New product development (NPD) involves the introduction of entirely new offerings to the market. The finite nature of this process and the involvement of a dedicated team, specific resource allocations and a dedicated budget lend NPD to project-based interpretations (Crawford and Di Benedetto, 2006). Barkley's (2007) work explicitly links both bodies of knowledge.

The NPD process often begins with idea generation (otherwise known as the fuzzy front end), and is followed by ideas screening, concept development, and the design and implementation of a market entry strategy (Trott, 2008). From a project management perspective, research into NPD relates to innovation, dealing with uncertainty and/ or project coordination. The development and implementation of a marketing strategy follows, however, it receives no attention in this paper due to the relatively minor role it plays in the project management literature.

Innovation is a key input into the NPD process and is often closely associated with its earlier stages. Innovative behaviour is a key source of new ideas that can act as a catalyst for NPD (Barkley, 2007). Tension between creative efforts and project efficiency is one of the primary difficulties in using project management in NPD. “Creativity is best described as a scientific endeavour, where specific objectives are unclear and there is a low level of epistemic certainty, whereas efforts focussed on generating efficiency are defined in terms of clear time and cost objectives” (Chiesa, Frattini, Lazzarotti, and Manzini, 2007, p. 48).

The level of uncertainty during the earlier stages of a NPD project does not facilitate a clear definition of project scope, leading some scholars to argue that mechanistic project management approaches such as those prescribed by PMBok and PRINCE2 have limited appropriateness for NPD projects (Pons, 2008). Adopting a structured or planned approach to NPD projects is the most common suggestion for alleviating this tension (Stockstrom and Herstatt, 2008). While creativity is encouraged, efforts are directed towards certain project milestones and often incorporate stage-gate controls – which break the NPD process into a number of discrete and identifiable stages. Indeed, Verworn, Herstatt, and Nagahira (2008) argue for an incremental approach to NPD projects, rather than a radical approach, since this reduces the level of uncertainty with regard to estimating product success.

Utilizing a planned or structured approach to NPD projects only eliminates some of the problems generated by the tension between creativity and efficiency. Sheremata (2000) argues that finding a balance between centrifugal forces – such as decentralization, reach and information flow – and centripetal forces – such as connectedness, project manager influence, cross-functional team influence and temporal pacing – is necessary to ensure solutions are found and problems are solved in a timely, cost-effective manner. Cross-functional teams are the primary mechanism used to execute NPD projects (Edmonson and Nembhard, 2009). Gerwin (2004) argues that the willingness of stakeholders to provide information and take action and the context of project tasks determines coordination efforts. NPD projects often involve intra and inter-organizational teams. The utilization of external stakeholders such as suppliers, alliance partners and virtual teams necessitates a range of communications including internal marketing and promotion and project-related communications.

### **Internal Marketing**

Promoting a project to internal stakeholders is an essential element of project success. A project champion usually accepts this as one of his/ her responsibilities. Green, Welsh, and Dehler (2003) show that project champion advocacy can have a significant influence on the decision to terminate NPD projects.

Project champions fulfil an essential role in ensuring confidence in an identified innovation (Kandemir, Calatone, and Garcia, 2006). Woodcock and Starkey (2001) show that ensuring managers have as much information as possible with regard to their projects dramatically increases the chances of project success. Cova and Holstius (1993) demonstrate that promoting a project to internal stakeholders also increases the chances of timely resource procurement. Project champions actively maintain relationships with key members in various areas of the organization also (Kandemir, Calatone, and Garcia, 2006).

## **RESEARCH IN MARKETING THAT IS POTENTIALLY RELEVANT TO PROJECT MANAGEMENT**

### **Services Marketing**

A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything (Kotler, Brown, Adam, Burton, and Armstrong, 2007). The characteristics of services include intangibility, inseparability from the service provider, variable delivery and perishability. Vargo and Lusch (2004) argue that services are fundamental to economic exchange and act to facilitate the co-creation of value. A continuum exists between market offerings that are predominantly goods and those that are predominantly services. Studies of relevance to the project management field relate to the customer experience and service delivery, particularly in the co-production of value.

Customer experience is far more difficult to control when delivering services than for goods. This is because service quality is dependent on customer perceptions, which usually are heterogeneous and based on variable service experiences (Kwortnik, Lynn, and Ross, 2009). To address this issue, increasing customer monitoring and the level of standardization in service delivery are two common strategies (Pal and Choudhury, 2009). Providing tangible evidence of the service also helps to reinforce the customer's memory (Wakefield and Blodgett, 1999).

The approach taken to service delivery often requires the co-production of the service that is, the customer takes part in the delivery of the service by providing some of the labour required (Dabholkar, 1990). The opportunity for customer participation allows them to customize service outcomes, although they must feel as though they have control over the process in order to feel satisfied. Using a blended service provider-client team for project delivery receives consideration in the project management literature as a way to achieve client trust, so long as there is a mixture of people from different areas of each entity (e.g. Webber, 2008).

### **Relationship Marketing**

The formation of relationships with other entities can potentially deliver a range of benefits, including reduced transaction costs, higher relationship satisfaction and better overall performance (Ganesan, 1994). Other benefits include a higher propensity for innovation, lower risk and higher competitive barriers (Morgan and Hunt, 1994). From a project management perspective, a number of issues in the relationship marketing and management literatures are noteworthy.

External stakeholders are an inescapable element of project delivery. The client is the ultimate stakeholder since they provide project funding. They also have a significant impact on project success through the provision of required assistance and performance evaluation (Barkley, 2007). However, diverse requirements and differing levels of helpfulness between different stakeholder groups may lead to situations where project outcomes may not suit every stakeholder in totality (Prior, 2006). The formation and maintenance of close relationships with key stakeholders can serve to mitigate negative effects.

A network of stakeholders emerges from the conduct of projects. A network is a social structure of connected firms and individuals (Ford, Gadde, and Snehota, 2003). Networks are a form of hybrid organizational structure in that they combine elements from markets and hierarchies (Curlee, 2008). The presence of a project manager increases the probability that elements of the project team are controlled and motivated to achieve project outcomes – which are characteristics of hierarchical governance (Buvik and Anderson, 2002).

### **Project Management and Client Satisfaction**

Judging whether a project has achieved its intended outcome is something based on customer assessment. Thomas and Mullaly (2007) show that financial and efficiency measures are the primary indicators used to assess project success. The characteristics of projects and the approach to project delivery are also important. Besner and Hobbs (2006) show that a range of project management practices influence customer perceptions of project success.

Customer value analysis is a process identified in the marketing literature as a method to ensure customer value delivery (Higgins, 1998). This process involves the rigorous identification of key customer criteria that influence their perception of service outcomes (such as the approach taken by Besner and Hobbs, 2006) and developing capabilities in those areas with the goal of improving performance in areas deemed important by the customer. This approach potentially leads to more efficient and effective project outcomes. While Besner and Hobbs (2008) have taken a holistic perspective of a project, further scope exists to examine projects at each stage of their delivery with a view of determining which capabilities are more important at various stages.

## **DIRECTIONS FOR FUTURE RESEARCH**

Since projects are discrete bodies of work that require resource and budget allocations to achieve pre-defined outcomes, they offer an interesting basis for future research. Project management theory can be considered a form of organizational theory and, as such, project management has implications for organizational structure, decision-making, resource and budget allocation, inter-personal relationships and power structures. This paper identifies the potential areas in which project management can be studied from a marketing perspective.

Directions for future research include:

- The further examination of the service implications of project-based work. In particular, the identification of the service elements involved in project delivery, the approaches that are most useful to eliminate negative client perceptions, how to ensure service memorability and the role of co-production of service delivery.
- The role of intra and intra-project team member relationships, particularly the role of long-term relationships, the development of tacit knowledge between partners, the method and approach to stakeholder interaction, the choice of project subcontractors, and 'best' practices used to balance the demands of diverse stakeholder groups.
- The development of a normative theory of value creation using project-based work. While projects are nominally used to improve resource efficiency, the question as to whether this actually happens receives little attention. Also, the locus of value creation and appropriation requires further attention.

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# **BRANDED SPACES: UNDERSTANDING THE CONNECTION BETWEEN ARCHITECTURE/DESIGN AND SERVICES MARKETING**

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## **ABSTRACT**

The study aims to mediate between the two disciplines involved in creating the servicescape, design/architecture and services marketing. It examines the process of how a firm's service brand identity is best transformed into its tangible built environment. The research suggests a hypothesis that addresses this transformation process.

## **INTRODUCTION**

Existing discussion shows the importance of the physical environment as a communication tool (Chevalier and Mazzalovo 2008). Scholars (Baker 1998) and practitioners (Jana 2008) have pointed out the importance of the physical customer touch points. A research study by Sherry (1998) appears to mark the beginning of the discussion regarding brand identities and their experiences created in the built space. However, the transformation between the intangible story of a brand identity into its tangible physical embodiment has not yet been addressed in the marketing or design literature. Marketers, architects and designers must, however, have a clear understanding that the physical embodiment of a brand needs to be part of the overall firm's marketing communication strategy, especially in the services industry. They also need to be aware of the specific spatial dimensions that best transform a brand identity into the physical space to enhance the value of the brand. To fill the void, this study aims to answer the research question: How can the built environment be better aligned with the identity of a service brand? Furthermore, the objective of this study was to determine the transformation process that best translates a brand identity into physical space. The study collected information regarding the creation or supervision of the brand's physical environment in order to determine spatial dimensions or transformation processes that help marketers' and designers' focus on specific environmental feature. In-depth interviews in the sense of a semi-structured interview approach were conducted. The sample included participants who are highly involved in the design process or supervision of physical environments of brands, such as decision makers of architectural/ design firms, in-house architectural departments or marketing agencies.

## **SERVICESCAPE**

Research has shown that consumers' evaluations and decisions are based on perceptions. What they perceive is heavily influenced by the informational cues that marketers communicate to them (Tom et al. 1987). In order to achieve a customer experience, stimuli have to be provided, which will be created by experience providers. These experience providers include communications, visual/verbal identity and signage, product/service presence, co-branding, spatial environment, web-sites and electronic media, and finally people (Schmitt 1999). The physical environment is one of these informational cue providers. Since customers mostly make decisions at the point of purchase (Keller 1987), the physical environment is a critical aspect of the decision-making process. The comprehensive framework by Bitner (1992) helped better understand the behavior of customers and employees within the servicescape. In this theoretical framework, Bitner (1992) noted that human beings perceive the servicescape holistically and not the distinctive environmental dimensions. Once the built environment will be perceived, moderators and internal responses will be created, which conclude in the reaction given back to the physical environment in terms of individual behavior. This means that the perceived servicescape does not directly cause humans to behave in a certain way (Zeithaml et al. 2008). Environmental dimensions of the holistic perceived servicescape may be unlimited, as every single detail of an environment may act as an influential dimension. However, three main layers conclude environmental dimensions of space: ambient conditions, space and function as well as signs, symbols, and artifacts (Bitner 1992). It appears that the focus of servicescapes is based on the exploration of behavioral reactions of customers and employees on the perceived built environment. Existing research thoroughly explores the importance of the servicescape in the service industry as well as its possible environmental dimensions. Although services marketing and especially environmental psychology literature heavily focus on the relationship between the environment and the human body, they touch only briefly on the relationship between the environment and the firm (brand or service). For example, Bitner (1992) mentioned, "the physical environment can serve as a differentiator in signaling the intended market segment, positioning the organization, and conveying distinctiveness from competitors" (p. 67). Still the question of how the firm may use these environmental dimensions to transform their identity into the servicescape, which in turn will effect the behavioral response of the human body, seems not to be addressed in academic literature.

## **THE BUILT ENVIRONMENT AS A BRAND ELEMENT = BRAND EXPERIENCE**

A controlled brand space is one of the most powerful forms of the brand experience and provides a unique way to express the brand's philosophy. At the same time it offers a multi-sensory showcase for the brand, which can influence the five senses (sight, smell, touch, taste, and sound) of human beings (Davis 2005). Lindstrom (2005) and Schmitt (1999) suggested that using the five senses within the servicescape is a way to achieve total brand experience. According to Lindstrom (2005), brands that appeal to multiple senses will be more successful in creating a bond between the customer and the brand, than brands that focus only on one or two. The ultimate goal for a brand and a firm is to engage with the customer and create an emotional bond between the brand/firm and the customer (Keller 2008). This approach is consistent with the goals of experiential marketing. Experiences are private events that occur in response to some stimulation and often result from direct observation and/or participation in events, no matter if they are real, abstract or virtual. An experience is "of" or "about" something and it has always a reference and intentionality (Brentano 1973).

### **METHODOLOGY**

The purpose of this study was to collect information regarding the creation or supervision of the brand's physical environment in order to determine spatial dimensions or transformation processes that help marketers and designers' focus on specific environmental features and best translate a brand identity into space. Existing literature was examined to better understand the research question. Qualitative primary research was conducted in form of in-depth interviews. The use of qualitative methods permitted inquiry in great depth with careful attention to detail, context, and nuance. The inductive approach of qualitative inquiry was particularly oriented toward exploration, discovery, and inductive logic. In-depth interviews with a small number of respondents helped to gather detailed information about the interviewees' thoughts and behavior. These interviews provided a more complete picture about the transformation process from the practitioners' perspective and highlighted themes according to their priority. The study population included six participants. All interviewees had to be in leading positions in (1) independent architectural or design agencies that are commissioned by brands to establish the physical world, (2) architectural departments within brand companies that translate the brand into physical space in-house or outsource the work to architectural agencies, or (3) marketing agencies that specialize in creating brand experiences. They were located in New York, Los Angeles, San Francisco, Paris, and Vienna. Information-rich cases were sampled via "criterion sampling" (Patton 2002). Lincoln and Guba (1985) suggested to sample to the point of redundancy. Eisenhardt (1989) proposed to stop adding cases when theoretical saturation is reached, which will be defined by minimal incremental learning, as the researcher might encounter the same information as before (Glaser and Strauss 1967). This point of redundancy was reached after interviewing six interviewees.

### **KEY FINDINGS**

This research focused on the transformation process of brand identities into physical space. The following key findings emerged, which help better understand the holistic view of the transformation process, which includes different stages: pre-design stage, during, and after the design process. (1) Although there is collaboration and communication between the marketing department of the brand company and the design firm, the information given by the marketing department of the brand company is not sufficient and does not explore the depth of the brand. (2) For all design firms that are involved in the design of branded experiences, pre-design work, which will be done within the design firms, becomes crucial. This necessity emerges from the insufficient information about the brand given by the marketing department of the brand company. Pre-design work, which may be similar to a briefing document in the advertising industry, is important for designers and architects, as it helps them better understand the notion and values of the brand. (3) If marketers are leading the pre-design process, a creative vision strategy, creative strategy, design strategy, or "mini brand platform" will be developed prior to the design process. This is a way to agree upon a common understanding of the brand identity among the design firm and brand company. (4) Once the designer or architect starts the design process, he/she is in charge of interpreting the brand identity (described verbally in the mini brand platform created prior to the design process) into the physical environment. No specific spatial dimensions that are aligned with the brand will be defined prior to the design process. Therefore the designer or architect acts on an individual or subjective level when choosing the spatial dimensions for the brand.

### **CONCEPTUAL MODEL**

Brand Experience seems to be the key to a successful brand and to a customer-brand relationship. The customer and the brand meet each other in the lived experience. The lived experience functions as the mediator between two worlds, the world

of the customer and the world of the brand. If no shared experience exists, then the customer will not be able to create a bond and the brand itself may become irrelevant. The ultimate goal of brand equity is to create an emotional connection between the brand and the customer. A true emotional customer-brand bond can only be achieved through approaching the customer on a multi-sensory level, using the five human senses in order to let the customer experience the brand. This customer journey, marked by experiences that are in line with the brand, will be created by stimuli that are known as experience providers. The goal of brand identity is to create unique, strong, and favorable brand associations that in turn will be shaped by each brand interaction through customer experiences. The intention of this research study was (1) to focus on the transformation process as well as (2) to determine spatial dimensions that best translate brand identities into physical space. The study showed that the determination of spatial dimensions is of significance to the transformation of brand identities into space. However, the importance lies in the complete systematic transformation process that might help define and choose spatial dimensions. The transformation process among practitioners' is only partially in place or non-existent. Based on the findings presented, the research suggested a hypothesis that would address the transformation process from a brand identity into its built environment.

### **The Transformation Process Guide (TPG, Figure 1)**

This hypothesis is a recommendation that merely concentrates on a possible Transformation Process Guide (Figure 1) that tries to systematically translate an intangible brand story into its physical expression through a step-by-step process. The conceptual Transformation Process Guide (Figure 1) demonstrates that both disciplines: marketing (or brand management, identity management) and design need to be involved to go through this process. It also identifies the areas where the disciplines overlap. In addition, it defines the amount of information a marketer should provide in order to increase the alignment of the actual design with the brand notion. For designers, it is a way to be more systematic about their design decisions regarding a brand. It is a recommendation based on secondary and primary research, which for the first time, links the conceptual framework of a brand with its actual design implementation. It simultaneously helps better understand the larger context of the customer and his/her relationship to the product, service or organization. The Transformation Process Guide (TPG) suggests following a similar, but reversed strategy as Sherry (1998) proposed when he analyzed Nike Town Chicago. (1) Defining the brand, (2) defining the experiential brand related impact, (3) defining the sensory engagement with the customer, and (4) defining and selecting the spatial dimensions. The TPG assumes that the experience, which a customer has, is more important than the actual product, service, or organization. The Transformation Process Guide works in two directions: (1) from the primary system to the secondary system (from the mental connection to the physical connection), and (2) from the secondary to the primary system (from the physical connection to the mental connection). In particular, the brand should be seen as the connection, the narrative, and the experience between the customer (C) and the product, service, or organization (P | S | O). This will be achieved by working with the five human senses and by total customer engagement. This connection is characterized by two systems: (1) the primary system is the brand narrative based on the mental – conceptual connection between the customer and the product, service, or organization, and (2) the secondary system is the customer narrative or customer journey based on the physical connection between the customer and the product, service, or organization. Furthermore, the brand should be defined as brand experiences, which should be seen as events that embody the brand in its notion or personality. Once these brand experiences are defined, “brand experience metaphors” should be created. These metaphors are still in brand language, very conceptual, and should be linked to possible experiential impacts on customers. This step might be called the “customer emotion strategy”. The customer emotion strategy might be only characterized by one word (CE1) that expresses the core feeling of the customer, e.g. living room emotions (e.g. cozy, warm, relaxing, etc.); in addition it should be aligned with the brand experience (e.g. EX1). This is the point where the primary system (mental connection – brand narrative) is going to be transformed into the secondary system (physical connection – customer journey). Once the customer emotion strategy (CE) is defined, e.g. living room emotions (e.g. cozy, warm, relaxing, etc.), it becomes the central theme for the choice of the environmental dimensions. These environmental dimensions should be divided into ambient, space and layout, signs, symbols and artifacts, and social elements. Each of these should be related to human senses (touch, sight, smell, sound, and taste). Once the environmental dimensions are chosen, the transformation is complete. This guide helps to transform an intangible brand identity into its physical manifestation through a step-by-step process. In addition, it may also be taken as an analyzing tool, where the process needs to be done in reverse as proposed above. E.g. an existing branded built environment needs to be analyzed regarding the mental connection it creates in customers' minds.

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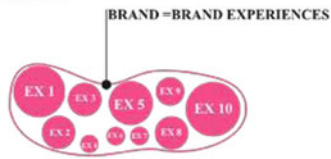
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**FIGURE 1**  
*Transformation Process Guide (TPG)*

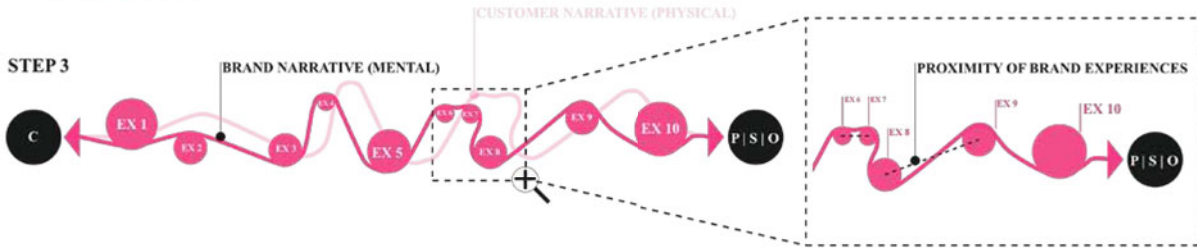
STEP 1



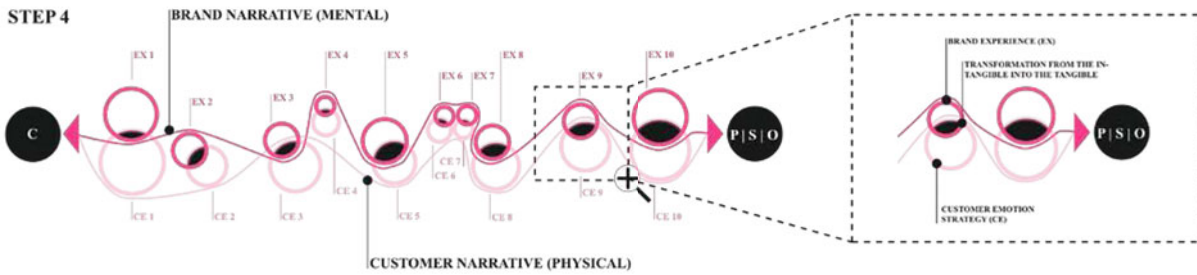
STEP 2



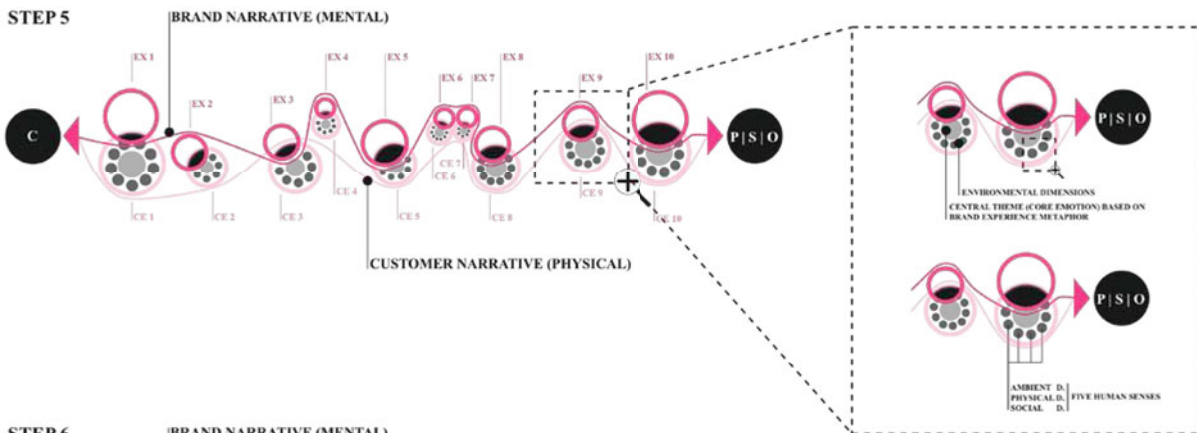
STEP 3



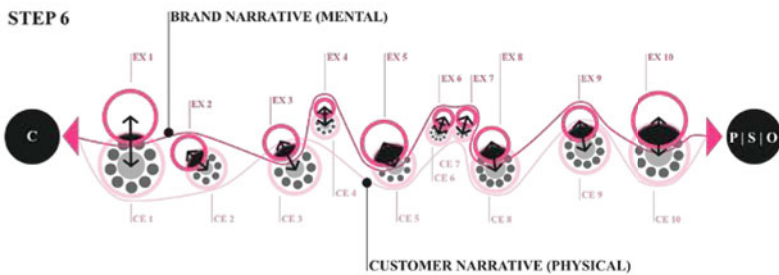
STEP 4



STEP 5



STEP 6



# HOW TO ATTRACT PROSPECTIVE STUDENTS? ON THE INFLUENCE OF STUDY COURSE IMAGE ON BEHAVIORAL INTENTIONS

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## ABSTRACT

As West and colleagues (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 from 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 study course image (SCI) 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 relevance, existing research on the image of study courses and related professions is mainly conceptual in nature. Empirical research on the perception of a SCI 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 construct SCI. Against this background, the conceptual as well as empirical analysis of a SCI 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 for the SCI construct. Second, we develop a model that incorporates the choice process of a course of study and in turn allows us to explain the effects of the SCI on students' intention to choose a specific study course. Third, based on our empirical findings, we discuss approaches to communicate and improve the SCI in order to encourage prospective students to study this course.

We define the SCI as prospective students' perceptions of an academic field of study. SCI refers to the associations of a study course 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. Based on the literature reviews as well as interviews with focus groups, we identify five relevant facets of the SCI construct. Consequently, we conceptualize SCI as a multi-facet construct. Further, we define study courses as highly intangible mental services. Based on the cue utilization theory (Olson 1972; Olson and Jacoby 1972), we develop our conceptual framework. This notion is in line with Andreassen and Lindestad (1998) as well as Brady and colleagues (2005) who argue that the image of a service is an extrinsic mental cue, which consumers use to evaluate services. Therefore, we postulate that for prospective students the facets of SCI serve as mental cues that students use in order to evaluate study courses. These cues however govern students' behavioral intentions to choose a study course, too.

We test 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. As suggested by Germeijs and Verschueren (2006), in this phase, students begin to seriously look for an appropriate study course.

The results of our survey (1) support our SCI conceptualization and (2) show that the SCI facets of affective image of the study course and perceived safety of the related profession affect the intention of students to choose engineering sciences as their study course. Other SCI facets, namely perceived workload, perceived esteem, and self-actualization were not found to significantly determine that relationship.

In summary, our research contributes to a more detailed understanding of students' choice processes of study courses. In particular, our research sheds light on the important role of the SCI that constitutes a critical element within this process. From a managerial point of view, this research stresses the fact that it is worth to create, communicate, and invest into an attractive image for study courses.

References Available on Request.

## **ARE BUSINESS STUDENTS LEARNING WHAT BUSINESSES NEED?**

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### **ABSTRACT**

This paper examines whether business schools are teaching students the concepts and skills that businesses need. The authors analyze 200 corporate job descriptions collected in Fall 2009 and reveal 140 specific skills and certifications commonly cited as required for candidates applying for jobs in business. By matching these corporate skill sets with specific business major tracks, the authors provide guidance and assistance for business schools that desire to better align curricula with job requirements. A close alignment of curriculum with business needs should help students achieve better job placements and ultimately better assist the firms that hire them. Additionally, the authors examine the resumes of 200 business students nearing graduation and reveal that many students have low to no proficiency on the skills mentioned in job descriptions. This finding suggests that disparity between school of business focus and practitioner needs is ongoing and potentially problematic, at least at the institutions sampled. A content analysis of 100 school of business course syllabi and 20 textbooks supported this conclusion. The authors match corporate skills sets with academic tracks within business majors and provide specific suggestions for closing the gap between business school curricula and corporate needs. A closer alignment of business school coursework and curricula with post-graduation job requirements could benefit many if not most colleges and universities.

References Available on Request.

## SERVICE LEARNING THROUGH NPOs: THE NEW SERVICE-DOMINANT LOGIC IN EDUCATION?

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### ABSTRACT

Who is the true arbiter of value in the educational setting? How can students connect course learning to community needs? These are some of the questions this paper raises in its application of service-dominant logic to the service learning pedagogy via the discussion of specific class-based projects. The framework proposed offers a tool for professors and nonprofit organizations to assess the value stakeholders receive from partnering in a service learning experience. The tool also allows an assessment of active learning effectiveness using nonprofit organization compared to for-profit organization. Propositions are offered to challenge the positions suggested by the framework (i.e., partnering with nonprofits is an effective catalyst for heightening learning while also increasing awareness of societal needs and obligations).

Within the context of this paper, we focus on an interactive learning process generated both inside and outside the classroom and develop a conceptual foundation for a project-based, active service learning experience. We argue that engaging nonprofit organizations that service the public interest in the business education process can be an effective catalyst for heightening learning as well as serving society. We contend that partnering with nonprofit organizations provides a service learning environment that helps professors answer the call of organizations, prepares students to address problems found in ambiguous business environments and enhances the social consciousness of students. This partnership also helps achieve the professor's stated educational objectives and the student's own educational goals while contributing to the needs of the nonprofit client. At a time when nonprofit organizations are seeing budget and staff cuts and struggling to meet their financial and service obligations, partnering with business schools seems to be an all around winning solution. The proposed framework provides a tool for professors and nonprofit organizations to assess the value stakeholders (i.e., client, student, class, professor) receive from partnering in a service learning experience.

The main contributions of this paper are twofold. (1) To develop a theoretically grounded yet practical framework for learning in an ambiguous, socially conscious environment. This framework not only provides value to students but also organizations, especially nonprofit organizations. (2) To present a tool for assessing a) the connectivity and commitment to nonprofit organizations and sense of accomplishment among students who are engaged in problem-solving projects for the organization; b) whether or not students working with nonprofit organizations on the class-based active learning project feel a greater sense of accomplishment compared to students working on the same project with for-profit organizations; and c) the indirect effect of service learning through the entire classes' connectivity to the nonprofit clients through class exposure.

To achieve the objectives of this paper, we use the service-dominant logic to present the theoretical background through which business education and nonprofit objectives can be merged. We then apply this theory to the service learning context via the discussion of specific class-based projects. Propositions are offered to challenge the positions suggested by the framework (i.e., partnering with nonprofits is an effective catalyst for heightening learning while also increasing awareness of societal needs and obligations). Following this we propose using a study survey research method for testing the propositions, discuss possible implications of such a study, and detail limitations of the present paper.

References Available on Request.



## **IMPLEMENTING AN OLDER INNOVATION: BOARD GAME SIMULATION IN A RETAIL AND MARKETING CHANNELS COURSE**

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### **ABSTRACT**

Experiential learning has been shown to be an important and effective pedagogy in marketing courses. Simulations are commonly used by faculty to incorporate experiential aspects into their classrooms. The present study makes the case for and examines the implementation of an older innovation as a marketing simulation, a board game. The game's efficacy is examined not only as a pedagogical tool but also, and more importantly, measured using more traditional industry-based metrics for gauging interorganizational collaboration. The results suggest two things. First, based on self-efficacy scales, students indicate that using a board game can be an effective pedagogy and through experiential learning. Second, the results suggest that the board game can enhance students' *applied* learning. For example, students who mastered forecasting and strategic planning performed better in the game (earned more money) than those students who did not master these concepts. pedagogical suggestions and future directions are discussed.

References Available on Request.

## **ETHICAL AND ENVIRONMENTAL PRODUCT SOURCING: ADDITIONAL DIMENSIONS IN MEASURING COUNTRY-OF-ORIGIN IMAGES**

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### **ABSTRACT**

Consumers are becoming increasingly aware and concerned about ethical and environmental issues when selecting products and vendors. Companies too are giving increased attention to CSR and their “green” images, but are also sourcing more of their products and services from distant, often developing countries. With the global shift in manufacturing and the international out-sourcing of many services, retailers and manufacturers are entrusting an increasing proportion of their brand equity to developing countries. It is therefore surprising that ethical and environmental dimensions are generally absent from scales evaluating country-of-origin (CoO) images.

The aim of this research is therefore to explore the ethical and environmental dimensions of potential salience to consumers in their patronage decisions, testing their valence and relevance across two markets, three CoOs, and four products. Specifically, the objectives of the study are:

1. to elicit the ethical and environmental constructs relevant to consumers if purchasing internationally sourced items, based on qualitative studies in the USA and Britain;
2. to construct and test scales representing the main constructs, using representative national samples of over 600 consumers in each country;
3. to test the scales’ ability to identify relevant inter-market and inter-CoO differences, and their reliability across markets and CoOs;
4. to examine the relative power of these new scales in helping explain willingness-to-buy various products, when used in conjunction with existing scales for (general) CoO images and consumer ethnocentrism;
5. to identify implications for researchers, retailers, and other marketing managers.

Study 1 of this investigation used open scenario studies and national, questionnaire surveys in both the USA and Britain, to develop and test scales to measure perceived safety, ethical and environmental issues. Following preliminary focus groups of adult UK consumers, we conducted an open scenario Internet survey with 60 participants from the UK and 60 from the USA. This enabled participation of larger numbers and more representative samples than usual in the qualitative stages of research. We presented participants with one of three scenarios, then invited their open-ended comments on how two alternative CoOs might influence specified product purchasing decisions.

In study 2, the scales developed from this qualitative work proved to have strong reliability, demonstrated through both exploratory and confirmatory factor analysis. The scales also have face, content, convergent and discriminant validity. Through hierarchical regressions, their predictive power is established across four products and four country/CoO combinations, showing they can add significantly to general CoO image scales and ethnocentrism measures in predicting willingness to buy.

There are major differences between CoOs, in terms of their ethical and environmental images; this emphasises a need to include these ethical image dimensions in company’s strategic audits of the risks and opportunities in product sourcing decisions. These images are not consistent between consumer markets. For example, consumers in the USA hold quite negative images of Mexico as a CoO but more favourable ethical and environmental images of India than those held by their British counterparts. The authors also discuss implications for researchers, noting limitations of this study and further research opportunities.

References Available on Request.

## CORPORATE SOCIAL RESPONSIBILITY: THE ROLE OF GOVERNANCE

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### ABSTRACT

Not only does corporate social responsibility (CSR) benefit the company's relationship with its employees and consumers but it is also an important element in corporate strategy (Porter and Kramer 2002). However, CSR theory has ignored the implications of differences in government. Most studies on CSR have been conducted in the United States (US), a society that is typically characterized as being individualistic. The governing philosophy promotes individual freedom and choices; therefore, the government's involvement in social issues, community and corporate behavior is minimal. This view contrasts with many other types of government philosophies particularly those that take more of a totalitarian viewpoint. Totalitarianism often has very negative connotations, however, its formal definition describes it as single-party regime which centralizes its power and exerts control over its citizenry in order to promote a particular ideology (Brzezinski 1956). The more control a government exerts the more likely that CSR behaviors become compulsory by corporations, so that the opportunity to gain competitive advantage is minimized. Issues of community governance may address inconsistencies seen in previous CSR cross culture research. This study examines how perceptions of CSR are affected when government mandates responsible behavior by corporations.

CSR studies have neglected to account for differences in governance role when studying perceptions of CSR across cultures. For example, a study that analyzed the differences between preferences in social issues in six countries, found that Koreans prefer product disposability and biodegradability more than other countries (Auger, Devinney, and Louviere 2007). The authors couldn't explain the Koreans' social issue preference. However, had they considered the Korean regime and its emphasis efforts to promote environmentalism the difference would have been easily explained. A three million won (Korea's currency) fine exists for stores that provide free shopping bags to consumers. Under Korean law, people who generate more waste pay higher fees for trash disposal. Under these regulations, recyclable disposables are free, making recycling preferable to paying for waste disposal (Sang 2003). When looking at the restrictions the government places on Korean waste disposal, the importance of product disposability to Koreans becomes clear. When government places laws that incentivize a certain behavior and punishes another, consumers' preference may rest on how well corporations help them to complying with the incentivized behavior.

Our study predicted three different dimensions of social issues, which are holistic, protected group, and employee munificence. The holistic dimension is derived from the holistic philosophy which suggests that the whole is greater than the sum of its parts (Richard 1993). Corporations can contribute to society by benefiting the community they operate in, for example renovating local schools, and sponsoring blood drives. These actions were grouped together to present the dimension of protected group. An employee munificence dimension can be seen as how socially responsible a corporation is towards its employees, which includes diversity, fair wages, antidiscrimination policies, and sharing profits with employees. The study hypothesized that CSR action will positively influence evaluation of a corporation, and the three dimensions of CSR.

Our results indicate that despite mandatory behaviors designated by government and religious organizations it is possible for corporations to influence evaluations of corporate responsibility. Our study indicated that CSR have a positive influence on the overall evaluation of corporation, and that the categorization of CSR behaviors proved to have an influence on an evaluation of a corporation, and corporate social responsibility.

References Available on Request.

## **CONSUMER MISBEHAVIOR: THE DARK SIDE OF BRAND LOYALTY**

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### **ABSTRACT**

This study intended to explore potential negative behaviors of highly identified sport consumers as well as to identify the causal mechanism or mediator by which high identification/loyalty may result in such negative responses from consumers. A scale development process was used to develop a new mediating construct for the fan identification literature, the Importance of Winning Index (or IWIN). Structural equations modeling was used to analyze the surveys. The IWIN construct represents a new and distinct construct from fan identification. Additionally, IWIN mediates the relationship between fan identification and negative outcome behaviors, thus serving as an explanatory mechanism of when fan identification can produce negative behaviors (in this study schadenfreude, or wishing ill/harm on rivals). The study raises important ethical and social responsibility issues with broader implications suggesting that sports organizations need to promote strong identification among their fans in a responsible manner.

References Available on Request.

# INNOVATION AND COMMODITIZATION: ASIAN CROSS-BORDER SOURCING PRACTICES

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## ABSTRACT

What constitutes better sourcing performance? What sales strategies leverage sourcing performance concerns for superior targeting? The paper addresses these questions by investigating several sourcing practices. Two main constructs that underlie these practices are supply innovation and supply commoditization, and we develop several hypotheses involving these constructs. The paper reports on our survey research with Asian purchasing managers; scale development for supply innovation and commoditization; and estimation of a path analytic model to test our hypotheses and provide relative effect sizes.

Innovation through sourcing arises from representative practices such as a supplier's rapid response, product cycle support and productivity gains. Commoditization aims at reducing supply costs and supplier pricing in the long run, with cost adjustments, leveraging of cost variances among suppliers, frequent renegotiations, and strict management of supplier learning curves. We hypothesize associations between these sourcing constructs, and address the question of which precedes the other. In addition, we hypothesize associations between key firm ratios and innovation and commoditization. Specifically, we examine three ratios. Employee Yield is the ratio of Revenue to Number of employees. Global Spend Density is the ratio of Global Spend to number of supplier Locations for the firm. The ratio of Revenue to Procurement spend is Spend Yield.

To test our hypotheses, a sample was generated from the *Business One* online database by selecting Asia-based managers in purchasing management roles from firms based in various South East Asian countries. The countries included Singapore, Malaysia, Indonesia, Thailand, Hong Kong, and Philippines. An online survey instrument was developed. The paper reports on survey processes and results, and on scale development and validation for innovation and commoditization constructs. We estimate a path analytic model to test all hypotheses, and discuss the effects.

Highlights of the sample's descriptive managerial findings are from the degree of agreement with several sourcing and purchasing practices. Those that stood out are: Ensuring quality that is perceived by the end-customer and cost reduction are the highest on the Purchasing Manager's list of practices. Managers have a large proportion of suppliers who serve multiple customers, but a large percent are also long term suppliers. Managers use a high level of competition in sourcing, and have suppliers who respond rapidly to changes in requirements. While demand is highly volatile, many of the suppliers are world class in their technology or products. Suppliers pass on learning curve cost reductions and help the managers in reducing purchasing costs. Labor unions have little influence on costs, and stock outs do not occur often in inventory. Suppliers tend to have significant business with other clients and managers use long term contracts. Managers seldom share resources with suppliers and infrequently engage in cost adjustments or renegotiate due to design changes. Managers do not encourage dedicated investments in their business by suppliers and excess capacity is not usually available with suppliers.

Our main model testing results show that Innovation and Commoditization are closely associated. With the premise that supplier firms will be more successful when they align their sales strategies with sourcing priorities such as innovation and commoditization, our analysis screened several firm characteristics, such as company revenue, company age, size of workforce, procurement spend, market share and growth rates. There were no significant associations of innovation or commoditization with these profiling variables. However, key ratios mentioned earlier showed strong associations suggesting targeting strategies. From the standardized total effects of the ratios, we can compare the relative importance of the ratios. This approach leads to valuable suggestions for superior sales targeting strategies that we discuss.

In sum, buyers engage in practices that deliver value through supply innovation and supply commoditization. Key firm ratios have predictive associations for innovation and commoditization, and therefore can aid in targeting. Sales managers can use this knowledge for better sales and marketing strategies.

References Available on Request.

# CORPORATE HOSPITALITY: BENEFITS, CHALLENGES & APPROACH IN FINANCIAL SERVICES

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## ABSTRACT

This paper examines the role of corporate hospitality in financial services from the perspective of relationship management executives in corporate banks. Personal interviews and a survey were conducted among marketing and event specialists to identify the goals, benefits, challenges and key issues related to corporate hospitality. The primary benefits were found to be: relationship building, increased sales, networking and reputation building for the hosting company. The challenges included budget constraints, high costs, rise in competition, the need to create unique experiences and ethical concerns.

## INTRODUCTION

Corporate hospitality is events and activities organised for the benefit of organizations that wish to entertain clients, prospective clients or employees, for example, incentive travel, client entertainment, staff entertainment, meetings and conferences. Corporate hospitality events are thought to motivate employees, show appreciation to customers, cement existing relationships (Rogers, 2007), forge new ones, network or stage product launches. Because the range of audiences is broad, this research focuses on those events that companies use to entertain their clients, at their expense, hereafter referred to as *corporate hospitality events*. In this research, the focus will be on corporate hospitality events, targeted directly at current and prospective clients. The increased interest in corporate hospitality can be attributed to a number of factors affecting the marketing and communications area. Corporate event management as an industry rose out of the needs of a changing society and changing business practises. As a response to growth both in demand for events and in their complexity, professional event companies emerged. The purpose of this paper is to investigate the benefits and challenges associated with corporate hospitality in the corporate financial services industry.

## LITERATURE REVIEW

### The Role of Corporate Hospitality

A review of the literature in relation to corporate hospitality reveals that there is little published research covering the role of corporate hospitality events in the marketing communications mix of an organization. The little that exists relates mainly to corporate hospitality and sponsorship related events, which are both viewed as fast-growing tools in the marketing communications mix, each having a clear role in relationship marketing (Bennett, 2003; Dolphin, 2003; Walsh, 2005). Corporate hospitality has become a robust and a successful industry. Rogers (2007) confirms that corporate hospitality continues to be the preferred way of building client relationships and is a necessity in any organization. There is no doubt that corporate hospitality is now seen as a powerful communication medium that can change perceptions, attitudes and behaviours and create genuine brand experiences. Corporate hospitality is vital communications tools in as it allows companies to effectively target specific customers (Taylor, 2004) and tailor communications and messages to suit different themes (Fan and Pfizenmaier, 2002; Foss *et al.*, 2004). More importantly, they enable organizations to have direct, face to face relations with clients in a way that other communications tools do not allow.

Flack (1999) suggests that corporate hospitality is an extension of relationship marketing as it can be used to build trust and loyalty, shape or shift client perceptions of corporate identity and to develop favorable “word-of-mouth” communications. Corporate hospitality events can be vital in relationship marketing as they bring organizations and their individual clients into close proximity for several hours at a time, often in a relaxing and fun environment. This in turn creates many opportunities for representatives of host organizations to demonstrate shared interests and similarities in attitudes and values with clients. All these factors can facilitate liking, particularly if the event is associated with good experiences. This is crucial in furthering the personal bonding process which is a key purpose in corporate hospitality. As a result, corporate hospitality events undoubtedly provide a platform from which companies can inform, inspire, motivate and delight clients, thereby deepening relationships. Many firms, especially services companies, believe that corporate hospitality events have enabled them to develop relationships in ways that could not have been achieved otherwise (Bennett, 2003).

In spite of this dearth of research, practitioner and academic opinion is increasingly advocating that corporate hospitality events should be strategically employed rather than simply used on an ad hoc basis (Bennett, 2003; Taylor, 2004). Taylor

(2004) found there is a need for corporate hospitality to be integrated into the wider communications mix to ensure complete message understanding. Integrating the different event formats with other elements of the communications mix creates synergistic effects where the whole is generally greater than the sum of the parts (Dolphin, 2003). Specifically, research has proven that sponsorship is more effective when supported by other communications mix elements (Kuzma *et al.*, 1992). Corporate hospitality must be carefully presented as part of an organization's general PR, and not as a direct selling activity. Corporate hospitality is not all about benefits; it is plagued by a number of challenges and problems. Every corporate hospitality event needs to be measured and evaluated to determine its success or failure. There are high costs, budget constraints, increasing competition and ethical concerns associated with corporate hospitality.

### **The Complex Nature and Growing Competition in Financial Services**

Financial products and services are often complex which require much explanation about their features and benefits. Companies also need to explain their products and services' advantages over competing products and services. Financial services vary enormously in context, consultation, delivery, duration and significance to the customer. Complex products and services cannot be explained or sold using traditional marketing or communication channels such as mass advertising. They are often characterised as high risk and long-term purchases, wherein relationship participation is central to service delivery. Corporate hospitality events do not target mass audience but a selected segment. They also provide a forum for interaction over a relatively long period of time. The lifetime financial requirement of customers and continuous nature of transactions imply that a relationship approach is appropriate (Colgate and Stewart, 1998). Furthermore, globalization and technological developments have changed the financial services industry in the last two decades. The rise of electronic technology has allowed companies to operate across borders. Financial liberalization has also made competition borderless, not only in internal markets but also across national borders. The growing competition in financial services is forcing companies to improve their marketing and communications activities. The number of marketing activities undertaken by an organisation has increased with events providing an alternative medium for reaching various target audiences. Corporations and businesses embrace events as key elements in their marketing strategies and image promotion. Fletcher pointed out that "corporate entertaining and hospitality can be an effective way of creating networking opportunities and cementing business relationships" (2004, p.11). The ultimate goal of an event is to build a close bond between the appropriate client and the owner. To avoid guests thinking they are merely on a jolly or that they are being subtly bribed, there must be a real strategic objective. The need for more intimate, concise, productive experiences may explain why most companies are increasingly offering more non traditional events and special corporate events (Banks, 2007).

The financial service sector in the UK covers banks, building societies, finance and insurance companies, investment trusts and venture capital companies (Reid *et al.*, 1998). The corporate banking market is considered more valuable and more complex in terms of frequency of multiple banking relationships than the more frequently examined retail banking market (O'Donnell *et al.*, 2002). Complex products and services cannot be communicated through traditional marketing channels such as mass advertising and public relations. Studies suggest that the exchange of information is an important part of both traditional selling and relationship marketing (Dwyer *et al.*, 1987). Building relationships with clients and providing them with a better understanding of their products and services are few of the many reasons why marketing events are so popular in this industry. Millions of pounds are allocated for these events with the idea of getting closer to clients and increasing the chances of cross-selling other products and services. Events also play an important role in customer education and understanding of financial services offerings. Financial institutions' willingness to provide a clear explanation of its offerings is seen as valuable service by customers (Eisingerich and Bell, 2006). A financial products and services are often complex, requiring much explanation not only of the features and benefits of the products or services itself, but also of its advantages over competing products and services.

In most cases the financial director or the treasurer of a client organisation will be a major force in deciding upon the supplier of financial products. Business decision making processes are not simple but include a variety of inputs and pressures thereby making up the DMU (Trenner, 2002). In constructing and delivering products and marketing campaigns, it is essential to fully master and understand the decision making unit (DMU) and its various component elements. It is imperative that a financial service provider builds strong relationships with the key decision makers in an organisation. Strong relationships with these key decision makers will play an important role in their buying behaviour.

### **METHODOLOGY**

Taking into account the exploratory nature of this research a primarily qualitative and inductive approach along with a review of the academic and business literature was deemed appropriate (Yin, 1994) in that it is designed to produce insight rather

than to test theory. The literature review identified key themes relating to corporate hospitality. The research was conducted in two phases. In order to verify these themes, build upon them and ensure no factors were omitted, a series of in-depth interviews with event managers and marketing specialists were undertaken. Data collection continued until convergence was achieved on the themes being reported. Therefore, rather than having a pre-determined number of interviews, the research was terminated when there was zero sum gain from conducting anymore (Hastings and Perry, 2000). The first phase involved six in-depth interviews with marketing and event marketing executives. The six key informants were: Two corporate hospitality managers of a UK corporate bank, two marketing managers of a UK corporate bank and two senior directors of event management companies. To enable the analysis of the weighting placed on various key themes a tabular grid was used to record the number of times a comment was made on an area of the key themes. Also, during the interview, detailed notes were taken and important comments were later transcribed for illustrative purposes.

The summation of the responses was based on the content analysis method (Stake, 1995). Qualitative content analysis was applied and the material from the interviews was divided into content analytical units. The results were put into categories according to the points of interest of this research (benefits, challenges and approach factors) and the strong points were presented. These concepts were then coded for existence and frequency. The condensed meaning units were abstracted and labelled with a code.

Building on the exploratory research, phase two of this research involved a short survey investigating the perspective and opinion of relationship executives on the role and importance of corporate hospitality in corporate banking. All relationship executives involved were regularly involved in face to face marketing events. Relationship executives who entertain their clients at corporate hospitality events were chosen for the survey. A total of 100 senior relationship managers/directors were sent questionnaires. These individuals were contacted by phone and email a few days later to ensure that they had received the questionnaire and would respond to it within the timelines. Each respondent was offered a copy of the survey findings as an incentive to participate the survey. There were 70 valid responses for statistical analysis.

## **RESULTS AND SUMMARY**

### **The Benefits of Corporate Hospitality**

In terms of benefit, the survey results indicated a very high level of agreement towards 'Retaining profitable customers', 'Building relationships with existing clients', 'Allowing clients to relax and enjoy themselves', 'Developing loyalty and trust', 'Providing reasons to keep in touch with clients'. The main benefit elaborated in the in-depth interviews with the event executives was the relationship building aspect, which represented the experience of having a relationship with a financial service provider over time. All interviewees in the study underlined the importance of the role of relationship executives in the relationship management function. Relationships and trust are very important in financial services and more so in corporate banking. Because products and services are often complex, and in many cases also require some degree of customization, the survey showed that customers place a certain amount of trust in the company or supplier that they choose.

### **Key Challenges in Corporate Hospitality**

The survey responses indicated that the relationship executives agreed that it is becoming extremely difficult to attract and retain clients because of the increasing competition in corporate banking. Both marketing and relationship experts accepted that corporate banking customers are establishing relationships with a number of financial service providers across their increasingly complex financial needs. Relationship executives believed that clients preferred to have several relationships with numerous financial service providers for reasons of flexibility, better rates, more product range and reputation in the industry. Indeed, relationship executives acknowledged that many clients prefer to hold a different relationship for each of their distinct financial products.

More and more companies are involved in multi-bank relationships and executives are constantly invited to many corporate hospitality events. The rise in competition leads event managers to feel the need to do something exotic and different to attract attention. The relationship executives agreed that corporate hospitality is often given less budget compared to the other marketing activities in an organisation. They also felt that it is difficult to evaluate and measure corporate hospitality.

However the respondents from this sample did not generally regard corporate hospitality as a subtle form of bribery. They did not believe that invitees would perceive corporate hospitality as something unethical nor did they believe that there were pressures to hold environmentally friendly events.



## **Approach to Corporate Hospitality**

Several of the above-mentioned outcomes are compatible with the proposition that relationship executives are adopting more strategic approach to corporate hospitality. The survey results indicate that relationship executives set objectives before meeting their clients at corporate hospitality events and placed high importance on segmenting and targeting the clients in their portfolio. Most of the relationship executives attributed their winning new deals to corporate hospitality. They also preferred to develop bespoke corporate hospitality events for their clients rather than offering something which was quite generic and common. However, they did not seem to get involved in the planning and selection of corporate hospitality events. These were left to the management of marketing and event experts.

## **Summary**

The goal of this research was to explore and analyze the benefits and challenges associated with corporate hospitality in the corporate banking industry by completing a review of the academic literature, interviewing practitioners in this field and by conducting analysis of relationship executives' opinion and perception of corporate hospitality. The results generally confirm the trend towards adoption of increasingly strategic approach towards corporate hospitality.

Although corporate hospitality is a simple and commonly practised concept, the core themes that came out of the research indicated that corporate hospitality is primarily about relationship building and is full of challenges. The main benefits of corporate hospitality are retaining profitable customers, building relationships, developing loyalty and trust, providing reasons to keep in touch with clients, allowing clients to relax, increasing business, raising company profile and networking. On the other hand, the challenges associated with corporate hospitality are increasing competition, organizing creative events, difficulty of measuring success, high costs, lack of budget and ethical concerns.

In terms of approach, corporate hospitality is adopted at a strategic level. It is coordinated and planned with clear responsibilities that are managed on a systematic basis in order to ensure its effectiveness. The relationship executives are in favor of clear objectives before segmenting and targeting their clients.

Long gone are the days when most marketers focused solely on acquiring customers, while neglecting the need to retain them. In today's business environment customer retention, looking after the customer base, developing long-term relationships and fostering loyalty are all words and phrases likely to come up in a relationship marketing program. With respect to a customer's "lifetime value" and impressive statistics about how a relatively small improvement in customer-retention figure can result in a huge boost in profits, corporate hospitality is firmly established as an important ingredient in the modern customer relationship management mix and an essential element of maximising client lifetime value. It is widely regarded as an effective means of strengthening corporate relationships and creating goodwill. Relationship executives are one of the principal decision-makers in deciding whether there is a need to use corporate hospitality. The main recipients of corporate hospitality are existing and potential customers. The majority of relationship executives who took part in the survey prefer to use bespoke events.

This research has illustrated the important role that corporate hospitality plays in building relationships. The relationship executives surveyed believe that corporate hospitality can significantly contribute to bringing in new business. Event experts are increasingly considering participant preferences at the time of planning a corporate event or hospitality activity. They no longer adopt a 'hit or miss' approach that has a significant risk of failure. The companies are now forward-thinking and devise a range of hospitality opportunities that match differing guest profiles.

However, the key to the successful use of corporate hospitality lies in making sure that events are employed strategically. Companies who use corporate hospitality events should use them in co-ordination with other tools in the marketing communication mix, should have a well-defined objective for their use and ensure that they are correctly targeted, creative and ethically accountable.

This study contributes to the financial services literature as it is one of the very few that have examined corporate hospitality from the perspective of a company's relationship management team. The results of the study support the findings of other studies mentioned in the literature and can be of interest and potential value to marketing and event managers responsible for corporate hospitality in corporate banking as well as beyond the specific context of financial services.

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## HAVING A GREAT VACATION AND BLAMING THE WINES: AN ATTRIBUTION THEORY PERSPECTIVE ON CONSUMER ATTACHMENTS TO REGIONAL BRANDS

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### ABSTRACT

Tourists' affective experiences are important in a variety of contexts as their influence goes beyond immediate, short-term outcomes, such as satisfaction and spending. These experiences impact the relationship between the consumer and objects associated with the experience including brands. Yet, research on the influence of consumer affective experiences on emotional attachments to brands in general, and the process by which affect influences attachments in particular, has been limited. This study uses attribution theory to explain consumer attachments to regional brands in a tourism and wine context. Survey results covering twelve touristic wine regions on three continents ( $N=2,445$ ) suggest that (a) causal attributions mediate the affective experience – brand attachment relationship, (b) consumers' attributions depend on brand name strength, and (c) place attachment and spatial distance affect brand attributions. Results also suggest that when consumers attribute the pleasantness and satisfaction of the tourism experience to the brand, attachment increases; however, if consumers attribute the experience to the region, attachments decrease. Implications relate to destination marketing and brand management.

References Available on Request.

# PERSONAL OPINIONS AND BELIEFS AS DETERMINANTS OF COLLEGIATE FOOTBALL CONSUMPTION FOR REVERED AND HATED TEAMS

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## ABSTRACT

Although personal opinions and beliefs are robust influencers of consumer behavior, research linking such factors to sport consumption is deficient. Hence, two studies are developed. Study 1 explores beliefs (i.e., internal locus of control for game outcomes) and opinions (i.e., personal expertise about a team, attitude toward the head coach) as determinants of fans' willingness to attend games and purchase apparel of their *favorite* college football team. Study 2 examines these same determinants of fans' willingness to attend games involving their *least favorite* college football team. There is partial support for the posited relationships in both studies.

Attending collegiate sporting events is highly sought after, especially for Division I Football Bowl Subdivision (FBS) games. In the FBS, yearly contests such as *The Civil War* (Oregon vs. Oregon State) are eagerly anticipated. Although fans frequently engage in FBS-related discussion and behaviors rooted in personal beliefs (e.g., rituals before a game influence game outcomes) and opinions (e.g., fans conveying knowledge about a favorite team's football tradition), research examining such factors as determinants of FBS consumption for loved and loathed teams is lacking. Thus, internal locus of control ( $Int_{LOC}$ ), personal expertise ( $Per_{EXP}$ ), and attitudinal response ( $A_{TT}$ ) are modeled as determinants of intentions to purchase sport products for both *revered* (Study 1) and *hated* (Study 2) teams.

Undergraduate business students at a southwest U.S. university answered seven-point Likert and semantic differential scale items regarding the studied constructs. EFA, CFA, and SEM results were robust for both Study 1 and Study 2. In both studies, the SEM's path coefficients ( $P_C$ ) revealed partial support for the studied relationships. In Study 1, fans'  $Int_{LOC}$  about game outcomes ( $P_C=0.25$ ,  $t=2.73$ ),  $Per_{EXP}$  about their favorite football team ( $P_C=0.28$ ,  $t=2.78$ ), and  $A_{TT}$  toward the coach of their favorite football team ( $P_C=0.27$ ,  $t=3.24$ ), relate positively to their willingness to attend games ( $A_{TTEND}$ ) involving their favorite collegiate football team; also, fans'  $Int_{LOC}$  regarding game outcomes relates positively to their willingness to purchase their favorite team's apparel ( $Pur_{INT}$ ) ( $P_C=0.34$ ,  $t=3.36$ ). However, fans'  $Per_{EXP}$  about their favorite team ( $P_C=0.15$ ,  $t=1.41$ ) and their  $A_{TT}$  toward their favorite team's coach ( $P_C=0.14$ ,  $t=1.55$ ) are not significantly related to their  $Pur_{INT}$ . In Study 2, fans'  $Int_{LOC}$  regarding game outcomes involving their least favorite team is positively related to their  $A_{TTEND}$  featuring this team ( $P_C=0.21$ ,  $t=2.07$ ); also, fans'  $A_{TT}$  toward the coach of their least favorite team is positively related to their  $A_{TTEND}$  featuring this team ( $P_C=0.40$ ,  $t=5.03$ ). However, the positive posited relationship between fans'  $Per_{EXP}$  about their least favorite team and their  $A_{TTEND}$  featuring this team is not supported ( $P_C=0.17$ ,  $t=1.81$ ).

Results from Study 1 indicate that self-controlled superstitions (e.g., wearing a lucky shirt as a pregame ritual) motivate fans to attend games and purchase apparel of their favorite team; these fans believe that they have some control over, or an ability to influence game outcomes. Also, as fan knowledge of tradition, players, and coaches of a collegiate football team increases, they show stronger intentions to attend this team's games; hence, team contact points, both outside and within the stadium, should contain a plethora of information regarding the football program as a means to further enhance team-related fan knowledge. The same can be said of promoting the head coach, as our findings indicate a positive relationship between attitude toward the coach and game attendance.

Results from Study 2 indicate that fans believe that their behaviors prior to and during a game actually influence the likelihood that a loathed team will lose. The more fans perform their rituals, the more likely they are to attend games and also expect a loathed team loss. Also, it appears that even though fans despise a team and hope it loses, their favorable perceptions of its head coach influence their decision to attend this team's games.

References Available on Request.

# CREATING VALUE THROUGH PROSUMPTION: AN EMPIRICAL ANALYSIS OF DIY PRACTICE

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## ABSTRACT

Philip Kotler (1986a) theorized in the Futurist that a new type of consumer, the prosumer, would emerge out of the sociocultural environment of modern society. Counter to the notion of consumers as the end users of goods produced in separate markets, Kotler's (1986a, b) notion of prosumers recognized that people could choose to produce some of the goods and services they consume. The popularity of DIY practice has caused the home hardware and home improvement industry to grow steadily, with U.S.-based sales of \$22.5 billion in 1978 (Hornik and Feldman, 1982) and \$38.6 billion in 1987 (Bush et al., 1987). In 1996, DIY industry sales were \$135 billion and increased to \$300 billion in 2006 (Tratensek and Jensen, 2006). Despite a downward correction to \$272 in 2009, these figures indicate a seemingly unstoppable trend. The phenomenal growth of the retail sector that caters to the DIY market has prompted a few academic studies across various disciplines. These studies tend to be descriptive and demographically profile the DIY segment relative to a non-DIY segment (Bush et al. 1987; Hornik and Feldman 1982). An emerging stream of literature has begun to explore Kotler's view of the prosumer including literature on the co-production of goods and services (Vargo and Lusch 2004). Yet, most contributions regarding the co-production of values are of a conceptual nature, and empirical support for these insights into prosumption is needed (Arnould 2008; Xie et al. 2008). We address this weakness by calling attention to DIY practices and illuminating a neglected consumer behavior phenomenon whereby individuals' prosumption activities find motivation under certain marketplace conditions and result in the co-production of values.

The goals of the present research are to explicate more fully the concept of DIY practice and to present a model that identifies the processes through which individuals' interests in DIY practice emerge and are sustained. We focus on market generated consumer motivations to DIY practice and the values that individuals derive from such activities, and develop hypotheses that describe linkages between three marketplace related motivations and DIY Practice, and the outcome values derived from DIY practice.

We collect actual prosumption behavior data and use a structural equation modeling approach to test the hypotheses. Our sample was comprised of DIYers who were asked to complete a self-administered questionnaire as they departed a national retail hardware store (226 usable questionnaires). Study participants were asked to base answers on their cumulative DIY experience. DIY motivation and outcome value scales were constructed drawing from prior theory and research. The scales were developed following standard scale development procedures such as advocated by Churchill (1979), Gerbing and Anderson (1988), and Nunnally and Bernstein (1994).

We propose three market conditions that must be present for consumers to become prosumers: relative economic benefit, a lack of product quality, and a lack of product availability. In addition, we suggest that by practicing DIY, individuals create values for themselves. In the current study the values we derive are producing a better life, a sense of control, and self-improvement. The structural equation model offers support for the conceptual model and most of the structural relationships and corresponding hypotheses also are supported. As a result of the theoretical model and empirical results, this research contributes to the knowledge and understanding of the DIY prosumer segment. Most importantly, we identify DIY practice as an exemplar of prosumption and DIYers as an understudied market of considerable and increasing size. This market is remarkable because, by undertaking DIY projects, prosumers can circumvent the traditional marketplace, which gives such individuals the power to control their own destinies through self-service to a greater degree than is possible through typical markets. This feature extends the traditional view of consumers and should cause concern for many traditional retailers and service providers. Also, by producing some of their own goods, prosumers co-create value that goes beyond the concrete level of product attributes.

References Available on Request.

# TESTING THE PREMISE THAT MARKETING ATTITUDES AND BRAND ORIENTATION CORRELATE WITH NONPROFIT PERFORMANCE: CONNECTING RESEARCH AND PRACTICE

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## ABSTRACT

The importance and implementation of marketing strategies and brand orientation in the management of nonprofit organizations (NPOs) is still being debated. Through the use of three psychometrically robust scales, this study aims to bring the intangible value of the NPO brand and marketing attitudes into a more concrete perspective.

## INTRODUCTION

Incorporating brand strategy into a nonprofit organization (NPO) was once considered a dubious endeavor (Ritchie, Swami and Weinberg 1999). At the heart of the debate was the perception that such activity constituted diverting scarce resources away from the services the organization was created to provide. In the dispute, branding was effectively framed as an obstruction to mission achievement. More recently, numerous authors advocate the adoption of marketing techniques and market orientation by NPOs to ensure success in the increasingly tumultuous nonprofit environment (Gainer and Padanyi 2005; Hall 2006; MacMillan et al. 2005; Mottner and Ford 2005). Increased attention on NPO marketing led to further detailed study of nonprofit brand orientation (NBO). NBO puts the image and value of the brand at the core of all activity within the organization in order to affect more positive outcomes.

Our discussion begins with an assessment of the literature on the challenges faced by NPOs when implementing NBO and is followed by a cost-benefit analysis of pursuit. Next the research project is delineated from methodology to findings, implications, limitations and future research plans. The overall objective of the paper is to bring the intangible value of the brand and NBO into a more concrete perspective. This is the first in a series of studies designed to collect empirical evidence to determine if there is a correlation between NBO, as measured by positive attitudes, knowledge and activities in support of branding, and the outcomes produced by an NPO. Specifically, we pose two research questions. First, is there a correlation between stakeholders' general attitudes toward marketing of NPOs and their perception of the brand orientation of their affiliated NPO? Second, do perceptions of marketing and brand orientation correlate to outcomes for an NPO?

This preliminary investigation utilizes three statistically valid and reliable scales to test and extend the existing research on the applicability and value of marketing and branding in NPOs. We add to Ewing and Napoli's findings (Ewing and Napoli 2005) by considering a broader and deeper sample of stakeholders as we investigate their attitudes toward marketing, the subject NPO's orientation to branding and perceptions of the organization's performance effectiveness. Results identified at least one area that requires greater scrutiny if researchers and practitioners are to gain confidence in the theorized connections among the concepts.

### **NPO Brand Orientation vs. NPO Culture and Practice**

Customers of for-profits and nonprofits use brand as a heuristic to summarize their expectations relative to consistency and quality of benefits offered by a particular organization (Ritchie, Swami and Weinberg, 1999). At a fundamental level, branding is about unity of message, reinforcing images and consistent meaning – used to develop trust in a brand. Value is created through products, services and communication that fulfill and uphold these demands. Without consistency and unity, brands deteriorate (Ewing and Napoli 2005).

Examination of the culture and organizational structure of a typical NPO provides some insight into the on-going struggle NPOs have with the branding process. NPOs thrive on decentralized management, lack of formal hierarchy, autonomy, and consensus building cultures (Foreman, 1999; Quelch and Laidler-Kylander, 2005; Laidler-Kylander and Simonin, 2009). Many consider the autonomy and mission-driven nature of NPOs to be a competitive advantage that nonprofits use to attract key employees. Without this, they would be relatively defenseless to attract talented human resources when pitted against higher paying for-profit employers. Jobs that include the freedom to initiate activities and determine direction and policy characterize the typical NPO and are very attractive to many individuals (Benz, 2005). Injecting brand orientation into this type of environment is challenging if not problematic. The intrinsically motivated nonprofit employee might purposely or inadvertently reject the brand message or overall strategy dictated by central management for a number of reasons. Perhaps

the employee's personal, autonomous view of the organization's brand is different than the one prescribed by headquarters; they don't realize the importance of consistency of brand communication; or feel slighted that they were not consulted on the approach prior to implementation. Due to the lack of formal hierarchy and decentralized management, this rejecting employee may act, unimpeded, on this decision and continue to reinforce a brand image that is contrary to the direction established by headquarters.

Evidence of this struggle was identified by Conway Dato-on et al. (2008) and Weisenbach Keller et al. (2009), when studying the brand communications of three major, international NPOs. The authors found significant variation of brand visuals, missions and taglines amongst U.S. locations and between local affiliates and each agency's central body. This finding reinforces Hankinson's (2001) conclusions that an NPO without brand orientation reveals brand management that is piecemeal, without central coordination. When questioned about the differences, NPO employees revealed that local needs were often considered more pressing than brand orientation needs of the parent organization (Weisenbach Keller et al. 2009). This further substantiates the assertion that NPO cultures which tend toward autonomy and decentralized decision-making may need additional motivation to pursue NBO. Determining how to instill brand orientation while maintaining the valuable and unique elements of nonprofit culture remains a challenge.

### **NBO – Cost Benefit Analysis**

NPO managers wrestle with the balance between using scarce resources to develop brand and using those limited assets to deliver additional, mission-driven services. Ritchie et al. (1999) referred to this as the "balance beam" of nonprofit marketing. On one side of the equation are the benefits of NPO branding: build trust with multiple publics through consistency of brand promise and communication, develop lasting and credible equity in the firm's mission, leverage the organization's heightened brand profile to access valuable resources: time, money, effort, association, affiliation, and talent, all of which help to provide better assistance to user groups. Conversely, branding efforts are seen as costly because they divert resources which are often scant from service delivery and mission pursuit. Opposition, both internal and external, is often generated from those who feel that the near-term demands of service delivery must take primacy over the unjustifiably commercial pursuit of brand orientation.

Laidler-Kylander (2009) lists "overwhelming consensus" as to the value of brand for NPOs, yet none of this alleviates the expense of branding. The fact remains that developing a brand orientation requires a commitment of scarce resources. If NPOs, large and small, are to satisfy the mission established for the entity they must manage resources effectively and be very efficient. Therefore, they must be able to justify the strategic use of some assets for the purpose of marketing and specifically brand building.

The diverse nature of major and direct NPO stakeholders (Ritchie, Swami and Wienberg, 1999) indicates a strong need for centralization of message and focused image building. The proliferation of nonprofit organizations and the changing landscape in which they operate has increased the demands placed on managers of these organizations, but no commensurate increase in resources has been recorded. One tool that NPO managers have been encouraged to employ is the establishment and development of the brand. Brand theory applied to NPO indicates that careful management of brand elements will impact many areas of NPO management; specifically improved image and perception of the brand relative to the service's history and to other service providers (Gainer and Padanyi, 2004). When branding is successful, NPO managers have a tool that is valuable and costly to imitate, which can be used to accomplish the mission and provide a competitive advantage in a challenging environment.

## **RESEARCH METHODOLOGY**

Despite all of this evidence there remains a reluctance or inability on the part of many NPOs to pursue brand orientation. To fully rationalize the cost of actively managing the brand, directors of these organizations must consider the intangible benefits of brand orientation as a strategic tool with long-term consequences. They must learn to see the brand as an intangible value and symbol that expresses the agency's identity (Urde 1999) in a landscape where competition is dynamic and increasing.

In this research we attempt to bring that intangible value into more concrete perspective. This is the first in a series of studies designed to collect empirical evidence to determine the relationships between nonprofit brand orientation, as measured by positive attitudes toward and knowledge of branding, and the outcomes produced by an NPO. To this end we pose two research questions. First, is there a correlation between stakeholders' general attitudes toward marketing of NPOs and their

perception of the brand orientation of their affiliated NPO? Second, do these perceptions of marketing and brand orientation correlate to outcomes for an NPO?

These questions will be answered by collecting data from assorted stakeholders of the subject NPO. This is the first attempt at measuring brand attitude, knowledge and effectiveness in this way. A natural first step is to test the approach in a single NPO before expanding to a larger and more generalizable sample. The subject NPO, a charter school in a southern state, made multiple stakeholder groups available to complete the survey.

Napoli (2006) pursued a similar objective and found that more successful NPOs were more likely to deliver a “likeable” brand to stakeholders and enjoy the commensurate benefits of a strong brand. Her study is limited by the inclusion of only CEO level respondents. As discussed earlier, brand orientation, when fully employed, involves a positive attitude toward branding and is a driving force for the entire organization’s decision-making. This research therefore looks at attitude and brand orientation throughout several stakeholder groups, not just at the top level.

### **The Subject NPO and Respondents**

The subject NPO is a Charter School (kindergarten through grade 8) that has operated in the same southern city for eleven years. The school has a strong fiscal position, high recognition for academic achievement and stability of administration and teachers. There is only one location of the school, thus centralizing governance and communication. Admission to the school is based on a lottery system and there is a long waiting list for admission.

For the purpose of this study we surveyed parents (n=78), employees (n=11), board members (n=5) and donors (n=17) as part of a larger project on branding of the charter school. The questionnaire was distributed electronically via email addresses received from the school administrator. Respondents received several notices regarding the survey and its purpose from the administrator though the entire process was managed by researchers external to the school and respondents’ anonymity was ensured. Response rates varied by group; averaging between 75-90%.

### **Scales**

We utilized three psychometrically robust scales to retrieve information from deep within the organization. Ewing and Napoli (2005) were able, through factor analysis, to discriminate scale items that effectively measure NBO. A scale developed by Shontz et al (2004) to determine librarians’ attitudes toward marketing of their institutions was adapted to determine employees’ perspectives on the NPO (rather than a library). The Gainer and Padanyi (2005) scale measures effectiveness based on perception of client satisfaction – and compares it to the organization’s past and its peers over the past year. In order to make the survey more palatable and time efficient the questions from Shontz and colleagues (2004) were reduced to include a smaller, but still representative group of questions.

The measure of nonprofit brand orientation with the Ewing and Napoli (2005) scale proved reliable ( $\alpha = .844$ ) in the current study. The scale consists of twelve items measuring the subject NPO’s branding activities on a 6-point Likert scale anchored by ‘strongly agree’ and ‘strongly disagree.’ In both the original study and this research the two-item dimension of Affect (seeking detailed knowledge of stakeholder like and dislike about the brand) stands alone. The scale explains 75% of variance.

While assessing employee attitudes toward marketing of their organization is important (Shontz et al. 2004), measuring their perspectives concerning the subject NPO proved challenging. First, because the NPO was small, the number of employee respondents (n = 11) made statistical analysis difficult. Combining the employees with parent and donor respondents to ascertain a broader stakeholders’ perspective on marketing seemed to cloud the reliability of the scale. As this is an exploratory study we used a shortened version of the Shontz et al. (2004) scale (7 items) all measuring pro-marketing attitudes. The reported reliability ( $\alpha = .679$ ) is low and though reaching the threshold for exploratory research (Churchill 1979) serves as a limitation for the study.

The Gainer and Padanyi (2005) scale showed excellent reliability in the current study. The scale asks respondents to rate the subject NPO’s performance in two distinct ways. First, respondents rate performance over the last five years ( $\alpha = .927$ ) using a 6-point Likert scale anchored by ‘declined significantly’ and ‘increased significantly.’ Second, two items ask respondents to consider how the NPO has performed over the past year vs. other organizations providing the same service in the community ( $\alpha = .91$ ). In this second portion of the 6-point Likert scale the anchor points are ‘well below others’ and



'much better than others.' Exploratory factor analysis reveals the two comparison points as separate factors, which together explain 82% of variance.

## FINDINGS

Three stakeholder groups were surveyed: school employees, parents of students in the school and donors to the school. All groups displayed strongly positive attitudes toward marketing. In terms of the balance beam (Ritchie et al. 1999) referred to earlier, the groups found marketing to be necessary and beneficial but did not label it as a resource drain. Answers were affirmative in response to the importance of product and service development and good PR and negative when a question implied that marketing is a resource drain, impeding the organization's progress toward service provision. Over 50% of each group replied that marketing is a priority for the school. Overall attitude toward marketing in all groups was very positive with a mean of 2.0 where one is strongly agree with pro-marketing statements and six is strongly disagree.

One major difference can be seen in the assessment of the nonprofit brand orientation between the groups. Specifically parents whose children were enrolled in the school seem to have a more positive perception of the NPO's brand orientation. On average, 61% of parents responded positively when evaluating the school's brand orientation. Donors, while not particularly negative, responded positively only 41% of the time on average. Negative responses were very low for both groups; the big difference was in the number of donors who felt that they were "unable to answer" questions of brand orientation. According to theory (Ewing and Napoli 2005), this lack of understanding among these key constituents signals a potential problem. This problem is realized in the effectiveness portion of the survey.

Performance was measured in two ways: by changes in effectiveness over the past five years and by comparison to other service organizations in the area. Overall, respondents saw an increase in the subject NPO's performance over the past five year (mean = 3.81 where 6 = increased significantly) and relative to comparison organizations offering similar services (mean = 4.84 where 6 = much better than others). On average 60% of donors selected "unable to answer" on questions regarding the NPOs performance trend over the past five years. For parents, the group who responded positively about marketing, the "unable to answer" response was only used, on average, 13% of the time. There were very few negative responses to the effectiveness questions, however many parents (41% on average) found the performance to be stable over the past five years.

Analyzing the relationships among NBO, stakeholders' attitudes toward marketing, and NPO performance shows support for the theoretical linkages among the concepts. NPO stakeholders' feelings on marketing are significantly correlated to NBO ( $r = .319, p < .05$ ) and NBO is significantly correlated to NPO effectiveness based on perception of client satisfaction over a five year period ( $r = .72, p < .01$ ) and when compared to other NPOs over the past year ( $r = .65, p < .01$ ). No significant relationship is found between stakeholders' attitudes toward marketing and NPO performance.

## IMPLICATIONS LIMITATIONS AND FUTURE STUDIES

The general objective of our study was to bring the intangible value of the brand and NBO into a more tangible perspective. The exploratory study was designed to collect empirical evidence to determine if there is a correlation between NBO, positive attitudes toward marketing, and the outcomes produced by an NPO as measured by client satisfaction. To accomplish this we asked two questions. First, is there a correlation between stakeholders' general attitudes toward marketing of NPOs and their perception of the brand orientation of their affiliated NPO? Second, do perceptions of marketing and brand orientation correlate to outcomes for an NPO?

In answering the questions we see that a positive attitude toward marketing can be measured, but alone, is not enough to lead to a perception of effectiveness among some stakeholder groups. The additional knowledge of the organization's efforts toward brand awareness (NBO) correlates with positive impressions about the NPO's effectiveness over time and relative to similar nonprofits.

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# MENTAL BUDGETING AND CHARITABLE GIVING: MATCHING MOTIVES WITH BUDGETS TO MAXIMIZE GIVING

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## ABSTRACT

For the second straight year, American corporations, foundations and individuals donated over \$300 million in charitable gifts (Wasley 2009). In Canada, fundraising continues to reach record levels. According to the 2007 Canadian Survey of Giving, Volunteering and Participating (CSGVP), Canadians donated \$10 billion, a 12% increase in donations over the previous survey conducted in 2004 (Hall et al. 2009), while 84% of adult Canadians reported making a financial, charitable contribution during the year. Other data is not as positive. The average number of gifts Canadian donors made in 2007 fell to 3.8 annually from 4.3 gifts in 2004. Additionally only 25% of Canadians donated more than \$364 a year to charitable organizations. The remaining 75% donate, on average, less than one half of one percent of their income to charity. In the U.S., the number of new donors has fallen by 13.8% (Hall 2009). Thus, while fundraising continues to grow in both participation and donation magnitude, there appears to be a significant amount of unrealized potential for nonprofit organizations to increase fundraising.

Significant previous research has examined the incentives donors have to make gifts to organizations (e.g., Barnes and McCarville 2005, Schervish 1992). In general, these incentives can be divided into extrinsic (i.e., material incentives, social incentives) and intrinsic (i.e., warm-glow, identification with cause) categories. One common reason given by Canadian residents for not giving more was displeasure with the manner in which they were asked to make a gift (CSGVP). Incorrectly matching the gift incentives with a donor's motives for giving may be one reason for such displeasure. A donor motivated by extrinsic, material incentives is not likely to respond to a gift request that has no self-benefit. Alternatively, many donors wishing to support a cause are upset by what they perceive as misallocated resources when an organization offers some form of tangible or economic benefit back to the donor. These donors would prefer to see the entire gift used to benefit the intended target.

Another research stream has sought to clarify how people allocate and expend their monetary resources according to "mental budgets" (e.g., Heath and Soll 1996). Mental budgeting is defined as "a cognitive form of book-keeping that individuals use to keep track of expenses and control consumption" (Cheema and Soman 2006). How people frame any particular expenditure in terms of self-constructed budget categories has been found to significantly influence resulting behavior. According to the CSGVP, another of the most common responses from donors as to why they do not give more is that they cannot afford it. Qualitative research has suggested that donors may allocate their gifts to different mental budgets depending on the extrinsic or intrinsic philanthropic nature of the gift (Stinson and Howard 2009). This research conceptualizes that targeting different mental budgets can make more resources salient to the donor when making a gift decision. Subsequently, an increase in salient resources may increase giving, overcoming the "I can't afford it" barrier.

The integration of donor motivations, incentives and mental budgeting produces five propositions that are offered to guide future research:

1. By targeting multiple mental budgets of a donor, a non-profit organization can increase the donor's perceived capacity to give.
2. If perceived capacity to give can be increased, it will result in additional and/or larger gifts to the non-profit organization.
3. Organizations can provide incentives directed at different motives in an attempt to secure gifts from donors out of different mental budgets.
4. Using incentives to target multiple donor motives leads to increased giving and/or retention of donors.
5. Donor motives, and as a result the potentially effective incentives offered by organizations, change as the donor develops more experience and/or involvement with the organization.

Research on these propositions will be the first to examine donor motives, incentives and mental budgeting in the same study. Academically, the research will contribute by integrating previously independent research streams. The practical application of the research findings will help nonprofit organizations better attract and grow donors, increasing the level of fundraising support available.

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## LIFE IS GOOD: AN EXPLORATION OF COMPASSIONATE MARKETING

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### ABSTRACT

Consumers spend more on socially responsible products and services than ever before (Laroche, Bergeron, and Barbaro-Forleo 2001). The recent boom in such products and services is fueled by a reciprocal relationship between consumers and corporations: consumers expect, and reward, a greater degree of ethics and socially responsible (CSR) from corporations thus reinforcing firms' commitment to engaging in these practices (Harrison 2003). Such practices, embodying "corporate compassion," may serve as strategies designed to garner consumers' commitment to certain brands of products, and consumers with a high degree of belief in the corporation's products/ service and compassion-related goals may serve as the corporation's informal 'marketers.'

In the current marketplace, many companies engage in CSR activities and inform consumers of their efforts through various marketing practices. We posit that corporations exhibiting a high degree of compassion take these phenomena a step further to involve the consumer in the pursuit of the company's social goals. This emphasizes shared and co-produced value of the firm and allows consumers to make a difference in society through their involvement. We examine one firm's compassionate marketing efforts, TOMS Shoes, with its unique one-for-one model where one pair of shoes is donated for each pair sold.

CSR entails corporate actions that further the needs and goals of various stakeholders, including employees and consumers, beyond those necessitated by legal regulations (Waldman et al. 2006). Current CSR efforts are fueled by 'enlightened self-interest,' whereby social responsibility is deemed an investment in the corporation's long-term competitiveness and viability (Varadarajan and Menon 1988). CSR activities also produce a "halo effect" whereby consumers transfer positive associations to unrelated judgments about the brand or company (Klein and Dawar 2004).

Corporations may use Cause-Related Marketing (CRM) and values-based marketing (VBM) to inform consumers of their CSR efforts. CRM entails a firm funding a particular cause when consumers engage in monetary transactions with the corporation (Varadarajan and Menon 1988), and VBM is undertaken by firms' whose core values are closely aligned with their business strategy (e.g. Ben & Jerry's and the Body Shop whose business strategies are aligned with environmental and animal rights values). The most effective CSR strategies link CSR practices to the firm's overall strategy; however, many corporations participate in one-time CSR efforts, or those that are misaligned with their mission and vision (Porter and Kramer 2005). Due to the close alignment between the firm's values and business strategy, we contend that VBM extends beyond typical CSR efforts and is in the realm of what is advocated by Porter and Kramer (2005).

To illustrate, a company engaged in compassionate marketing should strive to occupy the consumers' minds, hearts, and spirits through its mission, vision, and values (Kartajaya, 2009). Such a firm delivers profits but also engages in responsible and sustainable business practices such as TOMS, a for-profit social enterprise, which was founded to address a social need. With a zero dollar advertising budget TOMS utilizes a one-for-one mission and model that tap into the hearts and minds of consumers to the point that they advocate on behalf of the company and spread the word about TOMS shoes and in essence their sociable responsibility objectives.

However, further exploration is necessary on the way firms' CSR oriented messages influence consumers and vice-versa. We present a model of how corporations connect with consumers through CSR practices (to perhaps create social movements) to garner benefits for the firm and wider society. Our model features four components: *Corporation Attributes* (includes corporate values, social goals, mode of sharing information (e.g., social media), *Consumer Attributes* (including social responsibility values, advocacy), *CSR Endeavor Features* (including impact, type of CSR effort), and *Environmental Factors* (including media coverage). This model may be utilized to explore the way firms' socially responsible practices influence consumers, and vice-versa, to answer questions including whether consumers respond better to certain types of social missions/ practices over others, and the effect that consumers' informal advocacy has on the company's triple bottom line.

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## **OPTIMAL PRICING IN TIERED MARKETS**

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### **ABSTRACT**

One explanation for the phenomenon of asymmetric inter-tier competition is based on the notion of price–quality trade-offs. In this article, we extend the framework to derive new results for differential pricing strategies for brands in different tiers and demonstrate these results for different market configurations. The article makes two unique and important contributions. First, the article derives and demonstrates several pricing strategy implications that are useful for academic researchers and marketing managers. Second, this research extends the theoretical explanation to realistic market configurations consisting of more than two brands.

References Available on Request.

## METHOD VARIATION IN CALCULATING PERCEIVED CHANGE

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### ABSTRACT

Prompted by literature findings suggesting that error attributed to measures used in generating retrospective change reports are excessive, this paper explores error caused by methods that individuals use for calculating change retrospectively. According to Dowling (2001) simple, common-sense ideas of how to measure change in marketing settings can often result in ambiguous and possibly incorrect conclusions being drawn. Assessing change via longitudinal studies appears to allow a straightforward comparison to take place. However, it is difficult to establish whether the observed change is *alpha*, *beta* or *gamma* type change (Golembiewski *et al.*, 1976). That is change in scores may be due to change in attribute level (*alpha*), recalibration of the measurement (*beta*) and/or change in construct meaning (*gamma*). Cross-sectionally, one type of retrospective design uses ‘*retrospective pretests*’ administered at the end of the intervention (treatment); at the same time and often on the same form as posttest ratings (Hill and Betz, 2005). Another design asks respondents to report ‘*perceived change*’ retrospectively, which may (or may not) be the result of an intervention (Lam and Bengo, 2003).

Despite the potential problems with the longitudinal measurement of change, the overwhelming conclusion is that in contrast to ‘*pretest-posttest*’ designs (Byrne and Crombie, 2003), the “use of retrospective accounts in management research needs to be seriously questioned” (Golden, 1992:857). Nevertheless, proponents of longitudinal designs argue that the validity concerns inherent in retrospective data result in unacceptable levels of measurement bias; proponents of retrospective designs argue that response shift bias (i.e., *gamma* change) poses a greater problem than self report bias.

Given that there is limited research into the intricacies of measuring change retrospectively, the popularity of retrospective reports, and that findings suggesting error attributed to informant fallibility is not excessive but error attributed to measures used in generating the retrospective reports is excessive (Miller *et al.*, 1997), this paper investigates method variation in calculating change without taking into consideration the accuracy of recall. To examine the impact of method variation in calculating perceived change, two studies have been conducted.

The first study identifies the different calculation methods used by respondents. It identified four methods for calculating change – initial-base (time<sub>1</sub> as a base for calculating change in all subsequent time periods), re-base (time<sub>n-1</sub> as a base for calculating change in time<sub>n</sub>), cumulative (change in all previous time periods included in the change calculation for the current time period) and adjustment (change in previous time period used as the base for change in the current time period). Re-base and initial-base methods were most frequently used in study 1. The purpose of the second study (of 274 respondents), was to a) examine respondents’ choice of method from those identified the first study b) assess contextual influences, and c) establish the extent to which methods were considered correct. Re-base and initial-base were the most frequently used methods for both paper-based calculations (78%) and mental arithmetic (75%), 63% used the same method for both. Respondents did not generally consider all methods to be correct.

These findings indicate that in reporting percentage change there are validity threats stemming from the calculation methods that are used; method variation is a source of bias when calculating change retrospectively. Recalibrating scores could remove this source of bias, but *only* when the calculation method used is known. This paper provides evidence that part of the complexity of measuring change retrospectively rests with computational diversity. However, many other aspects of change measurement still require investigation.

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# **THE IMPACT OF STRATEGIC CHARACTERISTICS, AND MARKET POPENTIAL ON BORN GLOBAL FIRMS' CHOICE OF ENTRY MODE**

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## **ABSTRACT**

Entry modes are regarded as central aspect of international business. They represent one aspect of the firms' international strategy, and at times can have a substantial impact on different aspects of the strategy. They are even more crucial to young and inexperienced firms entering the international arena, such as Born Global (BG) firms.

BGs are defined as firms that become international soon after inception. Having a strong global orientation, the subject of the international operation, and specifically the entry mode choice, of BGs becomes a major force potentially impacting their performance and survival. While some aspects referring to BGs' internationalization have been studied, research regarding the factors that impact their entry mode decisions is fragmented, focusing mainly on the facilitating factors for their inception.

In the context of gradually globalizing firms (GGs), previous research addressing antecedents of international operations, illustrated mainly two factor groups, external and internal. External factors refer to environmental conditions, and internal factors focus on the firms' characteristics and capabilities. Based on this concept, we attempt to further the understanding of BGs international strategy, and the factors influencing it.

The purpose of this paper is to explore the impact of firms' strategic characteristics, and market potential on Born Globals' choice of using low vs. high commitment entry modes. Empirical data gathered from 107 Born Globals in the Israeli high-tech industry indicates that strategic characteristics as well as market potential have a strong impact on Born Globals' choices of using low commitment entry mode.

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# THE PERSISTENCE OF BRAND VALUE AT COUNTRY, INDUSTRY AND FIRM LEVELS

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## ABSTRACT

Since the 1980s an emerging trend of growing foreign markets has pushed multinational corporations (MNCs) to introduce branded products on a global basis. Brand management has been considered as a necessity of benefiting from scale and scope economies across borders because of increasing global competition. What drives international marketing strategy in MNCs? What determines the success and failure of brands around the world? These are some of the most fundamental questions confronting the international business and international marketing fields. Thus, identifying the sources of a brand's added value to improve the efficiency of marketing activities has long been of central interest to international marketing and consumer behavior researchers since the 1990s. Although the current study conceptualizes the drivers of long-term brand value in the context of Interbrand's brand valuation formula, a study dedicated to persistent analysis on the determinants of long-term brand value has not yet been proffered.

Studies of persistence, the convergence process, on firm performance have been a key theoretical and empirical issue in the fields of industrial organization economics (IO) and resource-based view of the firm (RBV) since the 1970s. Although both the IO and RBV demonstrate the existence of industry and firm effects on firm performance, the variance components studies have different perspectives about explaining the sources of firm performance that vary from the norm. Although studies of persistence have significantly advanced our understanding of the antecedents of firm profitability, they have tended to focus on firms with diversified business segments in a single country context (i.e., the United States), treating country effects as external to firm performance. Recognizing the contributions of IO and RBV to competitive advantage, scholars have highlighted the importance of economic, political, social, cultural, and institutional differences across countries and claimed that countries do matter in explaining the variation in behavior and performance of MNCs in the field of international business and international management. While some have found important differences across countries in the extent to which profit differences persists and shifted the focus of research from multiple-business firms within a single country to MNCs to explore the extent to which country effects explain the variation in the performance of foreign affiliates, few researchers compare persistence rates across countries in the international competitiveness especially when the globalization of markets has raised questions about the influences of national environments, including the impact of national cultures, and the appropriateness of domestic industrialization policy toward competition. Therefore, this study examines whether country effects explain more variation in the persistence on firm performance with respect to industry and firm effects.

Brand value is a measure of the output from a series of brand investments and initiatives not only from financial and economic perspectives, but also from marketing perspective over a long period of time. Acknowledging the increasing important role of brands, this study therefore uses brand value as the performance measure to reflect the true value of brand assets that have direct shareholder value impact not only from economic profit but also from branding and marketing perspectives. In light of these important performance connections, exploring the persistence of brand value differences among firms is a salient issue in international marketing and strategic management research. Therefore, this study uses brand value as performance measure to estimate relative persistence rates and test hypotheses on incremental country, industry and firm effects in the context of Interbrand's brand valuation formula.

A persistence partitioning model is fitted to a new data set, and findings indicate that each effect is able to generate positive incremental benefits on brand value. Our results also show that each incremental firm, industry and country effects have an equal persistent impact on brand value. This study concludes with a discussion of the results and offers some implications to international marketing strategy. First, since country, industry and firm effects are equally important to long-term brand value, the findings can gain insight into how these factors associated with international marketing strategy may compare with the other strategic options that firms pursue to improve their competitive positions in the domestic and foreign markets. For example, various researches on MNCs' global marketing strategies provide the consistent evidence of the deployment of standardized marketing strategies. Second, the concept of strategic fit asserts the importance of matching international marketing strategy to the context in which the firm operates.

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# THE ROLE OF ENTREPRENEURIAL ORIENTATION IN OVERCOMING KNOWN AND UNKNOWN BARRIERS TO ENTRY IN FOREIGN MARKETS

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## ABSTRACT

It is often recommended for multinational corporations (MNCs) to adopt an Entrepreneurial Orientation (EO) as this can be valuable for effective foreign entries. In this research, however, we assert that the role of EO in the success of foreign entries is contingent on the entry situation, especially the type of entry barrier the MNC is facing. In this study we look at two types of entry barriers, those that are known prior to entry and those that are unknown. Prior research has typically focused on known barriers, those that are expected prior to entry, such as cultural distance, economic distance or competition in the foreign market. The topic of unknown, unexpected barriers has been understudied. Our key contribution therefore is the study of both known vs. unknown barriers of entry as moderators to the EO-foreign entry success relationship.

The known barrier we study is cultural distance. Since cultural barriers are known and can be planned for ahead of time, a stronger EO is expected to facilitate the ability of MNCs to correctly identify and assess the best opportunities in countries with high cultural distance, having a direct effect on foreign entry success. The unknown barrier we study is encountering unanticipated events during entry. In this situation, we expect the capability of firms to adapt marketing programs to the new market to be more important than EO.

Based on a study of 248 U.S. MNCs we offer three findings: (1) when cultural barriers are known, a stronger EO has a direct effect on foreign entry success. (2) This effect diminishes when there is cultural proximity between home and foreign countries as the benefits of EO are less likely to matter. (3) Following unanticipated events we find that EO no longer has a direct effect on foreign entry success. In this situation, EO's impact on foreign entry success is mediated by the capability of firms to adapt their marketing activity (MNC adaptation) to the new unexpected conditions.

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# **MENTAL ACCOUNT MATTERS IN PLANNING C2C ON-LINE RESALE: THE INFLUENCE OF ENDOWMENT EFFECT**

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## **ABSTRACT**

This paper highlights a change in consumers' role from buyer to reseller in a growing trend of consumer-to-consumer online resale and discusses the economic psychology under different types of mental accounts when consumers make a resale-aimed purchase. Study 1 investigates how mental accounts will influence consumers' value assessment and expected resale profit before the purchase for online resale and discovers that topical account yields the highest perceived online resale value but comprehensive account calls for the highest desired resale profit. Study 2 examines how endowment effect may moderate mental account effect on consumer resellers' desired profit and the result indicates that consumers' desired profit displays the greatest difference across the conditions of high and low endowment effect when a topical account is applied. The implications of the findings are further discussed.

## **INTRODUCTION**

The trend that consumers participate in C2C e-commerce, either practically or wishfully is on an astounding rise. Harris Interactive surveyed 2,033 U.S. adults aged 18 and older before the 2008 Christmas holidays and disclosed that as high as nearly 42 percent of respondents have thought about re-gifting or reselling gifts (eBay Press Release, December 15, 2008). The above reports indicate a growing trend of C2C online resale, however, the academic inquiry with regard to how consumers turn their roles into sellers and the underneath entrepreneurial psychology is limited. In a qualitative study with consumers who have resold used or unused goods on the Internet, Chu and Liao (2007) highlighted consumers' emerging role as both buyer and reseller in C2C online auctions, and named these consumers as "consumer resellers". As they compared, the key difference between consumer resellers and general retailers resides in whether the initiative of buying or acquiring is for self-use. While consumer resellers may participate in divestment-type of online resale for both monetary (e.g., making fringe money) and non-monetary motives (e.g., social engagement or recycling) (Chu and Liao 2007), an increasing number of them have established own profit model by deliberately planning the online resale through purposive extra buying (i.e., some for self-use and some for resale) or short-period product use coupled with market research (Chu and Liao 2007). The planned online resale involves two important phases: acquisition with a resale plan (making a resale-aimed purchase or acquisition) and resale with desired profit (reselling online right away or after temporary ownership), which have gone beyond the conception in traditional consumer buying and disposition.

The twist of consumers' role from buyer to reseller and further to planned reseller is unprecedented and calls for a great need to investigate consumer resellers' minds when they engage in and develop a plan to resell. For instance, drawing on mental accounting theory, Shafir and Thaler (2006) demonstrated that some consumers deem advance purchase as investment rather than spending. The advance buying behavior studied by Shafir and Thaler analogizes to consumer resellers' planned purchase behavior. Although the advance buying in Shafir and Thaler's work is not aimed for resale, but their study lends one valuable viewpoint that purchase for future resale has to do with consumer resellers' perspective of the planned purchase and the prediction and expectation of the resale outcome.

Moreover, consumer resale-aimed purchase is still largely based on self-use choice preference; it may cause endowment effect from product possession. The endowment effect describes the psychology of which people are attached to the products they own and therefore are reluctant to forego their possession (Thaler 1980). However for resale after temporary ownership, the endowment effect could vary depending upon how determined the reselling goal has been planned and upon the time length of ownership and the degree of attachment to the possession. As suggested by Ariely, Huber, and Wertenbroch (2005), studies of endowment effect could be examined in sellers' view in that sellers bearing on a selling goal may perceive the trade differently.

## **RESEARCH PURPOSE**

For the above issues, despite a growing interest in consumer online resale research (e.g., Chu and Liao 2007, 2009), it remains unclear about how the predicted outcome frames (i.e., minimal account, topical account, and comprehensive account) will alter consumer resellers' perception and expectation and if there exists endowment effect associated with short-term ownership of the

resold goods. Thus, this study intends to uncover the possible mental account effect and endowment effect in the C2C planned online resale context in two studies.

## STUDY 1

Study 1 investigates how different types of mental accounts may frame consumer resellers' economic psychology indicated by value perception and desired profit toward an expected resale on the Internet when the resale is planned at the time of purchase.

### Hypotheses Development

Ranyard et al. (2001) proposed that topical account provides a specific external reference price; whereas comprehensive account marks a general external reference price. External reference prices are found to positively link to consumers' value perception (Urbany et al. 1988). Therefore, we believe that mental accounts would affect consumers' perceived online resale value. By applying the mental account concept, when consumers make a resale-oriented purchase, they naturally are caught by products of attractive prices as a topical option and treat the price offers as increases in savings. Minimal account presents a trade-off between price reduction (payment savings) and traveling time (transaction cost) (Kahneman and Tversky 1984). In the situation of comprehensive account, due to a broad consideration over purchase costs of other products or budget constraints, consumers may withhold purchase or consumption of specific items (Heath and Soll 1996).

It is inferred that perceived online resale value will be higher when consumer resellers purchase for resale in terms of topical account than in the other two types of mental accounts. By concentrating on one topical product rather than other factors (e.g., time or budget), making a value assessment is relatively easier for consumer resellers. By contrast, the resale evaluation of consumer resellers in minimal account is contingent on the trade-off between money and time, which leads to a pending situation in their resale value perception. It is predicted that consumer resellers who apply a comprehensive account will have the lowest perceived online resale value for the confinement of value assessment based on budget constraints and for a more thorough check-up and contemplation of price savings in terms of overall offerings (i.e., prices of jacket and calculator). As a consequence, Hypothesis 1 is proposed as follows.

H1: Perceived online resale value will be the highest when consumer resellers use topical account compared to when they use minimal account or comprehensive account for resale-aimed purchase decision making.

When it comes to the time of resale as it has been planned, consumers normally look for closing the account with a positive outcome, i.e., a profit gain. Therefore, consumer resellers' desired profit can be referred as the monetary amount that can close a mental account of an investment at a positive outcome. When a purchasing decision is made with a topical account, price reduction of the topical product is taken as an external reference price; hence, desired profit will be anchored around monetary savings. When a minimal account is applied, consumers will set a desired profit level not only higher than the external reference price but also to cover the costs spent in time and efforts. When the purchase decision is associated with a comprehensive account, in addition to the external reference price (price reduction), consumer resellers' broader set of internal reference standards (e.g., time cost, monetary return rate, inventory level, available funds and etc.), that are associated with the advance buying for investment will be also a pivotal basis of resale pricing. Therefore, we posit the following.

H2: Consumer resellers will ask for a highest desired resale profit when they use a comprehensive account for resale-aimed purchase decision making than using either a topical account or a minimal account.

### Method

Study 1 employed a between-subjects experimental design to respectively manipulate the three types of mental account information into a scenario in which the respondents are told to imagine that they are buying a product for self-use with a plan to resell the item on the Internet in the near future. A utilitarian product (down jacket) and a hedonic product (handheld game console) were used for a replication purpose. One of the six web versions of questionnaires under a 3 (mental account: topical/minimal/comprehensive) x 2 (topical product: handheld game console/down jacket) experimental design were randomly assigned to the participants when they registered to participate in the study. Each questionnaire contained three parts: (1) instruction, product flyer, and the scenario with the mental account manipulation, (2) manipulation check and dependent measures, and (3) personal information. In total, 410 valid responses (185 males and 225 females) were obtained.

## Results

All mental accounts appeared with the intended manipulation as indicated in the results of manipulation check. Consistent to our prediction, a main effect of mental account was found on perceived online resale value for both down jacket ( $F=33.87, p<.001$ ) and handheld game console ( $F=25.93, p<.001$ ). In both cases, topical account (Down jacket:  $M=5.44$ ; Handheld game console:  $M=5.21$ ) led to higher perceived online resale value than either comprehensive account (Down jacket:  $M=4.04$ ; Handheld game console:  $M=3.85$ ) or minimal account (Down jacket:  $M=4.68$ ; Handheld game console:  $M=4.37$ ). Also, a post-hoc test revealed significant differences in perceived online resale value between topical account and minimal account (down jacket:  $p<.001$ ; handheld game console:  $p<.001$ ), between topical account and comprehensive account (down jacket:  $p<.001$ ; handheld game console:  $p<.001$ ), and between minimal account and comprehensive account (down jacket:  $p<.001$ ; handheld game console:  $p<.05$ ). Hypothesis 1 is supported.

An overall significant main effect of mental accounts on consumer resellers' desired resale profit was also found (down jacket:  $F=23.88, p<.001$ ; handheld game console:  $F=16.65, p<.001$ ). As indicated in the post-hoc tests (down jacket:  $p<.001$ ; handheld game console:  $p<.001$ ), consumer resellers' desired resale profit in comprehensive account (Down jacket:  $M=\text{NT}\$596.40$ ; Handheld game console:  $M=\text{NT}\$678.64$ ) is significantly higher than it is in either minimal account (Down jacket:  $M=\text{NT}\$385.52$ ; Handheld game console:  $M=\text{NT}\$500.59$ ) or topical account (Down jacket:  $M=\text{NT}\$357.40$ ; Handheld game console:  $M=\text{NT}\$413.86$ ). Hence, the effect of mental accounts on consumer resellers' desired profit was also as predicted. Hypothesis 2 is sustained. Overall, hypotheses 1 and 2 are confirmed for both hedonic and utilitarian products.

## STUDY 2

For planned resale that comprises of extra purchase for resale and resale after temporary ownership, consumers play the roles of buyer and seller simultaneously, that is, buying while expecting to resell (Chu and Liao 2009). In this case, the endowment effect is subject to the clarity of the selling goal, the time length of ownership and the degree of attachment to the possession. As proposed by Ariely et al. (2005), salience of information with regard to sellers' goal could provide a cognitive frame to alter decision making on selling. Aforementioned case showed endowment effect exerts influence on the twist of consumers' role from buyer to reseller. Extending the observation of Ariely et al. (2005), study 2 examines if endowment effect may moderate the effect of mental accounts when consumers purchase and own a product which has been planned for a later online resale.

### Hypotheses Development

In the budgetary condition, under a comprehensive account, once consumer resellers have made the resale decision on possessed items, the unsold products could be treated as an inventory or a loss. To consumers who purchase products for investment through a full pre-purchase consideration, the losses that incurs from dull sales are relatively unbearable. At this time, the primary goal for consumer resellers who use a comprehensive account is to sell out all the products and close their mental account with a net gain. Consumer resellers' budgeting with a minimal account accentuates on the trade-off between money savings and time spent. In order to easily regain the psychological comfort, when reselling, consumer resellers will go for a break-even pricing, or a selling price slightly higher to recoup the sunk costs in exchange for a faster recovery rather than a long delay (Siemens 2007). In a topical account, consumer resellers do not set a budget and only consider the subjective value of the topical product (Kahneman and Tversky 1984; Ranyard et al. 2001). Therefore consumers' desired resale profit level should be mostly dependent upon their attachment to the products.

In sum, consumer resellers in a topical account are predicted to evaluate products with subjective value perception and ask for a larger compensation to abandon their possession, which in turn augments the difference in desired resale profit between the conditions of low and high endowment effect. By contrast, the focus of consumers in a minimal account is on a fast recouping of sunk cost, which may then diminish the difference in desired resale profit between the two endowment effect conditions. Finally, under a comprehensive account, consumer resellers aim to release the budget constraint and make a net gain from online resale. Thus, their desired resale profit level is expected to be relatively constant across the two conditions of endowment effect. Therefore, we propose the following hypothesis.

H3: The effect of mental accounts on consumer resellers' desired resale profit is moderated by endowment effect. Specifically, consumer resellers in different level of endowment effect will show greater difference in their desired profit when using a topical account than using either a comprehensive account or a minimal account.

## Method

Study 2 used a 3 (mental accounts: topical/minimal/comprehensive) x 2 (endowment effect: high/low) x 2 (topical product: down jacket/handheld game console) mixed factorial design. Endowment effect was manipulated as a within-subject variable in order to assess the difference in resale profit for the same individual in different endowment effect conditions. Following the same sampling procedure in Study 1, a convenience sample of 419 (187 males and 232 females) participants were recruited.

## Results

For all versions of experiment with different combinations of mental account and product type, the results of manipulation check revealed that the willingness to sell in high endowment effect condition is significantly lower than it in the condition of low endowment effect (down jacket:  $t=3.87$ ,  $p<0.001$ ; handheld game console:  $t=6.48$ ,  $p<0.001$ ). A two-way ANOVA was further conducted to examine the interaction between mental account and endowment effect and it showed a significant main effect of mental accounts on consumer resellers' desired profit (down jacket:  $F=20.44$ ,  $p<.001$ ; handheld game console:  $F=20.72$ ,  $p<.001$ ). It was found that the endowment effect does moderate the effect of mental accounts on consumer resellers' desired profit (down jacket:  $F=8.87$ ,  $p<.001$ ; handheld game console:  $F=4.52$ ,  $p<.05$ ). Planned contrast results further illustrated that consumer resellers' desired resale profit levels between the two conditions of endowment effect are significantly different and the difference is most prominent in a topical account than either in a minimal account for both products (down jacket:  $F=14.67$ ,  $p<.001$ ; handheld game console:  $F=10.83$ ,  $p<.001$ ) or a comprehensive account (down jacket  $F=11.73$ ,  $p<.001$ ; handheld game console:  $F=2.84$ ,  $p= 0.09$  at marginal significance). Still, the resale profit difference in topical account is greater than it in comprehensive account. Hence, Hypothesis 3 is supported.

## GENERAL DISCUSSION

In light of the rising trend of C2C online resale, this paper underlines the interesting new role consumers are adopting to be a seller who is capable of planning a purchase for online resale. Consumers' expectations of resale outcome in relation to the upfront buying decision in different mental accounts are discussed and examined. The results of the two studies validated that the type of mental accounts is able to frame consumer resellers' decision making and value assessment for both buying and selling. Specifically, we found that perceived online resale value is the highest in a topical account, whereas the desired resale profit is the greatest while using a comprehensive account for budgeting (Study 1). Extending the work of Ariely et al. (2005), we also confirmed that endowment effect moderates the mental budgeting under different types of mental account on desired resale profit (Study 2). In particular, the moderating effect is most evident in the condition of a topical account under which consumer resellers ask for a much higher resale profit to resell a product when they are highly attached to the product.

Our research provides several theoretical and practical implications to consumer behavior. First, past studies only examined the relationship between mental accounts and purchase intention in brick-and-mortar channels. Results in our studies extend the current knowledge of mental accounting principle to a C2C e-commerce domain. Second, our findings further illuminate the mental accounting principles by the breakthrough that reveals the difference among topical account, comprehensive account and minimal account in affecting consumers' online resale plan. This illumination not only provides insights into the economic psychology of consumers' planned resale but also bridges the gap in the knowledge about consumers' new role as a seller. Third, this research investigates the situation in which consumers act as both buyer and reseller simultaneously and how the dual roles may affect consumers' mental accounting under endowment effect. We manifest that consumer resellers tend to care more about product resale value than the price they pay for the acquisition, and consequently they are willing to invest and resell products at a higher resale profit when the deal is thoroughly conceived. The preceding implications shed lights on consumer economic psychology in an online resale context, suggesting that marketers could employ a different promotional appeal than the conventional ones by stressing the resale value of products to increase consumers' procurement intentions

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# THE IMPACT OF CONSUMER NOSTALGIAS AND SELF CONCEPT ON BRAND EVALUATIONS

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## ABSTRACT

Even though the uses of nostalgic appeals in marketing are seen on the rise, research on nostalgia marketing remains scarce and researchers and practitioners generally disagree on the best approaches to take with nostalgia marketing (Bussy 2008). Many marketers use nostalgic appeals in marketing as a fresh approach to grab consumer attention and emotionally connect advertised brands with consumers (Naughton and Vlastic 1998). The typical approach of nostalgia marketing has been simply juxtaposing nostalgic symbols (e.g., words, images, and music) with promoted products and counting on the positive nostalgic feelings aroused to benefit the advertised products. Indeed, research found that nostalgic cues in ads could trigger positive thoughts and result in positive attitude toward both the ads and the advertised brands (Muehling and Spratt 2004; Pascal, Spratt, and Muehling 2002).

Nevertheless, other marketers view the use of nostalgia marketing as a minefield and call for extreme caution in employing the tactic because the use of nostalgia marketing could potentially undermine years of brand heritage (Crain 2003). 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; Stern 1992). Furthermore, research shows that not all segments of consumers have the same amount of appetite for nostalgic appeals in marketing. For example, some consumers can be categorized as low in nostalgia proneness (a personality trait) and are defiant to nostalgic impulse (Holbrook 1993).

Researchers have theorized that consumer nostalgia experience functions fundamentally to fulfill consumers' basic needs of self idealization and self affirmation through recollecting, reliving, and even actively reconstructing a prime past (Belk 1990; Stern 1992). Imaginably, as individuals' self idealization goals differ, so do their nostalgia experiences. Thus, one fruitful approach to unearth the rich implications of consumer nostalgia for marketing might start with making refined differentiation consumer nostalgias experience in the light of consumer self idealization process. Then, marketers can tailor a specific nostalgia appeal to a particular segment of consumers to connect with consumers at a more intimate and meaningful level that goes beyond a simple warm feeling.

In this research, we seek to explore two different types of nostalgia experience that might be activated by consumer brands: individual nostalgia appeal (i.e., yearning for a personal past prime time) and collective nostalgia appeal (i.e., yearning for a heyday of a generation, a culture or a nation) (Baker and Kennedy 1994; Holak, Matveev, and Havlena 2008). Furthermore, we studied how marketers can connect their brands with target consumers in a unique and meaningful way to boost promotion effectiveness by aligning the brand-evoked nostalgia to consumers' self concept: the independent and the interdependent (Markus and Kitayama 1991). We propose that brands evoking individual nostalgia will be evaluated more favorable by consumers who have a dominant independent self concept, whereas brands evoking collective nostalgia will be evaluated more favorable by consumers who have a dominant an interdependent self concept.

We test our propositions in the context of revitalization of Chinese time-honored brands through nostalgia marketing. Our main experimental study employed a 2 (brand-evoked nostalgia type: individual vs. collective nostalgia) x 2 (self concept: independent vs. interdependent) between subject factorial design. Nostalgia type was manipulated by presenting subjects with the two brands selected in the pre-tests. The brands were presented to the subjects with a brief brand history, brand logo, and a Time-Honored Brand Certificate from the Ministry of Commerce of China. The self concept was measured using the Singelis' (1994) Self-Construal Scale and subjects were divided into either an independent self group or an interdependent self group. Main dependent measures include the brand attitude, the purchase intentions, and the brand and self image fit. A total of 113 undergraduate students from a major university in southern China participated in the experiment for course credits. Supporting our hypothesis, ANOVAs revealed significant interaction effects between nostalgia type (individual vs. collective) and self concept (independent vs. interdependent) on all the dependent measures (all  $p < .01$ ).

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# CONFIDENCE IN ORDINAL JUDGMENTS: ROLE OF CONSUMER METACOGNITION AND IMPLICATIONS FOR BAYESIAN UPDATING

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## ABSTRACT

Consumers often make ordinal judgments regarding product performances based on product ranking information. Using a consumer metacognition theoretical framework, we examine how such product ranking information in different formats might influence consumer confidence in their ordinal judgments, and the extent to which they are consistent with the normative Bayesian model.

To reduce the uncertainty of product purchase decisions, consumers frequently resort to product rating information provided by third-party rating agents. Such rating agents and rating information are ubiquitous in the marketplace, ranging from stock rating by financial institutions, movie rating by film critics, product rating by consumer reports, product safety rating by government agencies to product ratings posted online in blogs by individual consumers. In this research, we attempt to examine how consumers might process such information about product rating and source accuracy, how the updating of their confidence in ordinal judgment might be influenced by the data format, and whether their updated judgments would be consistent with a normative Bayesian model or an averaging model.

In Study 1, we found support for our hypothesis that consumers would have updated judgments consistent with Bayesian predictions, for frequency data but not for percentage data. Study 2 showed that highlighting data distinctiveness enhances belief updating for percentage data, but does not make a difference in the case of frequency data. Finally, Study 3 showed that the results of Study 1 hold when the data are presented in consistent frames, but not in alternative frames.

Prior research has found apparently inconsistent results regarding whether people are intuitively Bayesian while updating beliefs for sequential data. These results can be explained by the data format used in a particular study. Based on the results of the present research, it is not surprising that studies finding support for an averaging model (e.g., Bar-Hillel 1980) used percentage data formats in their scenarios while studies claiming that humans can be intuitively Bayesian, used frequency formats (e.g., Gigerenzer and Hoffrage 1995). Our arguments, driven by a metacognitive framework, propose that consumers use different algorithms (e.g., averaging versus hypothesis-testing) for processing data in different formats (e.g., percentage versus frequency). In terms of practical implications, our findings would suggest that both marketers and regulators need to be careful about the appropriate data format to use. For instance, if consumers have unnecessarily heightened apprehensions regarding flying, use of percentage data to present negative outcomes might be a better approach as such an approach would lead to more conservative judgments, and hence reduce the biased perceptions. In contrast, if consumers have self-positivity bias for an outcome (e.g., drinking and driving), then use of frequency formats for presenting negative outcomes might be more appropriate, in order to ensure updated beliefs that are consistent with normative levels.

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## ASSESSING RETURN ON MARKETING CONTACTS IN B2B MARKET

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### ABSTRACT

For two reasons, Business-to-Business (B2B) marketers face greater challenges in measuring return on marketing investment than Business-to-Consumer (B2C) marketers. First, business buyers have an irregular purchase pattern. Second, marketing efforts take a longer time to build a business relationship. The purpose of this research is to capture the effect of marketing contacts such as direct mailings and telephone calls on buyer-seller relationships with heterogeneous buyer responses. Previous literature captured the effect of marketing contacts on buying behavior through a Hidden Markov model (Netzer, Lattin, and Srinivasan 2008). However, existing models are not able to capture heterogeneous marketing response parameters. This research developed from the above literature but has distinguishing features. First, marketing response parameters are heterogeneous across buyers. Allenby and Rossi (1999) suggest that uncertainty in individual level estimates should be incorporated, so that the marketers can make decisions based on customer differences. Second, this paper gives an in-depth examination of buyer-seller relationships in a business context. Third, this research provides detailed justification as to the reasons a Bayesian Hidden Markov model should be used and introduces the preferred approach of forward-backward method in Bayesian Hidden Markov model literature. Fourth, the hidden states are recovered through a forward-backward algorithm (Chib, 1996).

The Hidden Markov Model is composed of three parts: the initial probability, the transition probability, and the emission probability. The initial probability is captured by finding the stationary distribution. We suggest the transition probability between states is modeled through a logistic model. In this specification, we assume that the marketing response parameters are no longer the same across all customers but instead heterogeneous among customers. Furthermore, we assume that the marketing response parameters are a function of employment size and grand sales. Lastly, we need to find the distribution of the emission probabilities: the probabilities of observed purchase behavior given relationship states. We formulated the emission probability as Kumar, Sriram, Luo, and Chintagunta (2009).

To estimate the model, we need to simulate the parameters in different stages. Step 1: Simulate the right relationship states from Chib's (1996) Forward-Backward Method. Step 2: Simulate marketing contacts response parameters in the transition matrix. Step 3: Simulate the response parameters to firm level variables in the marketing contacts function. Step 4: Simulate the variance – covariance matrix for the marketing contacts function. Step 5: Simulate the threshold values; Step 6: Simulate the endogeneity parameters. Step 7: Simulate the state specific parameters in the emission distribution. Step 8: Simulate the latent utilities of purchasing hardware and software. Step 9: Simulate the marketing response parameters in the emission distribution. Step 10: Simulate the variance-covariance matrix for the emission distribution.

In conclusion, practitioners can gain insight in learning how individual customers respond to marketing contacts through relationship transitions. Using this information, firms can customize offers at the individual level depending on the individual parameters for the marketing contacts on transition force. Moreover, through our Bayes approach, we are able to better recover hidden relationship states.

Firms can understand what drives a customer in strengthening the relationship or maintaining the relationship at a desirable level, and which marketing tools are most effective. Therefore, our model provides sufficient flexibility so that firms can reach their customers effectively at the individual level. Finally, firms can evaluate the effectiveness of direct marketing tools, such as direct mailings and telephone calls. Direct marketing tools have been proven a useful tool in cultivating business buyer-seller relationships. In summary, through this research, we can understand the roles these tools play in maximizing ROI. However, this research does not account for missing competitor information. Future research should be directed to address this issue. Second, it will be interesting to explore various methods, such as the Verti algorithm to recover the true hidden relationship states. Third, management's subjective beliefs should be provided next time in order to better calibrate a prior distribution.

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# CONSIDERATION-SET RESTRICTION: HOW LIMITED AVAILABILITY AFFECTS CHOICE, ATISFACTION, AND FUTURE INTENTIONS

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## ABSTRACT

This dissertation examines how limitations on the availability of one or more of the alternatives in a consumer's consideration set affect the consumer decision-making process. For an alternative to be considered a member of the consumer's consideration set, the consumer must believe the alternative either is, will be, or was at one time available for choice. Consideration-set restrictions (CSRs) refer not to restrictions on consideration set membership or formation, but rather to limitations on availability once membership is attained. This dissertation will contain four essays which investigate how CSRs affect the last three of these stages of the consumer decision-making process. The research also investigates both the effects of true CSRs, which can be further divided into demand- or supply-based CSRs, and phantom CSRs.

The first essay examines how, in a retail context, relative stocking levels affect both consumers' beliefs about the available alternatives, and their eventual choices among those alternatives. In Study 1 we find that consumers believe that the relatively scarcer item is of greater popularity and higher quality. In addition, we find that perceived popularity mediates preference for the scarcer item (independent of quality inferences). Further, popularity inferences mediate quality inferences, which in turn lead to increased preference for the scarcer alternative (a bandwagon effect). The second study investigates the robustness of the bandwagon effect in the presence of other cues such as quality and popularity ratings. Study 3 investigated if such bandwagon effects would obtain for choices made from repeat purchase categories.

The second essay, which is in the early stages of data collection, examines what happens when consumers who prefer one extreme alternative find that alternative is unavailable. We hypothesize that such restrictions can result in choices of the opposite extreme when all remaining alternatives are near this other extreme. Note that this is contrary to predictions that individuals will choose the closest (most similar) substitute when their preferred option is unavailable. This is expected to hold most often in circumstances where the consumer's commitment to the original extreme alternative is weaker. Conversely, when at least one remaining alternative is relatively closer to the originally preferred extreme (i.e., when there is a close substitute), consumers are expected to choose this alternative.

The third essay focuses on how CSRs, specifically scarcity, affect post-consumption satisfaction. While both supply and demand related causes of scarcity tend to increase the desirability of a product, we hypothesize that product scarcity will negatively influence post-consumption satisfaction when that scarcity is attributed to demand factors. Demand related causes of scarcity are likely to increase inferences of quality, potentially resulting in high expectations for the product. We predict that these high expectations will result in levels of satisfaction lower than those found when no scarcity information is given. Conversely, we predict that product scarcity will positively affect post-consumption satisfaction when the scarcity is due to supply factors. Supply related causes of scarcity are likely to increase the perceived uniqueness of the scarce product, which in turn is likely to make the consumption of that product a more special experience in the consumer's mind, thereby increasing post-consumption satisfaction.

Finally, the fourth essay looks at situations where consumers make choices believing one alternative is unavailable only to later discover that the alternative was in fact available (i.e., the restriction is a phantom). Phantom restrictions share many characteristics with true restrictions; in particular they constrain the consideration set, even if this constraint is artificial. Accordingly, phantom restrictions should affect consumer choices, and the immediate consequences of those choices no differently than true restrictions. However, phantom restrictions differ from true restrictions if consumers later (post-choice) realize that the restriction did not exist. Further, while phantom and true restrictions should affect immediate satisfaction similarly, it is expected that phantom restrictions affect future intentions such as likelihood of returning to the retailer or likelihood of ordering the restricted dish less negatively than true restrictions.

Across four essays, this dissertation examines how CSRs affect the last three stages of the consumer decision-making process. Each essay spans either multiple types of CSRs, or multiple stages of the decision-making process. Collectively, these essays will add to the current literature and our current understanding of the effects of CSRs on consumer's choices, satisfaction, and future intentions.

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# ACCEPTANCE OF REMOTE SERVICES: LONG-TERM ADOPTION OF INTERACTIVE SERVICES AMONG BUSINESS CUSTOMERS

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## ABSTRACT

Good-manufacturers are trying to differentiate themselves by adding services to their portfolio of tangible goods to become “solution providers” (Tuli et al. 2007). But it is not enough for manufacturers to wrap these services around their products as this may lead only to a temporary advantage. They will have to provide smarter services using the full potential of intelligent technology components inside the products (Allmendiger and Lombreglia 2005). The sophisticated technology employed enables services with a high degree of interactivity (Bolton and Saxena-Iyer 2009) that is about to revolutionize traditional remote repair, diagnostics and maintenance services (Biehl et al. 2004). Although manufacturers aim at selling these high-tech services to customers, the introduction to the market faces acceptance barriers (Biehl et al. 2004). Even if customers make a decision to adopt, this often does not lead to the customers implementing business processes of repeated practice. This step is especially crucial for market success, as increases in customer retention result in increased profitability (Reichheld and Sasser 1990) and manufacturers should aim at signing and renewing service contracts (Bolton et al. 2006).

My research broadens the scope of studied drivers for interactive technology-mediated service usage and provides a comprehensive framework to explain both initial acceptance (adoption) and repeated usage (continuance) of interactive remote services in organizations. My approach consists of three major steps: 1) an international qualitative study on general attitudes towards interactive remote services, challenges and barriers; 2) the construction of a new model for explaining interactive remote service usage, and a longitudinal survey study to validate the model; and 3) a multi-group comparison of the drivers of adoption and continued usage.

The qualitative study utilizes 31 depth-interviews with remote service customers and providers in Germany, the USA and China to capture the underlying dimensions of how customers perceive the interactive remote service situation. Based on the findings I developed the Interactive Technology-Mediated Service Usage Model (ITSUM). It allows to study the effect of three different belief groups that potentially explain an organization’s intention to use a service: the (1) perception of the service counterpart (SCP), (2) customer’s willingness to co-produce in the interactive service process, and (3) service technology characteristics. To validate the hypotheses underlying the ITSUM I conducted a longitudinal empirical survey study (n=717) in the German printing industry. The ITSUM has been validated confirming the belief structures identified in the qualitative study. The analysis reveals that the proposed antecedents of behavioral intention regarding the actions of the SCP have a significant positive effect on intention to use interactive remote services. Especially, controllability and trustworthiness beliefs directly affect the organization’s intention to use the service.

The comparison of organizations in the pre-adoption and continued usage phase within the sample revealed a number of key differences. An organization’s intention to use interactive technology-mediated services in the pre-adoption phase is formed by a wider range of belief groups than in the continued usage phase. Organizations in the pre-adoption phase primarily build their attitudes towards interactive remote services on indirect experience and therefore need to assess a broader belief system. The intention to continue interactive remote service usage, however, is mainly driven by economic reasoning and the customer employee’s perceptions of role clarity.

Even in view of the decision-making processes in B2B settings and the reduced observability in technology-mediated services, the human component and relational beliefs ultimately influence organizational decisions. Both controllability and trustworthiness beliefs have significantly stronger effects in the pre-adopter group. This supports the assumption that especially inexperienced users and organization that are in the phase of testing interactive remote services value control and trustworthiness of the SCP and form their intentions based on these beliefs. The findings contradict common practices in remote service providers’ approaches to influence attitudes and behaviors by focusing on the technology features (e.g., improving the interface or usability of the remote service technology). Although remote services are provided with no direct face-to-face contact, a provider’s sole focus on technology features is not enough to increase the customer’s attitude and usage behaviors.

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## MARKETING EDUCATION FOR SUSTAINABILITY

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### ABSTRACT

Marketers are increasingly adopting sustainable business practices as the evidence mounts linking sustainability with market share, brand equity and long run profitability. While business coursework is following practice in some disciplines (e.g., environmental accounting/economics), attention to sustainability issues in marketing curricula is limited, for the most part, to discussions of “green” customers, environmental considerations in product development and packaging, and social/ethical issues in non-profit marketing (Beyond Grey Pinstripes 2009). Marketing courses wholly devoted to sustainable business strategy are rare, particularly at the undergraduate level. Thus, there appears to be an increasing discrepancy between the importance placed on a triple bottom line approach to setting marketing objectives by practitioners and its importance to marketing educators. Status quo marketing curricula fail to give students the knowledge and skills they need to be sustainability advocates and experts in their places of employment. This places them at a competitive disadvantage as they seek fulfilling careers in the field.

The special session brings together six marketing faculty from three different institutions to discuss marketing pedagogy related to sustainability. These are some of the first faculty to develop sustainability-related course content, particularly at the undergraduate level. All are passionate evangelists who welcome the opportunity to share experiences and exchange ideas with others. The session begins with a reiteration of the business case for sustainability and the need for marketing EfS (Professors Erica Okada and Eric Mais). The purpose of this leadoff presentation is to ground the discussion in a managerially useful context and to highlight the managerial importance of sustainability-oriented business education. This is followed by a presentation of new research that demonstrates the effectiveness of sustainability coursework for increasing long-term information-seeking among students (Professors Ed Love and Craig Dunn). Information-seeking has been linked to issue involvement.

The remaining three presentations focus on course development efforts by faculty who are currently integrating a sustainability world view into their marketing courses. One professor has developed a stand-alone course at the undergraduate level (Professor Wilhelm). Two have developed teaching modules and required projects relating to sustainability as part of their consumer behavior and non-profit courses (Professors Jill Mosteller and Mottner, respectively). Each of these presenters discusses: (1) motivations for incorporating sustainability into their courses, (2) key learning objectives, (3) overview and evolution of course/module organization and materials, (4) examples of assignments/projects that support learning objectives, particularly those that involve collaboration with marketing practitioners, (5) key challenges faced from administration and student perspectives, and (6) advice to fellow faculty members at other institutions who might wish to initiate similar endeavors.

There is still much work to be done before sustainability will be successfully integrated into the core marketing (and business) curriculum. Our hope is that this session will assist and motivate faculty to develop their own sustainability-related initiatives at their respective institutions. With AACSB calling for business schools to seek ways of incorporating sustainability into their programs, it is time for marketing educators to recognize the importance and relevance of this topic for marketing pedagogy and teaching scholarship.

# **A COMPREHENSIVE APPROACH TO BRAND EQUITY: INTEGRATING PRODUCT AND CORPORATE BRAND EQUITY INTO TOTAL BRAND EQUITY MEASUREMENT**

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## **ABSTRACT**

Previous studies on brand equity measurement can be classified into the following main streams: (1) Customer-based Brand Equity, where the value of the brand is determined by customers' associations with a product brand and (2) Corporate Brand Equity, where the value of the brand is determined by stakeholders' associations toward a corporate brand. This paper proposes a holistic approach to Total Brand Equity valuation which integrates Customer-based Brand Equity and Corporate Brand Equity into Total Brand Equity valuation. This approach offers a more comprehensive perspective for brand equity valuation which addresses a company's relationships with its customers and stakeholders at large. Further, this paper offers a series of propositions that address the relationship between total brand equity and corporate performance.

Research on brand measurement proposed various methods for assessing the value of a brand. While each method has its unique perspective, yet most methods advance a measure for product brand equity that is mainly derived by the customer, what Keller (1993) refers to as "Customer-Based Brand Equity." Other scholars believe that brand equity is a financially-based measure and should be assessed according to its impact on financial performance indicators such as sales, profits and operating margin (e.g. Simon and Sullivan 1993). Assessing the value of a brand from a pure customer's perspective is necessary, yet not sufficient to evaluate the equity of an entire brand. Accordingly, this paper aims to fill a gap in the literature by proposing a holistic approach to total brand equity which integrates Product Brand Equity (PBE) and Corporate Brand Equity (CBE) into Total Brand Equity (TBE) valuation.

This paper argues that by integrating both the product-based brand equity and corporate-based brand equity into total brand equity, a more holistic approach for valuating TBE is developed which offers perspective about customers and non-customer stakeholders. This perspective supports Greenley and Foxall's (1996) proposition to incorporate both consumer and non-consumer stakeholder orientation in the increasingly complex and integrated business environment. A series of propositions are presented that assess the relationship between PBE and CBE and the relationship between TBE and Corporate Performance.

This paper offers a new conceptualization for total brand equity which includes the customer and non-customers' perspectives into total brand equity valuation. By integrating PBE and CBE, a holistic approach is developed that assesses customers' perceptions and stakeholders perceptions about a brand. PBE is important because favorable customer associations toward a product brand results in positive market performance, reflected in market share and leadership. CBE is also important because favorable stakeholders associations toward a corporate brand results in positive social performance and financial performance. The model also integrates customers' perceptions about a corporate brand and stakeholders' perceptions of the product brand in TBE valuation. Further, it is proposed that there is a strong positive relationship between PBE and CBE.

References Available on Request.

## EMPLOYEE OPENNESS AND ORGANIZATIONAL RESPONSIVENESS: EXAMINING ENVIRONMENTAL INFLUENCES ON POSITIVE EMPLOYEE BRAND BEHAVIOUR

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### ABSTRACT

This paper considers the influence of environmental factors on internal organizational exchanges for the benefit of developing employees that champion the values of the organization's brand. In particular, the study examines the relationship of an organization's perceived benevolent approach to its employees (i.e. *organizational responsiveness*) as well as the employee's own interest in the organization beyond their immediate job task (i.e. *employee openness*) towards brand supportive behaviours namely, *brand citizenship behavior*, *positive word of mouth* and *intention to stay*. From the results of this study it appears that environmental factors, such as *organizational responsiveness* and *employee openness*, do play a significant role in influencing employee behaviour. In particular, individual employee factors are extremely important in understanding how employees behave in relation to their employer's brand. The results have implications for internal brand management literature where such environmental factors have received limited attention with respect to encouraging 'pro brand behaviour'.

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## CRITICAL REVIEW AS A METHOD OF INQUIRY: ISSUES AND IMPLICATIONS

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### ABSTRACT

Starting in the 1970s, several articles appeared in the marketing and management literatures that claim to be critical reviews of concepts, theories, and methods. However, there does not seem to be any agreement among researchers as to what a *critical review* is. In fact, to the authors' knowledge, none of the articles provide a definition of "critical review." In order to understand what researchers mean by critical reviews, we delved deeper into different kinds of reviews that researchers use.

In performing reviews for articles, researchers often describe their approaches as comprehensive reviews, critical reviews, historical reviews, integrative reviews, literature reviews, narrative reviews, and systematic reviews. However, how does one differentiate among the different types of reviews? With the exception of systematic reviews, it seems like there is no clear distinction among the different types of reviews. Furthermore, even in empirical articles, researchers use summaries of literature review in support of hypotheses development. Overall, the purpose of the reviews is to preserve the cumulativeness of science. That is, using prior research as building blocks, researchers develop new hypotheses, new conceptual frameworks, new theories, and/or directions for future research. However, what makes a critical review *critical*? In what ways can or should critical reviews advance theory development? The critical review articles that are published make significant contributions to theory development, but, do not have any communalities in their approaches.

In proposing critical review as method of inquiry that preserves the cumulativeness of theory development, our paper makes several contributions. First, we provide a definition of critical review that clarifies what critical reviews should be. Second, we consciously search for errors in critical review articles and find that many of the articles that claim to be based on critical reviews are not actually critical reviews. We find the articles to be based on comprehensive reviews, critiques, historical reviews, reviews of critical methods, selective reviews, reviews of phenomena to check for applicability in other contexts, systematic reviews, and integrative reviews. Third, we provide a discussion of 11 critical review articles and their contribution to marketing and management literatures. Fourth, we develop six specific guidelines for conducting critical reviews. We believe that critical reviews, through identifying and eliminating/revising errors, preserve the cumulativeness of theory development. In conclusion, critical reviews provide directions for future theoretical and empirical research that can ultimately benefit the practice of marketing and management.

References Available on Request.

# RESEARCHING THE STRUCTURES AND PROCESSES OF COLLABORATIVE ACADEMIC NETWORKS

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## ABSTRACT

This paper considers collaborative structures in academic networks. Network analysis reveals surprising connections not reflected in institutions' formal structures. Semantic analysis of stories of collaboration shows collaboration as critical to research and production of cutting-edge knowledge. Discussion of the value of multiple methods in researching collaboration concludes the paper.

## INTRODUCTION

In a knowledge-based society the production of knowledge is increasingly important. However it is a complicated process, requiring a diverse range of factors to work effectively. Collaboration is an important mechanism by which knowledge is produced with the collaboration of academics an important part of this process. Research shows that the general pattern in academic research networks is for more prolific researchers to collaborate more often and for researchers to collaborate more with highly productive researchers (Newman 2001). In addition, studies have been conducted of the social networks that collaboration engenders (Forman and Markus 2005). General conclusions are that that collaboration provides value but the specifics of this remain obscure. The focus of this paper is on the nature of the collaborative structures and processes in academic networks and the value they produce. The paper is organized as follows. We first consider the general nature, evolution and outputs of collaborative networks. Second, social network analysis is used to analyse the structure of a co-authorship network. Third, we examine the structure of individual researchers' collaborative networks. Fourth, narrative and semantic analysis is used to study the processes that produce the observed structures. We conclude with a comparison of the findings that emerge from the various methods used and discuss the value of our multi-method approach.

## COLLABORATIVE GROUPS AND COLLABORATION IN GROUPS

For many years, theories of collaboration tended to focus on the characteristics of individuals and their contributions to a group's functioning. More recently, groups and grouping have become the focus with attention directed at the more emergent, socially constructed, properties of group interactions, rather than the individual capabilities and contributions (Dillenbourg et al 1996). There is considerable empirical work that has looked at the value of group collaboration. The value emerging depends on the nature and purpose of the group. The general process is one where benefits emerge from enhanced communication which in turn creates benefits (Blaye, et al 1991) including the enhancement of productivity.

Academic collaboration has been studied in various contexts. Small work groups and individual collaborations have been studied to provide insight into the deeper processes of collaboration, finding that individuals seek collaboration but can have stresses placed on their collaboration from the wider institutions (Forman and Markus 2005). Small communities of researchers (a few hundred) linked by a common paradigm or ideological stance have been explored for insight into the concentrations of connections and their evolution. In a large scale study of the co-authorship patterns in biomedical and computer science research, Newman (2001) found that scientific communities constitute 'small world' networks, where the average distance between collaborating scientists is small but varies logarithmically with community size. Only five or six steps are necessary to get from one member of a community to another in most instances. This "smallness" is thought to be critical to social cohesion and collaborative development (Barabási 2003). Newman (2001) also found that the networks are highly clustered, i.e. two scientists are much more likely to collaborate if they have a third common collaborator. It is argued that this may indicate that the process of scientists introducing their collaborators to one another is an important one in the development of scientific communities. Comparison of patterns of collaboration across disciplines shows differences with some disciplines displaying a markedly greater amount of clustering and concentration, i.e. very high levels of publication by a relative small number of scientists.



## A CO-AUTHORSHIP NETWORK OF AUSTRALIAN ACADEMICS

### Method

The focus of this work is on the links between people inside a university network. We used a range of information sources to construct a network links database, including co-authorship of publications, grant applications and grants achieved and co-supervision of research students for a period of 5 years (2001-2005). The final database included 3327 different actors, 28 academic departments and research centres, 6609 links between academics and 3000 unique collaborative outcomes. The dataset, though focusing on the staff of a single institution, also includes some information about the links to external actors. A portion of this database is used here, i.e. co-authorships including a member of staff from the Faculties of Business (FOB) or Information Technology (FIT). These faculties were selected as the focus of this research as they were markedly different in size, structure and in the nature of the collaborative work in which members participated. This portion of the database was analysed using UCINET - Netdraw (2002) to produce network diagrams for each Faculty (diagrams available upon request).

Network diagrams can only show part of the story. They do not reveal the motivations for this collaborative work, nor do they provide insight regarding the type of affective collaboration. To investigate these issues we turned to the stories of key researchers. Depth interviews were conducted with 18 researchers from across the University. This included four prolific researchers each from Business and IT Faculties and the Associate Deans for Research (ADRs) responsible for research management and policy from all Faculties in the University. The interviews lasted 1 to 1.5 hours. Researchers were asked to discuss their collaborative history, views on the value of collaboration generally and the value of their own collaboration in particular. ADRs were also asked to consider how they, their Faculty and the University facilitates collaboration (and not). The informants were very forthcoming. Virtually no questioning or prompting was needed, once a general topic was indicated the participants spoke at length and directed the discussion into the areas they felt relevant. Interviews were taped and transcribed verbatim for analysis. The interviews were analysed interpretatively and using Leximancer, a computer-aided lexicographic program was used for further analysis (Smith and Humphreys 2006).

### Findings: Network Structures

The two networks show considerable diversity in their collaborative structures. In both some researchers choose to work with only one other researcher, while others were part of more densely connected groups. However there are clear differences between the FOB and FIT. First, though smaller, there are more collaborative ties between members of different discipline groups in the FIT, and to the rest of the University. Staff in the FOB also work collaboratively with those in other Faculties, but tend to be somewhat more isolated from each other, both within the Faculty and the University. For example, there is a distinct cluster of individuals working in tourism and leisure domains which is completely isolated from the rest of the FOB, and the Quantitative Finance Group is only connected by a single edge from outside the Faculty of Business. These isolated configurations are not present in the FIT. These configurations confirm beliefs about the collaborative structures that exist within each faculty. However they also highlight patterns of collaboration that were not previously known. For example, external researchers are particularly important “collaborative bridges” connecting members of the FOB. There are 40 individual researchers who are only connected to other researchers in the Faculty by virtue of external collaboration. In contrast, researchers in the FIT are much more directly connected with each other, with only six researchers having no direct links to other researchers in their faculty.

Ego-net diagrams were prepared for a number of senior researchers in FIT and FOB. Four main patterns of collaboration emerged: A) researchers who collaborate extensively and work on a continuing basis mainly with a few researchers and where only a few of the collaborators collaborate with each other, B) researchers with much larger collaborative networks and where there is more collaboration within groups of collaborators but where these groups do not overlap (the only common member is the focal researcher), C) researchers with a relatively small network where everyone collaborates with at least one other person in the network beside the focal researcher and where the amount of inter-group collaboration is fairly consistent and D) researchers with a large network that, while far from fully connected is quite connected. There is a fairly even amount of publication with co-researchers rather than strong links with a few and weak links with the remainder. Many people in the network are connected to a number of others and quite a few of those links are strong. These differing profiles allow further interesting comparisons of productivity and innovativeness of the various individuals and the different configurations which could then be checked against secondary data. Here for example we might surmise that a researcher with a type D network is more network-oriented than other types and that the network of collaborators is leveraged to provide continuing cross-disciplinary insights. A researcher with a type B network may be indicative of someone who provides

insight to various groups and to whom insight flows but where the focal academic acts as a gatekeeper of that information rather than (meta) insight emerging in a collaborative way.

### **Findings: Collaborative Processes**

Computer-aided textual analysis was used to provide a systematic and comprehensive examination of the depth interviews. The analysis software, Leximancer (2005), adds reliability by using machine learning to automatically and entirely code the text, in contrast to other tools – such as NVivo. In other words, the computer analysis provides a reproducible, objective, quantitatively derived framework in which qualitative interpretation analysis is more effectively facilitated (Smith and Humphreys 2006). Analysis proceeded following the recommended approach. The “discovery mode” was used to automatically generate concepts without intervention by the researcher. A “concept” is a set of words that are used in conjunction with each other by informants. The components of each “concept” are placed in a “thesaurus” that contains the set of associated words and weightings which indicate the words’ relative importance in the concept generation. Each two-sentence block of text is assessed to ascertain whether it contains sufficient evidence of the concept and if so is so coded. Simple post “discovery” intervention was undertaken, which included deleting words from analysis that provided no semantic meaning (e.g. “I think”, “I feel”, and after checking the way they were used, combing similar concepts (e.g. collaboration, collaborations and collaborative) for clarity.

Concepts represent words that are used in association with each other (e.g. the most frequently occurring concept “people” includes over 20 words that are used in conjunction with one another). Table 1 shows the relative frequency of the seven most common concepts and provides illustrative text blocks from the interview transcripts for each concept. As shown in Table 1, “people” is the most frequently occurring concept with 914 two-sentence blocks (i.e. these text blocks contained sufficient words of sufficient weighting that corresponded to the concept to be considered as indicating it) and is concerned with concerned with the nature of the research participants. This is by far the most important concept. The next most frequent is “research” concerned with the practicalities of collaborating with 479 occurrences and the remaining concepts have between 460 and 230 occurrences each. Relative counts refer to the percentage of text that was coded as these concepts, relative to the most frequently occurring concept (e.g. the “research” concept has 52.4% as many as blocks coded as does “people”). Table 1 also indicates the nature of the concepts using an indicative quote. Quotes were chosen by considering all text blocks of each concept, identifying commonalities and selecting a quote that encapsulated the commonalities expressed across the interviews and did not contain misleading idiosyncrasies. The quotes provide a valuable flavour as to the nature of the discourse of these informants. They further confirm the importance of collaborative processes and structures in the minds of these informants.

In addition to the systematic machine-derived coding of the text we also content analysed the interview transcripts using interpretive approaches. Here we considered the specific meaning of the discourse. The value of this kind of analytic triangulation has been highlighted in a broad range of research contexts (Patton 1990). In line with the Leximancer analysis, the dominance of “People” related issues was apparent. One additional and quite substantial factor apparent from discourse interpretation was the enjoyment of collaborating. This is in line with the body of literature that highlights the centrality of interpersonal dynamics in collaboration (Creamer 2004; John-Steiner 2000) and with theories of social psychology that highlight the centrality of enjoyment in cooperation (Argyle 1991). Insights into the nature of “collaboration” emerged rather indirectly. Despite some general consensus as to the value and pleasure of collaborations, there was a lack of convergence regarding the nature of collaboration. Similarly, the way that collaboration is approached and the benefits that are perceived to flow from collaboration differed amongst informants.

It was difficult to get informants to consider the specifics of the “working” process – they did not appear to have given it much thought. For most researchers this process was not problematic, they indicated that work was easily coordinated and needed little articulation. However a number of researchers did relate stories of collaboration (and in some cases associated personal relationships with collaborators) ending. This was less likely within a cohesive group such as strong research centre. Then “collaboration” was seen as continuing even if co-authoring and common grant activity ended. This is in line with the reasons informants gave for ending collaborations. Most often this occurred when research interests diverged – which is less likely in a research centre with a clear focus.

Most key researchers' descriptions of their preferred patterns of collaboration were in line with their descriptions of the collaborations they were involved but this was not always the case. This was particularly apparent when the egonet diagrams were compared to discourse. For example a researcher with a very connected, network including a large number of ongoing collaborators described his pattern as one of continuing collaboration with a very small number of people, less intense

collaboration with one or two more and ambivalence towards the remainder of people he “might” work with. In other instances researchers' network maps were in line with their descriptions of their collaborations. One spoke at length about the importance of the direct and indirect effects of the collaborative network (the only researcher to do so) and this was reflected in his highly connected patterns of co-publication data. This was also the case when the egonet showed a less connected pattern (i.e. a researcher's collaborators did not also collaborate amongst themselves). Explanations for this were generally found in the context in which collaborations were formed. One researcher indicated that many of his collaborations (all external to the university) started because he was approached by people at international conferences who are familiar with his work and wanted to work with him. His style is reactive and these are largely independent events so it is scarcely surprising that the collaborations are independent of one another. It should be noted that these external individuals could be collaborating with one another independently of this researcher but our database would not pick this up.

## DISCUSSION, CONCLUSION, AND IMPLICATIONS

Our rationale for the choice of methods in this research was that they would interrelate in such a way as to progressively magnify. In the social network analysis, depiction and consideration of the nature of the Faculty-centered networks provides insight into varying networks structures in which researchers operate and facilitates the choice of individual researchers for more in-depth analysis. This analysis of broad patterns highlighted some surprising connections beyond researchers' immediate colleagues to other parts of their Faculty and the wider University. The importance of external collaborations was also emphasized. The ego-net analysis, which is centered on one researcher then allowed a detailed consideration of small parts of the previously-considered networks' structures. Common patterns and differences were identified across researchers and some speculation as to the reasons for the observed similarities and differences was possible. This reinforced and extended the insights as to prominence of diverse sets of linkages, with this analysis enabling the relationships between collaborators to be better specified and implications of more or less connectedness in different areas of an individual's networks able to be explored.

The interviews allowed, among other things, the inclusion of participants' opinions as to the reasons for the observed patterns. The two substantially different methods of interview analysis provided different, but not inconsistent, perspectives as to informants' views. The Lexicographic analysis provided a sense of the underlying/integrating issues that assisted in interpreting and linking the topics that informants raised during the course of the interviews. A key finding emerging was that research has collaboration as a key component but that there are other components including the nature of the work being done, things competing for research time and institutional support (or lack therein). Content analysis of informants' discourse provides more focus as to the components contained within these topics and the way these components interrelate. Greater detail as to the nature of interpersonal processes, e.g. that enjoyment that both emerges from collaboration and drives it, is highlighted. In addition “outliers” opinions can be highlighted and compared to others,. Similarly topics that are not universally important and/or do not clearly link to a main theme can be considered, e.g. cross disciplinary research.

The investigation of collaborative networks has important implications for the facilitation of research and business. There is a positive relationship between research productivity and collaboration (Roy et al, 2004). Collaborative research networks build knowledge and technology and through this enhance economic growth (Grimes and Collins 2003). There are important policy implications associated with gaining additional insight into the processes of collaboration from with effective collaborative networks emerge. The findings indicate the diversity of what constitutes collaboration and the array of processes that underpin it. This helps to provide an improved foundation for the effective management of groupings of researchers and their institutions. Future research will further address the performance – collaboration link and the evolutionary patterns that are observed in collaborative networks such that collaboration can better predicted if not managed.

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**Table 1 Nature and Frequency of Concepts**

Concept	Frequency	Relative Count	Indicative Quote
<u>people</u>	914	100%	<i>The key role that I play is to form networks for other people between Universities (ADR)</i>
<u>research</u>	479	52.4%	<i>Well, the premise is right in terms of new discoveries that are made at the edges of people's research work as it goes forward and I think the new great discoveries are going to be made in those areas (ADR)</i>
<u>collaboration</u>	460	50.3%	<i>I started off doing a lot of individual research and it was limiting. I have grown to understand from early days that the way forward was a balance between collaborative publications and single publications (IT)</i>
<u>work</u>	376	41.1%	<i>My work is technical and most people can't understand it, which, I mean that's just the way it is. I'm a mathematician by trade. (IT)</i>
<u>years</u>	341	37.3%	<i>Some of the best collaboration is probably done over the years (Business)</i>
<u>time</u>	238	26.0%	<i>if we really want to invest in an area and build up an area we can't avoid doing that (supporting collaboration with externals) at least for a while</i>
<u>group</u>	233	25.4%	<i>Yes. We are a very collaborative group and we always have been...we know that not everybody in the group has the same expertise and skills and experience (Business)</i>

# ANTECEDENTS TO PRICING STRATEGY: FACTORS DRIVING THE SELECTION OF PRICING STRATEGY FOR NEW PRODUCTS OR SERVICES OF TECHNOLOGY-BASED NEW VENTURES

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## ABSTRACT

Based on a survey within technology-intensive industries in Germany, this study empirically investigates how 220 technology-based new ventures select their pricing strategies. The impact of 9 different antecedents to the selection of pricing strategy is disclosed and discussed. For practitioners, this insight reveals a direct opportunity to increase business performance.

Academic research in the field of marketing and innovation management has often neglected pricing theory and practice, particularly in the field of new ventures. Even though consumer-related pricing issues have found growing attention on research agendas, it has been claimed that research neglects enterprise-related issues, such as thoughts on optimizing pricing strategies. Even though exhibiting a different pricing behavior, there are only a few studies focusing on SMEs, but without a focus on new ventures. Past empirical studies of pricing involved only a limited validity of results due to their methodological shortcomings concerning conceptualization, sampling, pre-testing, and analyzing. Most of the studies used a case study approach applying descriptive statistics with sometimes contradictory results: Regarding pricing strategy, some scholars find competition-matching is predominant, some find skimming.

First and foremost, we address the need of more empirical research into the impact of different determinants on pricing strategy. We identify the major characteristics of ventures, offers, customers, and competition that influence the pricing strategy, being a core activity in entrepreneurial pricing. Our analysis includes 9 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. 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.

In 2008, we sent out questionnaires to 3.378 technology-based companies randomly drawn from the German Chamber for Industry and Commerce. These questionnaires were addressed to the general or marketing management on executive level. 420 responses were gathered yielding a response rate of 12 % which is typical for pricing surveys. 220 of the responses stem from new ventures. We drew on established measures and additionally conducted expert interviews with managers of new ventures, SMEs, and entrepreneurship scholars to validate our measures, predominantly from a big-business origin. To evaluate the determinants of pricing strategy, we chose structural equation modeling and, specifically, partial least squares.

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 9 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. For practitioners, our study creates greater transparency about how technology-based new ventures select their pricing strategy. Thereby, it allows the individual entrepreneur 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.

References Available on Request.

# **AN EXAMINATION OF PRICE EVOLUTION OF PRODUCTS DURING MARKET DIFFUSION STAGES: A CASE WITH FINE ARTS**

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## **ABSTRACT**

In this paper, we investigate how product prices evolve as the market diffuses from the time of its inception through its growth, maturity phase and decline phases. Using data collected for fifteen years from 46 traditional, live (Christies and Sotheby's) and online art auctions, we investigate the dynamics of prices and its determinants at different market evolution stages. The focus is on Modern Indian Art which came into being in the auction market only since 1995. Since then, the market grew from selling \$2 million of art items annually to over \$140 million in 2006. During this period over 14,000 art items were auctioned for a total value of \$442.4 million, with over 3000 bidders participating in the online auctions. In this research, we investigate how the effect of some of the price determinants on product prices change over the market cycle, such as product characteristics, artist (producer) characteristics, and auction (marketplace) characteristics. We also investigate the pattern of evolution of price for individual artists. Finally, we discuss the managerial implications of our findings and provide guidance for how buyers, sellers, and auction houses can participate more efficiently over market life-cycles.

References Available on Request.

# ADDRESSING SOCIAL PROBLEMS THROUGH SOCIAL ENTERPRISE: THE ROLE OF MARKETING

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## ABSTRACT

The paper shows that in pursuing the double bottom line of social transformation and financial self sufficiency, social enterprises represent interesting organizations that are neither exclusively 'non profit' nor 'for profit'. The paper develops research propositions focusing on how social and commercial marketing practices and approaches are viewed and utilized in social enterprises.

## INTRODUCTION

Potluck, located in one of Canada's poorest neighbourhoods in Vancouver's downtown east side (DTES), is a registered charity that works to improve the quality of life for residents of Vancouver's DTES through its business activities. In combining both business activities and its goal of making positive changes among disadvantaged people, Potluck is an example of an emerging type of organization known as social enterprises, which have been growing in importance. Due to increasing social needs and problems throughout the world, accompanied by reduced government ability to provide the funding necessary to effectively combat these problems, it is expected that social enterprises will continue to grow in both number and importance (Dees 1998b; Christie and Honig 2006). In spite of this current and projected growth, academic research has been undertaken only relatively recently and has largely been case based and anecdotal.

In response to the growing importance and role of social enterprises as mechanisms for achieving social change, and the lack of research concerning marketing practices in such organizations, the purpose of this paper is to develop a deeper understanding of such enterprises and develop propositions for future research concerning marketing in social enterprises. To achieve these specific objectives, the paper first provides a brief review of existing literature concerning social enterprises, and establishes the need for future research on marketing in such enterprises. The paper then reviews develops propositions concerning the role of marketing in social enterprises. The concluding section of the paper presents a brief summary of the conclusions of the paper.

## SOCIAL ENTERPRISES: BACKGROUND LITERATURE

Much of the developing literature base has focused on definitional issues around what exactly is meant by social entrepreneurship and social enterprise (Dees 1998a; Mair and Marti 2006; Martin and Osberg 2007; Peredo and McLean 2006). It is widely recognized that social enterprises, in comparison to commercial enterprises are established with the primary purpose of making positive change in the world – helping disadvantaged people and solving social problems. This notion of social transformation is embedded in most definitions of social enterprise and the closely related concept of social entrepreneurship (Alter 2006; Brooks 2009). For example, one definition of social entrepreneurship illustrating the central role of social transformation is given by Mair and Marti (2006:1):

“a wide range of activities: enterprising individuals devoted to making a difference; social purpose business ventures dedicated to adding for-profit motivations to the nonprofit sector; new types of philanthropists supporting venture capital-like ‘investment portfolios; and nonprofit organizations reinventing themselves by drawing on lessons learned from the business world.”

As the Mair and Marti (2006) definition further suggests, social enterprises are also seen as being different from traditional not for profit enterprises in that they seek different forms of financing. In contrast to traditional not for profit organizations that rely primarily on grants and donations to achieve their social goals, social enterprises often engage in profit making activities in order to finance their social missions and gain a form of financial self sufficiency (Austin, Stevenson, and Wei-Skillern 2006; Boschee 2001; Thompson and Doherty 2006). Lastly, social ventures are frequently described as innovative in that they represent new organizational forms and seek new ways to accomplish social change and finance their missions (Brooks 2009; Mair and Marti 2006).

Much of the developing literature has focused on three dimensions considered key to social enterprises – social transformation, financial self sufficiency and innovation (Austin, Stevenson, and Wei-Skillern 2006; Brooks 2009; Dees 1998b; Mair and Marti 2006). Social transformation refers to the impact of the social change desired or achieved by a social

enterprise. Much of the literature concerning social enterprises contrasts social entrepreneurs and business entrepreneurs and underscores the major difference between the two as being the social change emphasis of the social entrepreneur.

The impact of social transformation can be on the number of persons affected, the scope of change, as well as the importance of the change. Because social enterprises are established to address social needs and alleviate social problems, virtually all social enterprises seek to attain social change or social transformation (Austin, Stevenson and Wei-Skillern 2006; Babos, Clarence and Noya 2007; Dees 1998a, 2001; Dees and Anderson 2003; Haugh 2007; OECD, n.d.; Thompson and Doherty 2006; Shaw and Carter 2007; Sullivan Mort, Weerawardena and Carnegie 2003). The pragmatic issue of balancing the double- or triple-bottom line paradigm (most often financial and social returns, sometimes environmental returns) is frequently discussed in the literature (see for example, Neck, Brush and Allen 2009). The assumption is that most effective social enterprises demonstrate healthy financial and social returns – rather than high returns in one and lower returns in the other (Thompson and Doherty 2006).

Financial self sufficiency refers to the ability of a social enterprise to gain financial autonomy through generating profits from income generating activities. This is often discussed in comparison to traditional not for profit organization who rely primarily on grants, sponsorships and donations in order to meet their social goals. Many writers argue that earned income or financial self sufficiency/sustainability is an essential aspect of social enterprise (Boschee 2001). Alter (2004, 2006) identifies two forms of financial self sufficiency, cost recovery (discrete) and earned income (ongoing). Others have indicated a distinction between financial sustainability and self sufficiency, and note that sustainability can be achieved through philanthropy, donations, grants, government subsidy and earned income, but self sufficiency can only be achieved through reliance on earned income.

In many definitions of social enterprises and social entrepreneurship (Austin, Stevenson and Wei-Skillern 2006; Dees 1998a, 2001; Dees and Anderson 2003), social enterprises are characterized by innovation. For example, Austin, Stevenson and Wei-Skillern (2006:2) state:

“Common across all definitions of social entrepreneurship is the fact that the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth (e.g., Zadek & Thake, 1997), and that the activity is characterized by innovation, or the creation of something new rather than simply the replication of existing enterprises or practices.”

Brooks (2009) and Mair and Marti (2006) see social enterprises as using innovative behaviour to achieve social objectives. Social enterprises themselves are also seen as innovative structures to solve social problems (Fowler 2000). Mair and Marti (2006) view social enterprise as the outcome of social entrepreneurship. In turn, social entrepreneurship is seen as innovative in that it is a "process of creating value by combining resources in new ways" (p. 37), and "involves the offering of services and products but can also refer to the creation of new organizations" (p.37). Further, the term social entrepreneur is regularly used to describe innovative individuals who initiate and run social enterprises (Neck, Brush and Allen 2009).

### **What Is Known About Marketing in Social Enterprises: The Need for Research**

Probably due to the early stage of development of the research literature on social enterprise, the authors were unable to find literature aimed at examining marketing practices in social enterprises. There is, of course, a literature base on marketing in not-for-profit organizations (complete with specialized journals such as the Journal of Nonprofit and Public Sector Marketing). However, it is important to recognize that many emerging social enterprises are *not nonprofit* – they often seek profits to finance their social missions. However, there may be similarities between marketing in social enterprises and marketing in nonprofits due to the common goal of social transformation pursued in both types of organizations.

Supporting earlier work in the field of marketing in not-for-profit organizations (for example, Andreasen and Kotler 2003), a recent paper by Dolnicar and Lazareski (2009) comparing non-profit organizations in the UK, the USA and Australia found that non-profit managers indicated that the most important marketing activities are promotional in nature. Very few of the managers studied, acknowledged the importance of market research and strategic marketing. Also supporting earlier work, Dolnicar and Lazareski (2009) found that non-profit organizations have an organization rather than a customer centric mindset. Pope, Isely and Asomoa-Totu (2009) show that the growth in the nonprofit sector has been accompanied with greater support and interest from that sector concerning the importance of marketing. They argue as do others (Andreasen and Kotler 2003; Dolnicar and Lazareski 2009), that while nonprofit managers see marketing as important, they do not use



traditional marketing approaches to a great degree (for example, while a majority the managers in the study viewed marketing as important, more than eighty percent failed to define target markets).

### **ACHIEVING SOCIAL ENTERPRISE GOALS: THE DEVELOPMENT OF RESEARCH PROPOSITIONS CONCERNING THE ROLE OF SOCIAL AND COMMERCIAL MARKETING**

Given the growing importance of social enterprises as vehicles for positive change in the world, it is important to consider how social marketing (long viewed as the marketing approach for tackling social change (Andreasen 1995), and marketing in social enterprises may relate to each other in achieving social transformation in social enterprises. It is also critical to consider how traditional commercial marketing might best assist social ventures achieve their financial self sufficiency objective.

Andreasen (2002) has noted that adoption of social marketing in organizations and situations where it may be deemed most useful has been hindered by a number of factors including lack of knowledge about social marketing. Following from Andreasen (2002), in considering the application of social marketing to social enterprises, is likely that social marketing will not be used heavily even in social enterprises where a key aspect of their social transformation goal is consumer behaviour change.

**Proposition 1:** Social enterprises attempting to achieve behaviour change are most likely to benefit from adoption of social marketing approaches, however, it is expected that (a) many managers in social enterprises will be unaware of the social marketing approach, and (b) relatively few social enterprises will be utilizing the social marketing approach.

It will be important to study the number and type of social enterprises that do indeed seek to attain behaviour change and to understand the approaches that are currently being used to achieve that behaviour change. It will also be important to understand the level of knowledge beliefs and attitudes concerning social marketing that exist in such enterprises. Such knowledge will help in the marketing of social marketing as a potential tool to be used in achieving desired behaviour changes.

With regard to increasing financial self sufficiency in social enterprises, bringing the tools and approaches of commercial marketing would seem appropriate. For example, adopting a market or marketing orientation in the social enterprise would require the enterprise to conduct consumer and competitor analyses and research; but offers the potential to improve the sales of goods and services in such enterprises. Building on research focused on gaining understanding of what consumers want will allow the social enterprise to communicate effectively with targeted consumers and offer appropriate products and services to the market in a form and place where they will be most likely to be purchased by targeted consumers. A marketing orientation also focuses on undertaking competitive analyses in order to better survive in the market. Developing marketing strategy around a careful assessment of the '4Ps' should also help social enterprises succeed better (Kotler and Lee 2008). Given that social enterprises may compete both with other social enterprises as well as commercial for profit enterprises (for example, for profit caterers, or for profit landscapers), adoption of the tools and approaches of commercial marketing may help to compete effectively.

**Proposition 2:** Managers in social enterprises are likely to (a) have positive attitudes toward marketing, and (b) believe that adoption of marketing approaches and practices can assist them in achieving financial self sufficiency.

However, since virtually all social enterprises are seeking to balance the dual goals of financial self sufficiency and social transformation, it is likely that (similar to marketing in not-for-profit organizations), there will be barriers to the adoption of commercial marketing approaches in social enterprises. The extant literature concerning marketing in not for profit organizations showed that interest in marketing is high among managers in such organizations, but adoption of key marketing practices such as market orientation and target marketing is very low. In particular, this research also suggests that promotion has been adopted by more nonprofits than have the practices of marketing research and strategic marketing planning. However, given that social enterprises seek to attain financial self sufficiency, one may expect that adoption of commercial marketing approaches to be greater in social enterprises than in non-profit organizations.

**Proposition 3(a):** Adopting a market orientation will be infrequent among social enterprises.

**Proposition 3 (b):** From the array of possible marketing tools that can be adopted, social enterprises are likely to adopt promotion practices earlier than the practices of marketing research and strategic marketing planning.

**Proposition 3 (c):** Adoption of commercial marketing approaches will be higher in social enterprises than in nonprofit organizations.

Although social ventures typically adopt the goal of financial self sufficiency, it is not to be achieved at the expense of the equally important social transformation goal. Therefore, it appears likely that the practices of commercial marketing may need to be altered when adopted by social enterprises where the culture is one of achieving both social transformation and financial self sufficiency.

**Proposition 4:** The practices of commercial marketing are likely to be altered or changed to suit the social enterprise culture when adopted by social enterprises.

The ways in which commercial marketing practices are altered and adopted need to be explored in future research. For example, future research is needed on positioning and branding in social enterprises. Do they and should they emphasize the 'doing good' aspect of the enterprise in their branding or downplay it? How important is this benefit to key target markets?

## SUMMARY AND CONCLUSION

Because new types of social enterprises have grown both in number and importance as vehicles for achieving social change, the major purpose of this paper was (a) to develop a deeper understanding of such enterprises, and (b) to develop directions and propositions for future research concerning marketing in social enterprises. The paper shows that in pursuing the double bottom line of social transformation and financial self sufficiency, social enterprises represent an interesting type of organization that is neither exclusively 'non profit' nor 'for profit'. The paper also shows that a research gap exists – little is known concerning marketing in such enterprises. In an attempt to address this research gap and build knowledge concerning how marketing is and should be practiced and adopted in such enterprises, the paper has developed four research propositions to be addressed in future research. The propositions focus on developing knowledge around how social and commercial marketing practices and approaches are viewed and utilized by social enterprises.

It appears then, that while the marketing literatures in the respective fields of commercial, not for profit and social marketing may be helpful, they provide insufficient insights in assisting social enterprises to achieve their goals. Future research is required to fully understand how these organizations manage and market their products and services within these social ventures. Perhaps equally important, knowledge gained concerning marketing in social enterprises may be useful to both social and commercial marketing programs and campaigns in the future. In today's environment where commercial marketing practices have become criticized heavily, it is particularly important to understand what both social and commercial marketers can learn from social enterprises.

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## **TOWARDS AN INTEGRATED STRATEGIC SUSTAINABILITY THEORETICAL MODEL.**

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### **ABSTRACT**

This paper introduces the ecocentric 'integrated strategic sustainability model' as a practical strategic tool providing an ecocentric theoretical platform on which to implement an alternative strategic marketing approach in research and business school teaching. The research distinguishes between anthropocentric and ecocentric epistemology in examining corporate ecological sustainability, and, in so doing, identifies transformational business and marketing strategies.

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## **DYNAMIC CAPABILITIES FOR ENVIRONMENTAL SUSTAINABILITY (DCES): ANTECEDENTS AND CHARACTERISTICS**

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### **ABSTRACT**

The development and marketing of green products represent a way for firms to both contribute to the achievement of environmental sustainability and be successful. However, developing green products while being successful require development of unique dynamic capabilities that enable the integration of sustainability issues into product development. Dynamic capabilities for environmental sustainability are defined here as the firm's ability to integrate, build, and reconfigure internal and external resources to address environmental sustainability challenges for developing green products. This study proposes a dynamic capabilities perspective of green product development, identifying dynamic capabilities for environmental sustainability and suggesting that both firm's internal motivation and external forces drive the deployment of these dynamic capabilities. Based on literature and interviews with several companies, we identify three types of dynamic capabilities for environmental sustainability, develop multi-item scales and empirically test our research hypotheses. We completed a survey of Italian manufacturing firms and used Structural Equation Models for hypotheses testing. Our results from a sample of 189 firms support the dynamic capabilities theory providing empirical evidences that dynamic capabilities are driven by both firm's internal motivation (specifically, environmental orientation plays a more relevant role than top management commitment, as the latter leads only to the integration of external environmental resources) and external forces (turbulence in green markets leads to the building and reconfiguring of environmental resources). The present study provides several theoretical and managerial implications. This research contributes in providing empirical evidence to the dynamic capabilities theory by studying the antecedents of dynamic capabilities, and by developing and validating measures for dynamic capabilities for environmental sustainability. This study also provides directions to managers on how to integrate environmental sustainability into product development.

References Available on Request.

## THE RELEVANCE OF SPECIFIC CORPORATE ASSOCIATIONS AGAINST OVERALL CORPORATE IMAGE FOR CONSUMER BEHAVIOR

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### ABSTRACT

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 towards 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) and former research, we derive a threefold conceptual framework. 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. 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. 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 country. 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 corporate 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 Available on Request.

# **DEVELOPING, HARNESSING AND MANAGING “CREATIVE” MARKETING ORGANIZATIONS: THE ROLE OF CREATIVE PEOPLE, CREATIVE COMMUNITIES AND MACRO-ENVIRONMENTAL CHARACTERISTICS**

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## **ABSTRACT**

This paper examines the role of creativity in providing organizations competitive advantage through marketing. Strategic advantage from this source promises to be stronger than gains extracted from economic means. Success from creative activity does not occur by happenstance or through trivial pursuits. The process must be planned for, invested in and managed. A first step is to build or find communities where people prone to creative activity can be attracted. Creative people have been shown to prefer geographic locations that provide an environment rich in culture, where artistic interests can be pursued. Companies seeking strategic advantage through creativity profit by discovering areas where the creative class comes together. A complicating factor is that the marketing value chain is often produced across multiple markets, at different points of time. Multiple advantageous locations must be pursued, and diverse people at these locations must work together. More than just finding the right locations, organization's seeking creative advantage have to set up a structure where creative individuals can comfortably integrate, develop a culture where creativity is valued, and provide intrinsic and extrinsic rewards to maintain the happiness of a frequently misunderstood class of employee. A market orientation and pursuit of growth objectives through new product development are important components of the needed management style. A team structure that fosters collaborative activities is essential. Harnessing and managing the people who can produce strategic advantage through creative endeavors is not simple. Attention to marketing concepts provides useful guidance and a step in the right direction.

References Available on Request.

# AN ASSESSMENT OF CONSUMERS' WILLINGNESS TO PATRONIZE FOREIGN-BASED BUSINESS FORMAT FRANCHISES: AN INVESTIGATION IN THE FAST-FOOD SECTOR

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## ABSTRACT

This study expands Mehrabian-Russell Theory of Environmental Psychology by incorporating the moderating affect of Psychological Essentialism for studying consumer emotions and subsequent retail patronage behaviors in the context of foreign-based franchise stores. As a result of analysis, we were able to frame curiosity as an aroused emotional state and found support for the relationship between consumer epistemic curiosity and retail patronage. We also found support for the linkage between consumer affect and retail patronage. However, we were unable to tie the cultural elements in retail atmospherics to consumer emotions.

## INTRODUCTION

There exists a long-standing tradition of U.S.-based business format franchises that export their brands and franchise concepts abroad. In fact, the U.S. has long been the world leader in the exporting of franchises. However, the U.S. market has experienced a new trend: it has become a focal market for foreign-based franchise systems' global market entry and expansion strategies.

Japanese-based franchises like *FamilyMart*, *Kumon* and *Yoshinoya* have garnered market share and brand equity in a relatively limited span between market entry and expansion in U.S. markets. ("Yoshinoya Expansion Program", 2000). Guatemala's fried chicken leader *Pollo Campero* is garnering market share from U.S.-based *KFC* and *Church's*; Philippine-based *Jollibee* is challenging America's burger brands; and South Korea's *Red Mango* is dipping into TCBY's market position. In fact, *Pollo Campero* will have units in Wal-mart stores across the U.S. ("Hotel News Resource", 2008, "PowerPlay", 2005). *Yoshinoya* is growing at three times the rate of other fast-food restaurants in the U.S.

These retail establishments involve a distinct name and product that is unfamiliar to most Americans. They either introduce something new and exciting to a city burned out on the overly familiar and consumed or they scare off customers by the unfamiliar. From consumers' retail patronage point of view, foreign-based franchise retailers are distinct from their local counterparts. They may gain an advantage by introducing a unique market offering or retail experience that may evoke curiosity or interest in the consumers' mind. But at the same time, they may face a disadvantage due to predispositions (e.g. negative bias) or cultural stereotypes (Wang and Lamb, 1983) which may take the form of essentialist categorizations.

In fact, consumers' retail patronage behavior and the role of culture in store choice have generated various research streams in marketing literature. A research stream focused on the socio-cultural contexts of retail patronage and the myriad of motivating factors underlying the retail purchase decision (Arnould, 2005; Arnould and Thompson, 2005; Kozinets et al. 2004; Wrigley, Coe and Currah, 2005). Although these studies produced theories on explaining consumer culture, stereotyping is conspicuously absent from much of the literature to date. Other research streams looked at country-of-origin effects and international retail patronage. However, both of these research streams have shortcomings.

Since the 1960s, country-of-origin (COO) studies are largely product-centric. It has been applied to services in only a few areas, and it has not been applied to international retailing. As trade in international services has increased greatly in recent years and continues to grow, this dearth of research attention is surprising (Javalgi, Cutler and Winans, 2001; Pinkao and Speece, 2000). In international retailing literature, much of the research focused either on the consideration of single cases or the retail sector in general. The study of the role of the consumer in the success or failure of international retailers has been limited in this line of research (Colla, 2004; Dupius and Prime, 1996). Despite the agreement on the nominal importance assigned to consumers, consumer issues are, with a few exceptions, not systematically studied in the context of retail internationalization. International retailing studies generally incorporate the effect of culture, but culture is not directly connected to consumers' retail patronage behavior (Fernie et al. 2006). Generally, they are linked to considerations of national cultures by applying Hofstede's (1991) four dimensions of national culture (Mooij and Hofstede, 2002) and the convergence-divergence debate in this context. Furthermore, international retail studies have been criticized for a lack of empirical research (Myers and Alexander, 1996).



Overall, consumers' stereotypical categorizations in the form of essentialist views about foreign cultures and their effect on individual consumers, including their negative or aroused emotions and subsequent retail patronage behaviors are not explored in the retail patronage setting.

This study provides an integrative framework, employing Mehrabian-Russell (1974) Theory of Environmental Psychology and focusing on psychological essentialism for studying consumer emotions of affect and curiosity and their subsequent influence on retail patronage behaviors in the context of foreign-based franchise stores. The inclusion of essentialist stereotyping into retail patronage studies has the potential to advance marketing theory and practice, including a broader examination of emotions and their consequences on patronage behaviors.

The theory of environmental psychology states that "physical or social stimuli in the environment has a direct affect on the emotional state of a person, and consequently influence his or her behaviors in it" (Mehrabian and Russell, 1974, p.8). Three emotional response variables (pleasure, arousal, and dominance) summarize the emotion-eliciting qualities of environments and also serve as mediating variables in determining a host of approach-avoidance behaviors such as exploration, physical approach, social interaction and work performance. Possible moderators in this relationship are stated to be the three characteristic emotions associated with personality: trait-pleasure, trait-arousal and trait-dominance. This theory is adapted into the marketing literature by Donovan and Rossiter (1982) in its original form. Bitner (1992) replaced environment with store atmospherics and focused exclusively on consumer feelings such as affective states and moods (Donovan, Rossiter, and Nesdale, 1994; Bitner, 1992). It is seen that studies that incorporate environmental psychology perform surprisingly well in predicting in-store behaviors (Donovan and Rossiter, 1982). Furthermore, environmental psychology is a developing approach in consumer behavior with far-reaching implications for extending marketing knowledge and practice.

The influence of preexisting negative emotions on purchase intentions is not yet fully explored. The negative emotions that are studied in relationship with retail patronage intentions is limited with stress (Lee, Moschis and Mathur, 2001), boredom and distress (Mano, 1999), existence/lack of feeling of control (Ward and Barnes, 2001), psychic costs and shopping experience costs (Mehrabian and Russell, 1974). However, it is stated that negative affect has a stronger influence on consumers (Babin and Darden, 1996; Baker, Parasuraman, Grewal and Voss, 2002).

Furthermore, the arousal component of original Mehrabian-Russell (1974) environmental psychology model is not studied extensively. Curiosity is widely studied in consumer behavior, as an aroused emotional state (Berlyne, 1960), but not incorporated into environmental psychology models. Curiosity is defined as "a desire for acquiring new knowledge and new sensory experience that motivates exploratory behavior" (Litman and Spielberg, 2003, p.75). Addition of curiosity can provide further insights to the context of environmental psychology models.

An important context in which negative affect and curiosity can be further studied is the foreign cultural context. The foreign-based business format franchises entering the U.S. introduce a cultural dimension into the U.S. retail scene (Grewal et al. 2003) with the potential to arouse curiosity in consumers' mind. Thus, this context is ideal for exploring the moderating effect of psychological essentialism and incorporating an aroused state i.e. curiosity into the environmental psychology framework for retail patronage behaviors as modeled in [Figure 1](#).

## **Hypothesis Development**

Bitner (1992) applied Mehrabian-Russell theory to services setting in her pioneering study and proposed that servicescape elements are composed of three dimensions: ambient conditions; spatial lay out and functionality; and signs, symbols and artifacts. She stated that each of these dimensions may affect the overall perception independently or through its interactions with the other dimensions. Ambient conditions such as temperature, lighting, noise, music, scent, gases, chemicals, infrasound are explored by a number of studies (e.g. Milliman, 1982; Yalch and Spangenberg, 1990). Spatial layout and functionality, including equipment and furnishing arrangement, the size and shape of those items, and the spatial relationships between them and their functionality is studied by a number of studies, as well (Hui and Bateson, 1991).

The third dimension that Bitner (1992) suggested involved the items in the physical environment that serve as explicit and implicit signals that communicate about the place to its users. Signs displayed on the exterior and interior of a structure are examples of explicit communicators. They can be used as labels (e.g. name of the company, name of the department), for directional purposes (e.g., entrances, exits), and to communicate rules of behavior (e.g. no smoking, children must be accompanied by an adult). Signage can communicate an important role in communicating firm image. It is surprising that

there are no studies in the retail patronage literature that study the signs, symbols and artifacts at retail environment in relationship with culture.

Bitner summarizes these ideas in her proposition ‘ Signs, symbols, and artifacts are particularly important in forming first impressions, for communicating new service concepts, for repositioning a service and in highly competitive industries where customers are looking for cues to differentiate the organization’ (p.67). Such symbolic and aesthetic communication is extremely complex – it may be intentionally conveyed or it may be accidental, it may be subject to multiple interpretations, can be based on cultural interpretation and it may have intended and unintended consequences (Davis, 1984).

In this study, we will mainly explore this aspect of retail environment. We suggest that the symbolic aspects of a retail environment can be grouped as the cultural elements of retail store atmospherics. When these aspects belong to a foreign based business, they are mostly shaped by a foreign culture (Welch, 1989). We will study this argument in the case of foreign-based franchise retailers entering the US.

According to the identity hypothesis and familiarity hypothesis of culture theory, the elements of a foreign culture would not be liked by members of a domestic cultural group (Douglas and Wildavsky, 1982, Lima and Castro, 2005). However, other studies in the literature state the opposite in that, there is an increasing affect for foreign cultures around the world. This is due to the increasing globalization, disposable income, education, communication technologies and travel. Extremely large and rapidly expanding cultural industries are given as evidence to this trend (Chaker, 2003). Thus foreign cultural elements may have the potential to generate positive or negative affect, depending on the personality of the consumer. In parallel to Mehrabian-Russell theory and Bitner’s (1992) conceptualization, we state that:

H<sub>1</sub>: There is a correlation between foreign cultural elements of a retail store atmospherics and consumer affect

After Mehrabian-Russell theory, a number of other theories are developed in environmental psychology literature that explore the effects of novelty and stimulus characteristics in an environment. According to Stamps (2004), one of the most widely studied theories in environmental psychology is the mystery/complexity/legibility/ coherence model of Rachel and Stephen Kaplan (1989). The theory postulates that people will have two basic needs in environments: to understand and to explore. Moreover, these needs might refer to what is immediately perceptible, or might refer to what might be perceptible if one moved to another location. When the two needs are crossed with the two levels of immediacy, four variables are created. The four variables were called “informational variables”. The labels used for the informational variables are coherence (immediate understanding), complexity (immediate exploration), legibility (inferred understanding) and mystery (inferred exploration). All four informational variables were suggested as predictors of environmental preferences. One of the key distinctions between environments was natural scenes or built scenes (Kaplan and Kaplan, 1989, p. 67). The model works on both cases.

In this study we argue that the cultural elements in a foreign-based franchise restaurant create complexity and would act as collative variables. We concur with Kaplan (1989) mystery/complexity/legibility model that people have two basic needs in environments: to understand and to explore. When these two dimensions are crossed, four informational variables are defined as explained previously. We add this that Berlyne (1971) and following research by Nasar (1988) all agree on the fact that either in an inverted-U or linear fashion, complexity is preferred element in environments. According to Mehrabian-Russell model, one of the human reaction dimensions to elements in an environment is arousal. In fact, various forms of arousal are studied in the literature. However, no studies looked at the link between Kaplan (1989)’s proposition, Berlyne (1971)’s and follow up studies on informational dimensions.

We argue that human desire for exploration, combined with later studies tying this to searching information can be best reflected in the form of ‘epistemic curiosity’ as defined by Berlyne (1971) as an arousal dimension. We believe that this is an important contribution to Mehrabian-Russell model.

Berlyne (1960) coined epistemic curiosity as the condition of discomfort, due to inadequacy of information, which motivates specific exploration. Diverive exploration is the circumstances when a person seeks out stimulation, regardless of source or content, that offers something like an optimum amount of novelty, surprisingness, complexity, change or variety. It is not preceded by receipt of partial information about the stimulus patterns at which it is aimed and thus seems to be motivated by factors quite different from curiosity. Specific exploratory responses, whether learned or unlearned, are likely to result from an aversive condition or condition of heightened drive due to lack of information. Such a condition, which may be appropriately labeled as ‘perceptual curiosity’ is apt to result from exposure to novel, surprising, highly complex, or ambiguous stimulus patterns.

H<sub>2</sub>: There is a correlation between foreign cultural elements of a retail store atmospherics and consumer epistemic curiosity

There are numerous studies that state that consumer feeling of dominance is influential in retailing. For instance, Ward and Barnes (2001) highlight the fact that consumers' sense of dominance in the retail environment is strongly related to a variety of variables of interest to marketers. Most importantly, dominance can be a robust predictor of consumer affect in a retail environment (Ward and Barnes, 2001). For instance, in fast food businesses, convincing customers that they can 'have it your way', that services or products will be personalized to their needs, is a major positioning statement. Control and dominance is closely tied. For instance, Ward and Barnes (2001) operationized control by the trait-dominance subscale developed by Mehrabian and Russell. There are many studies have shown that people who feel in control are more healthy, active, and alert than those who feel out of control. Thus, consumers' sense of dominance in the retail environment is strongly related to a variety of variables of interest to marketers (Ward and Barnes, 2001). In fast-food service environments, consumers report feeling more pleasant, aroused, and involved when they feel dominant (Ward and Barnes, 2001). Also, there is paucity of research to date focusing on the environment-control-affect linkage (Ward and Barnes, 2001).

In this study, we suggest that the trait dominance dimension that was originally suggested by Mehrabian-Rusell as the moderator in the relationship between an environment and the PAD dimensions must be incorporated into the retail patronage studies. Traits are defined as relatively stable dispositional response tendencies that reflect the frequency of particular emotions to be experienced over time. (Spielberger, 1975, Spielberger, Ritterband, Sydeman, Reheiser & Unger, 1995). We suggest that the theory of psychological essentialism can take the form of a personality trait that can be grouped under dominance dimension of Mehrabian-Russell theory. The theory of psychological essentialism reflects trait-dominance personality characteristics in an environment with elements of foreign cultures due to various characteristics of the relationship between places, place identity, stereotyping and a personality characteristic of 'creating positive distinction using a place'

In addition, it is argued that people prefer environments and their creators that look like themselves. In one study, using photographs of real people's houses, Sadalla and Sheets (1993) asked participants to rate the owners' personality, their own personality and choose the house they would most like to live in. Participants preferred the house whose possible owner's personality profile was most similar to their own. Thus people seem to like the houses owned by people perceived as more similar to themselves. This is a reflection of the established principles of social comparison theory in an environmental context. This means that environment helps to form impressions of the person. The environments created by people appear to reflect aspects of their personal and social background. In fact, studies in person perception conclude that we categorize types of person, and assume that they possess stable traits, to achieve stability to our understanding of the world and to allow for prediction.

In this study, we suggest that people who are high on the personality trait of psychological essentialism would experience negative affect due to self-identity loss in the cultural atmospherics of a foreign-based franchise retailer. This would result in negative affect towards all elements in the store atmosphere as a result of their personality characteristic of dominance in the form of positive distinction from others that are different from themselves. They would behave according to social comparison theory and make knowledge inferences about others that they believe are not similar to them. To explain with an example, a Philippines based franchise restaurant would be evaluated negatively by psychological essentialists' solely on the basis that this foreign culture belong to an ethnic group that is similar among each other on surface properties (physical appearance, social behavior) but dissimilar to themselves. They would attribute to such surface similarities some deeper substance of knowledge-rich, theory based attributions, such that most elements in the atmospherics of a foreign-based retailer would be tied to an undesirable or low culture.

Therefore we hypothesize that:

H<sub>3</sub>: The correlation between foreign cultural elements of a retail store atmospherics and consumer affect is negatively moderated by consumer psychological essentialist beliefs.

In this study, we also contend that psychological essentialist consumers will have a reduced level of curiosity towards the foreign-based retailer when they experience the cultural elements of the store atmosphere

H<sub>4</sub>: The correlation between foreign cultural elements of a retail store atmospherics and consumer epistemic curiosity is negatively moderated by consumers' psychological essentialist beliefs.

Finally, merely drawing from the Mehrabian-Russell theory that peoples PAD emotion states are related to behavior, we suggest that:

H<sub>5</sub>: There is a positive relationship between consumer affect and willingness to patronize foreign-based retail franchise

H<sub>6</sub>: There is a positive relationship between consumer epistemic curiosity and willingness to patronize foreign-based retail franchise

## METHODOLOGY

Measurement scales for all the dependent variables in this study have been adapted from extant environmental psychology and consumer behavior literature. The scales had been used in different response format. In order to maintain consistency, all the scale items have been converted into six-point format. The store atmospherics is measured by pictorial and verbal description. According to Bitner (1992), because of the expense involved in constructing actual environments, some form of stimulated environment (verbal description, photos/slides, scale models, videos) could be used in experimental studies. The environmental psychology literature has shown that stimulated environments work well in achieving generalizable results (Nasar, 1989). The store atmospherics is described in an aggregate manner in accordance with Bitner (1992)'s proposition that people perceive environments holistically.

The population of interest for this study is U.S. consumers. A pseudo-experimental design is used where respondents are given the same set of questions describing the cultural and symbolic elements of a US-based franchise restaurant and two foreign-based franchise restaurants. Each restaurant is described by a short paragraph and a set of pictures that follow a similar format. The paragraphs are taken directly from the websites of the companies that are sampled (Latin Restaurant: Pollo Campero, U.S. Restaurant: Pizza Hut and Japanese Restaurant: Yoshinoya). The pictures belong to the respective companies mentioned above. All brand names and are deleted from the pictures by using Photoshop software, in order to eliminate any brand name effects in the study (Appendix 1).

### Data Analysis

The final sample of this study consisted of 600 responses - 200 from each of the study versions. The data was collected by Greenfield Marketing Research Company in the U.S, over a period of five days between June 7, 2009 - June 11, 2009. The sample was specifically selected as not biased on any demographic characteristic. There were nearly even distribution of sex, age group, employment status, marital status, level of education, income, geographic location, religion and ethnicity for each of three survey versions

Non-response was studied by t-tests and Analysis of Variance to compare early and late respondents. Early respondents (the first 50 respondents) and late respondents (last 50 respondents) were compared across sex, age group, employment status, marital status, level of education, income, religion and ethnicity for each of three survey versions. Results showed that response bias did not exist. Normality is a major assumption of multivariate statistical analysis. We checked kurtosis (the peakedness or flatness of data distribution) and skewness (the balance of distribution) for the data (Hair et al., 1998). We concluded that the assumption of normality is not violated for all three survey data.

Before running confirmatory factor analysis, all measurement scales were tested. Some items were deleted from the scales if they do not satisfy the criteria set by Churchill (1979) and Nunnally (1978). The item-correlations less than 0.30, cross-loadings on two factors, and a subjective assessment of the value of the item for the construct were among the criteria. As a result, several items were deleted. [Tables 2 to 4](#) summarize the findings.

We further checked the quality of our initial factor analysis by a Confirmatory factor analysis (CFA). We studied the overall fit of measurement models by checking: 1) selected fit indices that represent different families of fit indices 2) selected fit indices that best represent the specified set of criteria. LISREL 8.72 was used to test the measurement models. We found that there is generally a consistency of measurement models for all questionnaire versions.

We used Cronbach's alpha to check the reliability of the constructs in this study. According to Nunnally (1978), a threshold value for acceptable reliability is 0.70. We found that all scales have acceptable levels of internal consistency with clear factor loads. We also found that there is an acceptable level of convergent validity as all item-total correlations exceeded the criterion value of 0.40 (Jayanti and Burns, 1998). An assessment of discriminant validity was made by checking if the value of Cronbach's alpha of one construct is larger than any of the correlation coefficient between the construct and other

constructs. We compared the Cronbach's alpha's of each scale with the highest correlation coefficient associated with the scale. We found evidence of discriminant validity as  $\alpha$  values were larger than correlation coefficients.

## RESULTS

In statistical analysis, cultural elements in store atmospherics is taken as a categorical variable with three levels (Latin, U.S. and Japanese). The relationship of cultural elements in store atmospherics to epistemic curiosity and affect is measured by ANOVA and regression analysis (Table 1). The moderating effect of Psychological Essentialism on Epistemic Curiosity and Affect and retail patronage is assessed by path analysis (Table 2 and Table 3). A better model fit through better chi square statistical fit would support the moderating relationship by Psychological Essentialism. Finally, the effect of Epistemic Curiosity and Affect on Retail patronage is assessed by linear regression (Table 4). Overall H1-H4 are not supported, H5 and H6 are supported.

## DISCUSSION

In this study, we attempted to explore the influence of cultural elements in retail atmospherics, including signs symbols and artifacts, on consumer emotions. We hypothesized that such elements would serve as an instrument to create consumer emotions in particular retail environments that would subsequently influence retail patronage. Our findings did not provide support for this argument. This result means that emotions originating from an environment may be influenced factors other than the cultural elements alone. This concurs with the view that emotions are very complex psychobiological states with reasons and consequences are not easily tied down (Mehrabian and Russell, 1974).

In the U.S. consumers have many choices. In addition, they are exposed to a multitude of cultural and symbolic environments both physically and virtually. Thus differences between culturally differentiated spaces and other spaces may be left unnoticed. In this study, we were unable to tie the emotions to symbolic aspects of a retail environment. Therefore, we conclude that, influencing consumer emotions through the utilization of symbolic cultural elements is not a linear and straightforward process.

In this study, we measured consumers' essentialist stereotypes toward foreign cultures and categories as a personality trait. We proposed that a tendency to strictly categorize foreign cultures and an inclination towards generating essentialist knowledge structures based on such categorizations is possible for those consumers who are high on psychological essentialism. We argued that the level of this personality trait would serve as an instrument to create a feeling of dominance in particular retail environments. We suggested that consumers high in psychological essentialist categorizations would show reduced levels of affect and curiosity in retail store environments characterized by foreign-cultural elements. However, our statistical analysis could not find support for these propositions. Therefore, we derive certain conclusions out of this result.

In today's society, consumers with both high and low in essentialist categorizations share more and more culturally differentiated spaces. In essence, it is not always possible for consumers to perceive the elements in a retail store atmospherics in isolation. Although some elements in store atmospherics are solely placed to generate such differences in consumer perceptions, these may be left unnoticed by consumers due to the high levels of clutter in today's business environment. Thus, consumer personality traits in the form of essentialism may not be instrumental in shaping their emotions in retail atmospherics. The latter may be due to lack of attention or interpretation.

Another important objective of this study was to frame curiosity as an aroused emotional state and analyze its impact on retail patronage as compared to affect as a pleasure dimension. We were able to find support for the relationship between consumer epistemic curiosity and retail patronage. We also found support for the linkage between consumer affect and retail patronage. In addition, we observed that for all three cases of store atmospherics, affect had a greater impact on retail patronage than epistemic curiosity. As consumers may get curious about the attributes of a retail offering, they are more likely to be influenced by whether they liked the retail store or not. However, this does not mean that curiosity is not important. Indeed, there are positive correlations between epistemic curiosity.

The findings of this study provide important insights for global franchising managers. For instance, a focus on creating consumer affect is seen to be fruitful as we were able to find support for the affect and retail patronage linkage. As their offering is new and original, they may be better off if they focus on creating affect, especially during market penetration stage where first impressions are formed. In addition, creating curiosity about their product offering is also advisable for such foreign-based firms, as there was a positive association for the level of curiosity and retail patronage. The curiosity dimension

is very important for foreign-based retail firms as the service offering they bring to the U.S. is characterized by uniqueness or authenticity. To that end, if these strategies are pursued, companies can greatly benefit from positive outcomes. In addition, our inability to link essentialist categorizations to retail patronage can be important, such that a focus on signs, symbols and artifacts may not necessarily have negative consequences, even for consumers that are high in essentialist categorizations.

Although this study provides some important insights, inevitably, several limitations must be noted. First, the study explicitly informed the respondents about the base location of the franchise system. In reality, consumers would not be able to know for sure the headquarters of the company, and thus they may mistake several other U.S. based franchise companies that commonly utilize foreign-cultural elements in their establishments. Second, the theoretical framework that is utilized in this study has several other dimensions. For instance, trait arousal and trait pleasure was not part of our analysis, although these constitute part of the theory. Furthermore, although we explored dimensions of pleasure and arousal, human emotions are certainly not limited for the emotions that we selected, i.e. affect and curiosity. Moreover, Mehrabian-Russell (1974) theoretical framework is a suggestion to explore human emotions and their subsequent affect on retail patronage. Many other variables, such as quality perceptions, price perceptions, retail location, service levels were not part of our analysis.

Despite these limitations, our study provided important insights into future research opportunities. We highlight the fact that the interplay of a larger set of emotions and store atmospherics may be responsible for consumer willingness to patronize foreign-based franchise systems. Thus, a more robust and detailed approach may be needed for a future research effort in this domain. Furthermore, the study emphasized the importance of affect on retail patronage for foreign-based franchise systems. Thus an important future research direction could be to focus on affect and trying to understand other factors that influence it. In addition, we were able to incorporate curiosity into retail patronage literature. Thus, future research may focus on epistemic curiosity and explore its role on retail patronage. In addition, as stated above, consumer self-report bias may be tried to be reduced by future studies. This may be achieved by the utilization of word association techniques, picture description or story completion methods that focus on more subtle psychological mechanisms. It would be very interesting to incorporate such methods in relationship to retail patronage behavior, especially in the context of foreign-based franchise retailers.

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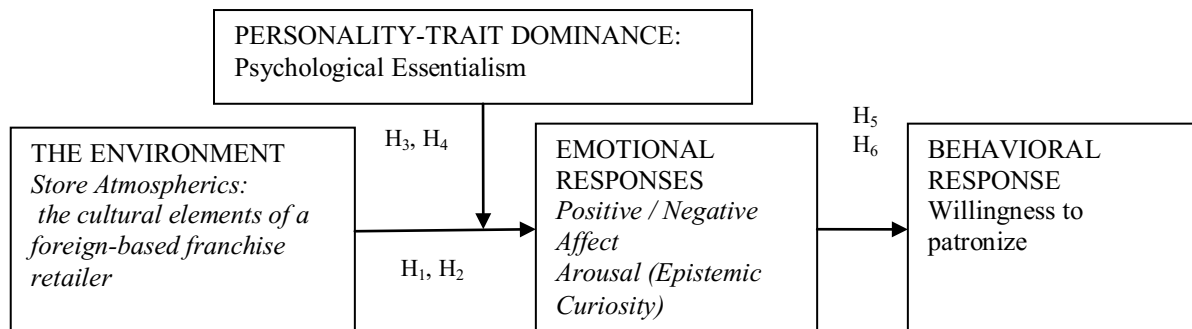
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**Figure 1 Study Model**





**Table 1 ANOVA: Effect of Cultural Elements in Store Atmospherics on Epistemic Curiosity and Affect**

	Combined Data Set			Low-Psyc. Essentialism			High Psyc. Essentialism		
	mean	f-val.	p-val.	Mean	f-val.	p-val.	mean	f-val.	p-val.
<b>Epistemic Curiosity</b>									
Latin Rest.	3.572			3.551			3.583		
US. Rest.	3.675	0.509	0.601	3.626	1.216	0.299	3.697	1.085	0.339
Japanese Rest.	3.643			3.357			3.768		
<b>Affect</b>									
Latin Rest.	4.201			4.058			4.269		
US. Rest.	4.163	1.178	0.309	4.096	0.139	0.871	4.194	2.466	0.086
Japanese Rest.	4.315			3.996			4.454		

**Table 2 Path Model Estimates**

		Path Estimate							
From	To	Latin Restaurant		U.S. Restaurant		Japanese Restaurant			
		Low Psyc. Essentialism	High Psyc. Essentialism	Low Psyc. Essentialism	High Psyc. Essentialism	Low Psyc. Essentialism	High Psyc. Essentialism		
Psyc. Essentialism	Epistemic Curiosity	19.64	1.80	-0.18	3.49	6.89	7.75		
Psyc. Essentialism	Affect	27.92	2.18	0.36	3.62	10.39	7.50		
Psyc. Essentialism	Retail Patronage	-57.66	-1.93	0.25	-0.64	-31.74	-17.54		
Epistemic Curiosity	Retail Patronage	1.34	0.65	0.47	0.37	2.58	2.15		
Affect	Retail Patronage	1.78	1.25	0.72	0.82	1.91	1.16		
<b>Goodness-of-fit Statistics of the Final Model</b>									
Chi Square/dof		Latin		U.S.		Japanese			
		1.43	2.03	2.253	2.122	1.761	2.158		
RMSEA		0.082	0.088	0.141	0.091	0.113	0.092		
GFI		0.66	0.74	0.53	0.72	0.64	0.77		
NFI		0.90	0.95	0.78	0.91	0.89	0.95		
CFI		0.96	0.97	0.86	0.95	0.94	0.97		

**Table 3 Path Model Estimates**

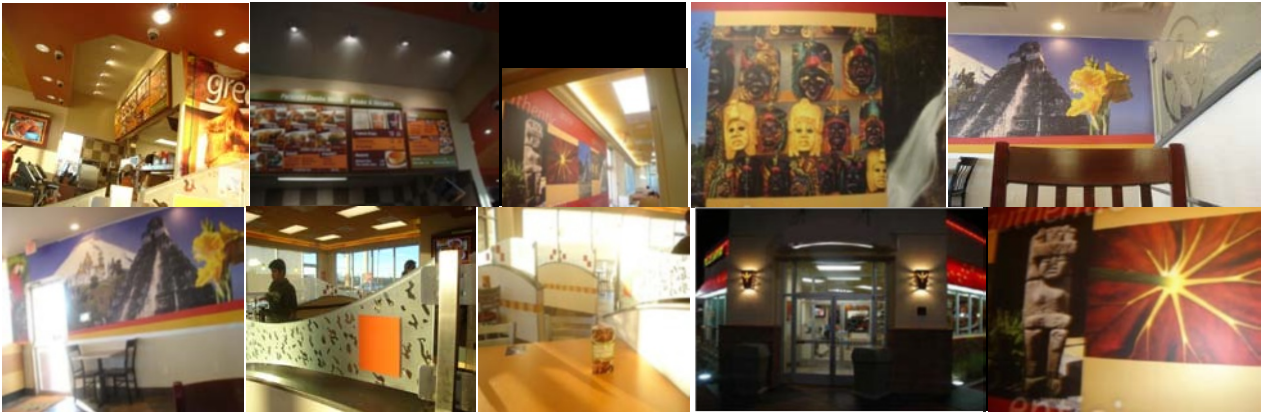
		t-values							
From	To	Latin Restaurant			U.S. Restaurant			Japanese Restaurant	
		Low Psych. Essentialism	High Psyc. Essentialism		Low Psyc. Essentialism	High Psyc. Essentialism		Low Psyc. Essentialism	High Psyc. Essentialism
Psyc. Essentialism	Epistemic Curiosity	0.27	3.66		-0.59	1.36		0.85	0.95
Psyc. Essentialism	Affect	0.27	3.70		0.63	1.38		0.86	0.96
Psyc. Essentialism	Retail Patronage	-0.27	-1.71		0.99	-0.35		-0.71	-0.40
Epistemic Curiosity	Retail Patronage	1.43	2.70		2.83	1.43		0.75	0.45
Affect	Retail Patronage	1.82	4.29		8.62	4.75		1.42	3.30
Goodness of Fit Statistics of the Final Model		Latin		U.S.		Japanese			
Chi Square/dof		1.43	2.03	2.253	2.122	1.761	2.158		
RMSEA		0.082	0.088	0.141	0.091	0.113	0.092		
GFI		0.66	0.74	0.53	0.72	0.64	0.77		
NFI		0.90	0.95	0.78	0.91	0.89	0.95		
CFI		0.96	0.97	0.86	0.95	0.94	0.97		

**Table 4 Results of Regression Analysis (N=600)**

	Retail Patronage (Dependent Variable)								
	Latin Restaurant			U.S. Restaurant			Japanese Restaurant		
	Beta	t	Sig.	Beta	t	Sig.	Beta	t	Sig.
<i>Indep. Variables</i>									
Epistemic Curiosity	0.228	6.515	0.000	0.236	5.714	0.000	0.285	6.387	0.000
Affect	0.764	21.875	0.000	0.723	17.547	0.000	0.673	15.081	0.000

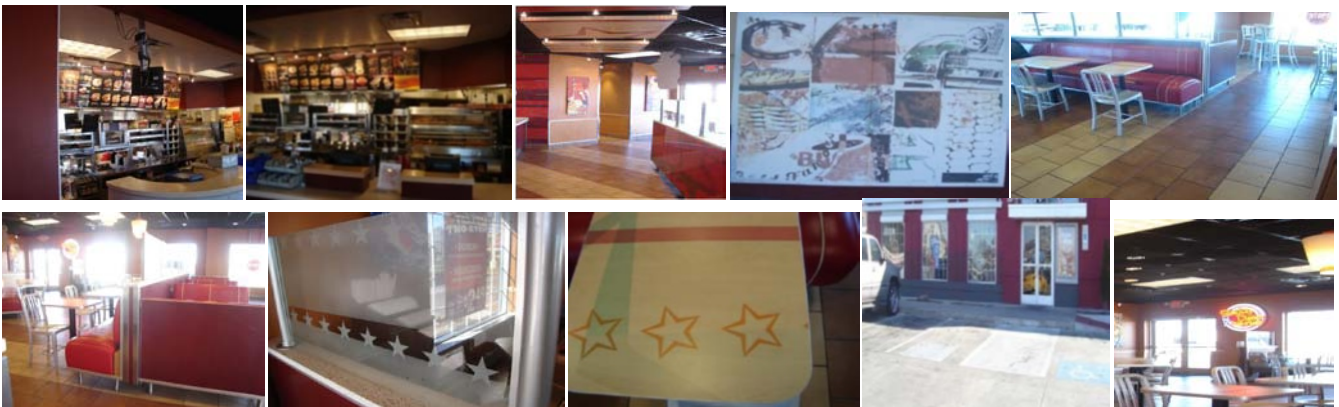
## Appendix 1 Store Descriptions LATIN-BASED RESTAURANT

Brand X (Spanish brand name) is a global fast-food restaurant chain headquartered in Latin America with outlets throughout the U.S. Brand X restaurants attempt to attract Latin American and other consumers. Brand X aims to satisfy consumers who are looking for something unique offering “tropicalized” dishes. The restaurants are brightly lit, spacious, modernly furnished and designed specifically for Brand X in order to showcase the Latin American culture. The store decoration is contemporary, and seeks to evoke a warm, friendly and homey feel. One of its customers stated that “Festive yellow-and-orange- décor, flags of countries it calls home, Spanish signage and an upbeat salsa soundtrack make Brand X a decidedly Latin experience.”



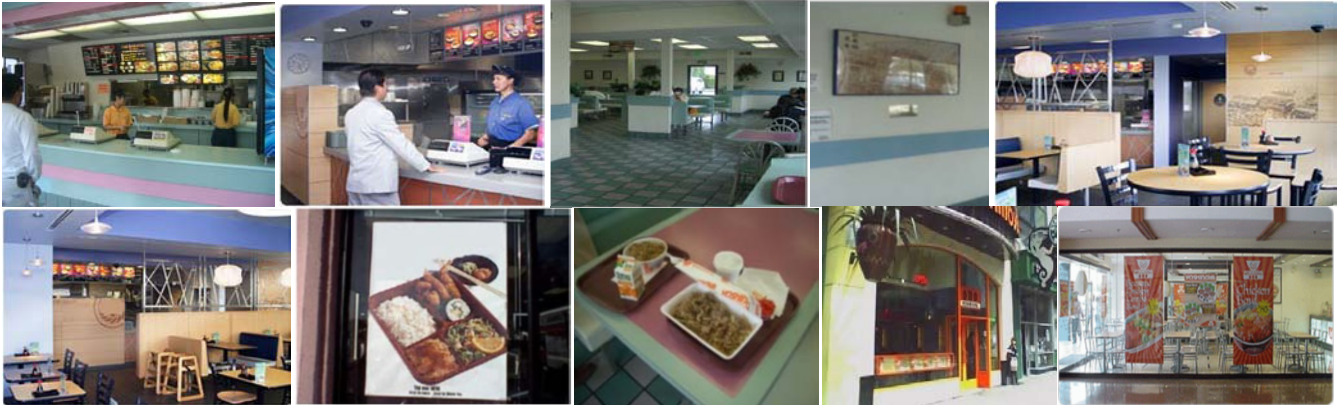
## Store Descriptions U.S.-BASED RESTAURANT

Brand Y (American brand name) is a global fast-food restaurant chain headquartered in the United States with outlets throughout the world. Brand Y restaurants attempt to attract U.S. and other consumers. Brand Y aims to satisfy consumers by offering dishes with traditional roots. The restaurant uses bold graphics, deep red colors and a streamlined design. The interior is broken up into a variety of dining experiences including perimeter red leather seating, picnic tables for family-sized groups and trendy metal chairs for smaller dining parties. Clean lines provide an international feel, while touches of stars and stripes near the buffet add elements of Americana. A solid, floor-to-ceiling glass entrance adds an urban element to match the street traffic. One of its customers stated that “bucket-shaped light scones, ceiling soffits, drop-down lighting and tile treatment offers a home-like feel to the restaurant. Bistro-style high table and historic American murals combined with warm color tones round out the interior”.



## Store Descriptions JAPAN-BASED RESTAURANT

Brand Z (Japanese brand name) is a global fast-food restaurant chain headquartered in Asia with outlets throughout the U.S. Brand Z restaurants attempt to attract international and American consumers. Brand Z aims to satisfy consumers who are looking for an authentic and Japanese-style menu. Brand Z maintains its 19<sup>th</sup> century roots as it brings ethnic food to consumers by stores designed to be warm and inviting. One of its customers stated that “The restaurant provides authentic Japanese food served in a modern atmosphere with ethnic elements”



# **THE AFFECTIVE AND COGNITIVE DIMENSIONS OF COUNTRY IMAGE: PERCEPTIONS OF U.S. PRODUCTS IN KUWAIT**

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## **ABSTRACT**

Previous research suggests that country image plays a significant role in forming consumers' perceptions of and preference for foreign products. In their review of the literature on country image, Roth and Diamantopolous (2009) found a lack of consistency in defining and operationalizing the different facets of country image. Their study further revealed that few studies have simultaneously examined the cognitive and affective dimensions of a country's image. This study attempts to address this shortcoming by utilizing the stereotype content model (SCM) and bias map found within the social psychology literature (Cuddy, Fiske and Glick 2007). The SCM distinguishes among the cognitions, emotions and action tendencies directed toward different groups. Furthermore, it explains the relationship among these three components. Thus, this study has two objectives: 1) to differentiate between the affective and cognitive aspects of a country's image and 2) to examine how the affective and cognitive aspects of a country's image influence a consumer's evaluations of and preferences for products from that country. In more specific terms, this research examines the affective and cognitive attitudes of Kuwaiti consumers toward the United States and how such attitudes impact Kuwaiti consumers.

The authors conducted an empirical study to assess the affective and cognitive attitudes of Kuwaiti consumers toward the United States. In total, 507 questionnaires were collected and 13 of these were eliminated due to incompleteness, resulting in 494 questionnaires being used in the analysis. Among the respondents, 52.2% were females and 47.8% were males. The results of this study suggest several key findings with regards to the impact of the affective and cognitive dimensions of a country's image. First, the results of this study indicate that the cognitive dimensions serve as antecedents to the affective dimensions of country image.. Secondly, the results demonstrated that different dimensions of the cognitive county image have different consequences. Thirdly, the affective country image might be a more proximal antecedent of affective evaluations and willingness to buy. For example, contempt and admiration had a greater effect on the affective evaluations when compared to competence, and warmth did not impact the cognitive product judgments. Furthermore, contempt had a negative impact on willingness to buy while neither of the cognitive dimensions had any impact.

Based on the results, it is suggested that managers must correctly prioritize the affective and cognitive components of country image in order to either emphasize or downplay the country of origin or when deciding to use foreign branding strategies. Future research should identify situations in which the affective dimensions of country image play the more dominant role in consumer decision making. The model should also be tested across other cultural samples to increase the generalizability of these results.

References Available on Request.

## **CONSUMER SKEPTICISM AND BLOGS: IMPLICATIONS FOR MARKETING COMMUNICATORS**

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### **ABSTRACT**

Blogs have become a pervasive and powerful forms of communication in the milieu enabled by Web 2.0, and are assuming important roles in the arsenals of marketing communicators. Yet little evidence currently exists of the extent to which consumers believe the content of blogs or not. This paper presents the results of a study that examines the extent of skepticism toward blogs within a reasonably large sample. Using a scale adapted from the advertising literature to measure skepticism, the research compared levels of skepticism among consumers by age, level of education and gender, as well as the frequency with which consumers accessed blogs, and the number of blogs they accessed. Some preliminary observations on psychometric properties of the adapted scale are also made. The paper concludes by acknowledging the limitations of the research, identifying the implications for management, and noting avenues for future research.

References Available on Request.

# DOES YOUR ONLINE ADVERTISING WORK FOR EVERY CONSUMER? MEASURING AGE-RELATED ADVERTISING EFFECTIVENESS IN AN INTERNET COMPANY

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## ABSTRACT

With the emergence of the internet and its growing importance as an advertising medium, online advertising effectiveness became a topic in academic research (Ha 2008, Jianan et al. 2005). A June 2008 worldwide McKinsey digital-advertising survey shows that 91 percent out of 340 companies are advertising online. Yet 80 percent of the companies allocate media budgets by simply making subjective judgments and have none or only inappropriate methods in place to track advertising effectiveness (Bughin et al. 2009). Accordingly, the need for accountability in praxis increased significantly. The current method of tracking online advertising effects in the marketplace is by using direct tracking techniques via cookies (Lavin 2006). However via direct tracking it is not possible to measure all advertising effects because 30 percent of internet users reject or delete cookies needed for tracking (Lipsman 2007).

Advertising activities aiming on specific target segments appear to be more efficient than others. Accordingly, age is a generally acknowledged segmentation criterion in academia which is furthermore widely used in the marketplace. The present study attempts to explore age-specific sales effects of different online advertising activities. The respective theoretical foundation is the information processing theory which implies different processing strategies of advertising information between young and old consumers. The theory is concerned with the processing of information in order to understand consumers' choices (Bettman 1979). Along the information processing chain we find numerous suggestions for differences between young and old consumers. For instance, the processing capacity is limited for older people compared to younger ones. Likewise the perception and information acquisition ability is likely to be on a lower level for old consumers. Furthermore empirical research shows, that older people act according to strict decision rules, follow patterns learnt, and choose heuristics to cope with complex situations (Bettman 1979). These differences along the information processing chain also suggest a distinct processing of advertising information and thus different buying behavior of young and old consumers.

The data set used for the present analysis is high-quality field data obtained from a leading online insurance platform. It contains longitudinal data and provides indicators on advertising activity and sales on a day-by-day basis. Furthermore specific customer data such as age and individual purchase volumes were provided on a per-purchase basis. The data processed includes records from 821 days and 175,859 transactions were recorded. We applied reflective constructs in a two-stage structural equation model (Bagozzi 1994; Chin 1998). Dealing with stable causal relations, facing interaction effects, and chronological order of events described through the variables (Jarvis et al. 2003; Fornell and Larcker 1981) we decided to apply Partial Least Squares (PLS) as a variance-based structural equation modeling (SEM) technique for the data analysis (Chin 1998; Chin and Newsted 1999). All hypothesized relations can be supported. That shows that also in an online world young consumers are search-affine, want to discover new and do not act according to patterns learnt. Therefore they prefer search engines before deciding to purchase (H1). Young consumers also prefer information-rich media such as email newsletters before making their purchase decision (H2). On the other hand the empirical results show that also in an online world old consumers act according to patterns learnt and prefer environments they already know. Therefore for older consumers the sales effect of direct website type-ins is much greater (H3).

Overall the study expands the existing research from an offline to an online perspective. So it does for the information processing theory. It furthermore contributes to the not yet fully scientifically explained sales effect of advertising. So, it raises the understanding of the functional relation between advertising exposure and respective buying behavior of distinct age groups. The unique high-quality sample with more than 175 thousand online transactions and 821 records permits the creation of a model with strong explanatory power. There was no other research found using a comparably high-quality data base. With the PLS method an applicable variance-based technique is firstly applied for such research questions. Literature shows that the prediction and explanation power of the PLS method is superior to other simpler statistical approaches (Chin and Newsted 1999; Fornell and Bookstein 1982) as well as the direct tracking via cookies used in praxis (Lipsman 2007). Thus the question "Does your Online Advertising work for every Consumer?" can be answered. Due to specific information processing strategies of young and old consumers, both segments should be targeted individually through appropriate media.

References Available on Request.

# **POLITICAL AD PORTRAITS: A VISUAL ANALYSIS OF CONSTITUENTS' REACTION TO POLITICAL SPOOF ADS**

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## **ABSTRACT**

The democratization of the Internet and, subsequently, the growing popularity of amateur video production, have given rise to historic levels of voter empowerment. More specifically, the populace has turned to YouTube and other, similar websites to voice their opinions in a public manner through the posting of, and response to, amateur political videos. These portals contain a plethora of data regarding popular opinion and voter sentiment. This data is a pure, unbiased picture of actual voter sentiment. If politicians can find a way to scientifically acquire and interpret these voter sentiments, it would be an invaluable tool. Using the visualization software, Leximancer, we show how conversations around political ads can be mapped and interpreted. We discuss the implications of our findings, outline the technique's limitations and trace avenues to extend the research.

References Available on Request.



## RESPONSE-BASED SEGMENTATION IN PLS PATH MODELING: APPLICATION OF FIMIX-PLS TO AMERICAN CUSTOMER SATISFACTION INDEX DATA

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The role of customer satisfaction indices is important in understanding business success and is evidenced through established effects on customer retention and profitability. Today, Fornell et al.'s (1996) American Customer Satisfaction Index (ACSI) ranks among the most salient models in marketing. Several studies have provided strong evidence for the measure's reliability and validity and provide a basis for comparing the effects of antecedent constructs on overall satisfaction and loyalty. However, by using aggregated data for their validation analyses, these studies assume that the data stem from a single homogenous population—a single model represents all observations. This assumption of homogeneity is unrealistic as customers are likely to differ in their perceptions and evaluations of firms' characteristics, as well as in their familiarity with a given firm's offerings (Rigdon et al. 2010). Moreover, observable characteristics are often inadequate in capturing the apparent heterogeneity in the data (Sarstedt and Ringle 2010). Even though prior research has found substantial unobserved customer heterogeneity within a given product or service class (Wu and DeSarbo 2005), it usually remains unaddressed which leads to biased parameter estimates and, consequently, flawed conclusions.

Recent advances in PLS path modeling have incorporated several approaches for latent class detection, including prediction oriented segmentation (Becker et al. 2009), finite mixture (Hahn et al. 2002), and genetic algorithms (Ringle et al. 2010). In light of these recent developments (Sarstedt 2008), the aim of this paper is to revisit Fornell et al.'s (1996) seminal study by uncovering unobserved heterogeneity within the industry specific data underlying the ACSI model.

This paper looks at the evidence for observed and latent heterogeneity within data underlying the ACSI model. Data for two different industries (utilities and hotels) reveal only modest differences with regard to observed heterogeneity. Finite mixture PLS path modeling (FIMIX-PLS), however, uncovers two segments of customers within each industry. One segment represents loyal customers while the other segment represents less loyal customers. The segment-specific PLS path model estimations are highly similar across the two industries. For example, compared with the loyal customer segment, parameter estimates related to the "customer loyalty" construct in the ACSI model are consistently and significantly lower for the less loyal customer segment. The results of this study suggest different dynamics and recommend different managerial approaches for the loyal and less loyal customer segments. An importance / performance matrix analysis illustrates these differences and provides a foundation to develop managerial implications. Overall, the analysis provides strong support for the notion that researchers should evaluate their PLS path modeling results for the possible existence of heterogeneity by applying tools like mixture modeling (including FIMIX-PLS). This study also highlights the need to account for heterogeneity in testing conceptual models concerning customer satisfaction and associated antecedents. Uncovering heterogeneity and group specific interpretation of results will lead to further differentiated and more effective conclusions in marketing research and practice.

References Available on Request.

## **MARKET SEGMENTATION: VALIDATING A QUALITATIVE ALGORITHM TO EXAMINE STAGES OF CONSUMER INVOLVEMENT IN SPORT**

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### **ABSTRACT**

The purpose of this research is to empirically validate a staging mechanism to segment consumers of hedonic service experiences; sport participants and sport spectators. Theoretically, the stages concept suggests consumers can be assigned according to certain characteristics to a distinct stage from a specific number of stages. Consumers within a given stage are similar in attitudinal and behavioral characteristics while consumers across stages significantly differ in terms of these same characteristics. The multi-dimensional nature of involvement is used to operationalize the stage-based theoretical framework provided by the Psychological Continuum Model (Funk & James, 2001; 2006) which classifies consumers into four hierarchical stages: Awareness, Attraction, Attachment and Allegiance. These four stages reflect the progressive development of a psychological connection to a hedonic consumption activity. Three studies were conducted to provide empirical evidence to validate a three step staging procedure developed for the framework (Beaton, Funk, & Alexandris, 2009). Study 1: 1,224 recreational golfers in Queensland Australia. Study 2: 2,843 marathon and half-marathon event participants in Philadelphia United States. Study 3: 421 sport fans from New South Wales and Victoria in Australia. The staging mechanism proceeds as follows. First, mean scores are calculated for three involvement facets of centrality, sign and pleasure. Second, involvement mean scores are used to create unique consumer profiles based on low, moderate and high categories on each facet ( $3^3 =$  potentially 27 unique profiles). In the final step, consumers are segmented into a specific stage using a qualitative algorithm (i.e., decision tree) specifically developed for the PCM framework. Once stage-placed, the discrete nature of stages was tested using MANOVA through examination of the attitudinal characteristic resistance to change (i.e., commitment) and the behavioral characteristic frequency of self-reported behavior. Across the three samples, results revealed that mean scores for commitment and behavior significantly differed among each of the four stages ( $p < .01$ ). In addition, commitment and behavior levels incrementally increased from Awareness to Attraction to Attachment to Allegiance. The application and analysis of the staging mechanism revealed that as the level of psychological connection with the hedonic consumption activity progressively increased; so to did the level of attitudinal and behavioral engagement. Implications of this research suggest that different stages give rise to the notion that equally different consumer processes maybe be at work between the stages. SPSS syntax is provided to allow for application of the three step stage-based segmentation procedure for large data samples.

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# A SCOBIT-BASED TRAVEL MODE CHOICE MODEL

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## ABSTRACT

As an additional consumer choice model, this paper suggests using the Scobit model, which includes a skewness parameter, to accommodate a more general structure of marginal effects in the context of binary choice behavior. It is empirically confirmed that the Scobit model outperforms the widely used binary logit model.

## INTRODUCTION

Estimating the sensitivity of consumers to changes in product or service attributes is of vital concern in marketing research and in other disciplines, which attempt to model consumer response. How will consumer choice and corresponding market shares change as a function of changed attributes? In many of these disciplines, discrete choice models have found ample applications (e.g., Bucklin et al., 2008, Aribarg and Foutz, 2009; Briesch et al, 2009, Park and Gupta, 2009; van Rosmalen et al., 2010). These models assume that consumers maximize their utility, which is typically expressed as a (linear) function of the attributes of the choice alternatives and an error term. Depending then on the assumptions about the distribution of the error terms, different choice models can be derived.

The most commonly used model is the binomial (BL) or multinomial logit (MNL) model, however, implicitly states that those consumers who are invariant across choice alternatives (50% choice probability in case of two alternatives) are most sensitive to changes in attribute values. This assumption has immediate implications for estimating elasticity and consumer responses; however, it has hardly been tested. Considering that marketers are usually interested in what types of consumers are more sensitive to changes in attributes of products than others, in case that this assumption does not hold, using the BL or MNL model to identify those consumers would be problematic. However, careful literature reviews suggest that no study in marketing has been carried out to test the above assumption about the response sensitivity in the logit model. To test this implicit assumption underlying the logit model, taking binary choice behavior as an example, this paper applied a Scobit model, which has a skewness parameter and includes the BL model as a special case. The context of application is the choice of transport mode (car versus bus).

## A BINARY TRAVEL MODE CHOICE WITH SCOBIT STRUCTURE

In this paper, we are dealing with binary choices. Multiple examples of applications in marketing include, to buy or not to buy a product, propensity of shopping, conveying a message to other persons or not, etc. The stipulated problem also applies to multinomial choice, but we leave that for future research.

### A Scobit Model

Assume that we have two alternatives in a choice set of travel mode. In this case study, we deal with car and bus. Then, the utilities of the two modes can be defined as follows, where  $n$  indicates trip maker,  $u_{n1}, u_{n2}$  are utility functions of car and bus,  $v_{n1}, v_{n2}$  are deterministic terms of  $u_{n1}, u_{n2}$ , and  $e_{n1}, e_{n2}$  are the corresponding error terms, respectively.

$$\text{Car: } u_{n1} = v_{n1} + e_{n1}, \quad (1)$$

$$\text{Bus: } u_{n2} = v_{n2} + e_{n2}, \quad (2)$$

Then, the probability  $p_{n1}$  that trip maker  $n$  chooses car can be described as,

$$p_{n1} = \Pr(u_{n1} > u_{n2}) = \Pr(e_{n1} - e_{n2} > v_{n2} - v_{n1}). \quad (3)$$

Let us define a new error term  $\varepsilon_n = e_{n1} - e_{n2}$  and further assume that it follows a distribution with the distribution function  $F(\varepsilon_n)$ . Then the probabilities  $p_{n1}$  can be expressed as  $p_{n1} = 1 - F(-(v_{n1} - v_{n2}))$ . Since  $v_{n1}, v_{n2}$  are usually assumed to be a

linear function of explanatory variables, let us define them as  $v_{n1} - v_{n2} = \sum_k \beta_k (x_{n1k} - x_{n2k})$ , where  $x_{n1k}, x_{n2k}$  are the  $k$ th variables with parameter  $\beta_k$ , respectively. The marginal effect  $ME_x^P$  of a change in  $x_{n1} - x_{n2}$  can be derived as follows, where  $f(\bullet)$  is the probability density function of  $F(\varepsilon_n)$ .

$$ME_x^P = \partial p_{n1} / \partial (x_{n1} - x_{n2}) = f(-\sum_k \beta_k (x_{n1} - x_{n2})) \beta_k, \quad (4)$$

It is obvious that  $ME_x^P$  depends not only on  $\beta_k$  and  $x_{n1} - x_{n2}$ , but also on the form of  $f(\bullet)$ . If a normal or Weibul distribution is assumed, then  $f(\bullet)$  will have a maximum at  $\sum_k \beta_k (x_{n1} - x_{n2}) = 0$ . This means that any given variable  $x_{n1} - x_{n2}$  will have its greatest effect on those individuals for which  $\sum_k \beta_k (x_{n1} - x_{n2})$  is closest to 0, or for which  $p_{n1}$  is closest to 0.5. However, if individuals with an initial choice probability other than 0.5 are those most sensitive to the change, then the logit or probit model would result in a misspecification and consequently biased inferences about the marginal effects of changes in any explanatory variable. In this sense, it is necessary to adopt a more general distribution which allows the highest sensitivity to changes in variables at any initial probability. To meet the above requirement, this study applies the Scobit (or skewed logit) model (Nagler, 1994), which to the best of our knowledge is not well known in marketing research. This model can be derived by assuming the following  $F(\varepsilon_n)$ , in which  $\alpha$  is a parameter used to measure the skewness of Burr-10 distribution. This is, in fact, a Burr-10 distribution (Burr, 1942), which is one of the 12 distributions defined by Burr.

$$F(\varepsilon_n) = 1 / (1 + \exp(-\varepsilon_n))^\alpha \quad (5)$$

Having defined the above distribution function  $F(\varepsilon_n)$ , the probability of choosing car can be derived as,

$$p_{n1} = 1 - F(-(v_{n1} - v_{n2})) = 1 - 1 / (1 + \exp(v_{n1} - v_{n2}))^\alpha, \quad (6)$$

When  $\alpha$  is equal to 1, equation (6) returns to the logit model. Thus, the popular logit model is nested within the Scobit model. The Scobit model is also called the skewed logit model because it allows a skewed response curve, which is different from the symmetric curve (symmetric about zero) derived from the logit model.

### Representing Heterogeneous Skewness Parameter

It is expected that the skewness may be different across individuals, i.e., some individuals may show the highest sensitivity to change at  $p_{n1} = 0.5$ , some at  $p_{n1} < 0.5$ , and some at  $p_{n1} > 0.5$ . However, it is difficult for analysts to figure this out in advance. To accommodate such heterogeneity, this study therefore defines  $\alpha$  as a function of some individual attributes ( $z_{nq}$ ), where  $\theta_q$  is the parameter of the  $q$ th variable  $z_{nq}$ , and  $\pi$  is a constant term.

$$\alpha_n = \exp(\pi + \sum_q \theta_q z_{nq}), \quad (7)$$

Note that the exponential function is adopted to meet the requirement that  $\alpha_n > 0$ . In the empirical analysis shown later, the Scobit model with heterogeneous  $\alpha$  will be compared with the model with homogeneous  $\alpha$ .

## AN EMPIRICAL ANALYSIS

To assess the effectiveness of the Scobit model in representing binary travel mode choice behavior, this study adopted a panel data collected in Hiroshima City, Japan in 1987, 1990, 1993 and 1994. This panel data includes only car and bus as the alternative modes for commuting (at the time of the survey, these were the only available modes). The valid sample size for each wave is 226 respondents. Looking at respondents' attributes in the 1st wave, 69% of the respondents are male, most of which are aged between 30 and 60 years old. All the female respondents are younger than 50 years old. And, 97% of the respondents are employed, and 72% belong to a household with 2 or more members. The shares of bus ranged between 40%~45% across the four waves. In this case study, we estimated the Scobit and logit models for each wave, respectively, based on the standard maximum likelihood estimation method. To evaluate whether the skewness parameter shows heterogeneity across consumers (here, trip makers), two types of models were estimated: one assumes the skewness

parameter homogeneous across trip makers, and the other assumes the heterogeneous skewness parameter, where the latter defines the skewness parameter as an exponential function of socio-demographic characteristics of trip makers.

Usually, two types of explanatory variables are introduced into a choice mode: one are the alternative-specific attributes and the other are the alternative-generic attributes. In this case study, we adopted travel time and cost for the car and the bus as the alternative-specific attributes and used socio-demographic characteristics of trip makers as the alternative-generic attributes. We assumed that the utility of the car is a function of the travel time and cost differences between these two transport modes. We further assumed in the model with heterogeneous skewness parameter that the skewness is influenced by socio-demographic characteristics of trip makers. More specifically, gender, age, employment and household size were used.

## Results of Model Estimation

We first estimated the Scobit model with homogeneous skewness as well as the relevant logit model for the four waves. Due to the space limitation, the results of the estimation are not shown here. Adjusted McFadden's Rho-squared values range from 0.2 to 0.5, suggesting that both Scobit and logit models are effective to represent the car and bus choice behavior. These results indicate that the goodness-of-fit of both models is good, given standard rules of thumb in the relevant literature. The two models estimate that all the parameters of the travel time and cost are negative except for the travel time parameters in 1987. To test whether the Scobit model outperforms the logit model or not, the Chi-square test is conducted for all the waves. It is found that in 1990 and 1994, the accuracy of the Scobit model is higher than that of the logit model at 90% and 95% levels, respectively. Looking at the skewness parameter, they are all significantly different from 0 at the 95% level, but not all of them are different from 1. At the 90% significance level, the skewness parameters in 1990 and 1994 are different from 1, where the parameter in 1990 is significantly different from 1 even at the 95% level. These test results suggest that the Scobit model is superior to the logit model in 1990 and 1994. This implies that the assumptions underlying the binary logit model regarding consumer sensitivity to changes in attributes are not supported by the data in 1990 and 1994. The values of travel time in 1990 and 1994 estimated by the Scobit model are about 20% higher than those by the logit model, respectively, and the value of travel time in 1993 by the Scobit model is almost the same as that by the logit model.

Next, we estimated the Scobit model with heterogeneous skewness, which is defined as an exponential function of socio-demographic attributes including sex, age, employment, and number of household members. For the purpose of comparison, the same set of socio-demographic attributes is introduced into the logit model as explanatory variables together with travel time and cost variables. Estimation results are shown in Table 1. Looking at the model accuracy, it is demonstrated that introducing socio-demographic attributes of trip makers remarkably improved the model accuracy in the sense that the Adjusted McFadden's Rho-squared values in Table 1 are about 20%~50% higher than the corresponding values of the model with homogeneity. It is found that most of the socio-demographic attributes in the two models have statistically significant parameters at the 95% level. The average values of the skewness parameters across samples are about 0.9~1.5 with the standard deviations 0.5~1.3. These values are substantially higher than those estimated in the Scobit model with homogeneous skewness parameter. Different from the model with homogeneity, the Scobit model in Table 1 estimates a smaller value of travel time than that by the logit model (-6% ~ -15%). Except the model in 1990, the accuracy of the Scobit model is about 2~8% higher than that of the logit model. To further understand the difference of the two models, the choice probabilities for the car and the bus from these two models are calculated. In the first wave (i.e., 1987), larger differences between the two models are observed in the sides of smaller (about 0.1~0.2) and larger (about 0.7~0.9) choice probabilities for both car and bus. In the second wave (1990), the Scobit model estimates a larger choice probability of the bus at the probability space 0.0~0.7 than the logit model; in contrast it calculates a smaller choice probability of the car at the probability space 0.3~0.9. Relatively large differences between the two models are observed across the whole choice probability space in the third wave (1993). In the last wave, it is observed that the two models show larges differences below the probability of 0.5 for the bus, but over the probability of 0.5 for the car.

## Elasticity Analysis

Here, we calculated the elasticity of travel time and travel cost differences with respect to the car choice probability. The elasticity formula adopted here is shown below.

$$E_{x_{ntk}}^{P_t(y_t=1)} = \alpha_n \exp(v_t) \beta_k x_{ntk} P_{nt}(y_{nt} = 0) / (P_{nt}(y_{nt} = 1)(1 + \exp(v_t))) \quad (8)$$

In the first wave (1987), larger discrepancies in the elasticity between the two models are observed when the travel time/cost of car are shorter/smaller than those of bus. More specifically, when the level of service provided by the car is better than that by the bus, the logit model overestimates the elasticity in most cases. In contrast, the logit model underestimates the elasticity in the second wave (1990) when the car service outperforms the bus service. The two models estimate similar elasticity for both car and bus in the third wave (1993) and it is also true to the travel time difference in 1994. For the travel cost difference in 1994, the logit model overestimates the elasticity when the car service is better than the bus service. However, the above-observed differences are not supported by the T-test. This means that in this case study, the Scobit and logit models generate the indifferent elasticity of both travel time and cost.

## CONCLUSIONS

Most choice models applied in marketing research and in other disciplines implicitly assume that consumer sensitivity is highest when choice probabilities are equal across alternatives in a choice set. This property is derived from the assumed symmetric response curve, but is hardly tested. In this paper, we therefore tested this assumption by comparing the performance of a binary logit model against a binary Scobit model, which adds a skewness parameter in the context of transport mode choice decisions. Note that the logit model is a special case of the Scobit model when the skewness parameter is equal to 1. Thus, the Scobit model is more general than the logit model in representing consumer choice behavior.

We conducted the first study in marketing to examine whether consumer choice behavior show the highest sensitivity when choice probabilities are equal across alternatives in a choice set. This is done by estimating a Scobit model. Based on an analysis using a 4-wave panel data of commuting travel mode choice (car and bus), it is confirmed that in case that the skewness parameter is homogeneous across trip makers, in two out of the four waves, the accuracies of the Scobit model are higher than those of the logit model and the skewness parameters are statistically different from 1. In case that the skewness parameter is heterogeneous across trip makers, in three out of the four waves, the accuracies of the Scobit model are slightly higher than those of the logit model. Statistical test results suggest that on average the Scobit model and the logit model show equal performance in the estimated choice probabilities and the elasticity of travel time and cost. Nevertheless, the resulting skewness parameters and elasticity show large discrepancies between the two models. Thus, it is still too earlier to make a conclusion that the two models are not different with each other at least at the disaggregate level. Therefore we can conclude that at least for the data used in the present analysis, the Scobit model bears comparison with the binary logit model, and especially at the disaggregate level, it is superior to the binary logit model. In this study, we examined the performance of the Scobit model in the context of commuting travel mode choice, which is routinely performed on a daily basis.

It is expected that the performance of the Scobit model might differ from context to context in representing consumer behavior. Comparative studies are required to cover different contexts. Needless to say, such comparative analyses should be extended to multinomial choice cases.

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**Table 1. Estimation Results of Scobit and Logit Models**

Explanatory variable	Logit Model		Scobit Model	
	Parameter	t-statistic	Parameter	t-statistic
<i>(1) Model for the year of 1987</i>				
Travel time difference (car-bus) (minute)	0.0428	1.858	0.0525	2.110
Travel cost difference (car-bus) (yen)	-0.0064	-6.790	-0.0070	-5.563
Value of travel time (yen/hour)	-403		-452	
			(Skewness parameter)	
Sex (1: Male; 0: Female)	1.2821	2.224	0.9606	2.330
Age	-0.1025	-3.939	-0.0758	-3.965
Employment (1: employed; 0: unemployed)	4.2383	4.048	3.3121	4.351
Number of household members	-0.3965	-1.661	-0.3824	-2.421
Converged log-likelihood	-84.05		-80.35	
McFadden's Rho-squared	0.4635		0.4871	
Adjusted McFadden's Rho-squared	0.4488		0.4731	
<i>(2) Model for the year of 1990</i>				
Travel time difference (car-bus) (minute)	-0.0210	-1.543	-0.0166	-1.176
Travel cost difference (car-bus) (yen)	-0.0035	-6.090	-0.0032	-5.321
Value of travel time (yen/hour)	358		311	
			(Skewness parameter)	
Sex (1: Male; 0: Female)	1.4874	2.850	0.9602	2.616
Age	-0.0630	-2.710	-0.0404	-2.726
Employment (1: employed; 0: unemployed)	3.1081	2.914	1.5661	2.563
Number of household members	-0.6557	-2.877	-0.2718	-2.013
Converged log-likelihood	-104.16		-107.51	
McFadden's Rho-squared	0.3351		0.3137	
Adjusted McFadden's Rho-squared	0.3169		0.2950	
<i>(3) Model for the year of 1993</i>				
Travel time difference (car-bus) (minute)	-0.1265	-3.378	-0.1189	-3.751
Travel cost difference (car-bus) (yen)	-0.0048	-6.031	-0.0048	-7.120
Value of travel time (yen/hour)	1592		1499	
			(Skewness parameter)	
Sex (1: Male; 0: Female)	2.9801	3.377	1.8141	4.179
Age	-0.1255	-3.932	-0.0723	-4.493
Employment (1: employed; 0: unemployed)	2.1011	1.437	1.1865	1.120
Number of household members	0.8661	2.508	0.5146	2.397
Converged log-likelihood	-65.69		-64.23	
McFadden's Rho-squared	0.5807		0.5900	
Adjusted McFadden's Rho-squared	0.5692		0.5788	
<i>(4) Model for the year of 1994</i>				
Travel time difference (car-bus) (minute)	-0.0478	-2.372	-0.0472	-2.113
Travel cost difference (car-bus) (yen)	-0.0037	-6.135	-0.0043	-6.116
Value of travel time (yen/hour)	781		664	
			(Skewness parameter)	
Sex (1: Male; 0: Female)	2.7388	4.384	2.3982	5.040
Age	-0.0738	-3.437	-0.0566	-3.521
Employment (1: employed; 0: unemployed)	0.5824	0.676	0.0602	0.091
Number of household members	0.3625	1.437	0.3776	1.921
Converged log-likelihood	-86.97		-81.68	
McFadden's Rho-squared	0.4448		0.4786	
Adjusted McFadden's Rho-squared	0.4297		0.4644	
Sample size (persons): Same across 4 waves	226			
Initial log-likelihood: Same across 4 waves	-156.65			

# AN EXAMINATION OF VALUE EQUITY IN EVENT SERVICE: THE MODERATING ROLE OF EVENT EXPERIENCE

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## ABSTRACT

The objective of this article is to explore how value equity and its drivers of service quality, price, and convenience influence customer satisfaction in the context of event services. Based on responses from attendees of business and leisure events, the results show the service quality driver can be conceptualized into four dimensions: intangible quality, ambient condition, space and layout, and sign and symbol. The findings also show that the three value equity drivers are positively related to customer satisfaction. However, marked differences were observed between business and leisure event experiences. In particular, service quality was perceived more important among business event patrons while price was perceived more critical among leisure event attendees. Discussion of research implications is provided.

## INTRODUCTION

The relationships between value equity and outcomes, such as satisfaction and loyalty, are well-established in the marketing literature (Richards and Jones 2008; Vogel, Evanschitzky and Ramaseshan 2008); however, there is a dearth of knowledge regarding value equity in the hospitality industry such as event tourism (Getz 2008). Within service settings, value equity can be understood as the perceived ratio of what is received (e.g., actual service) to what is sacrificed (e.g., service cost; Rust, Lemon and Zeithaml 2000; Zimmer and Golden 1988). Along these lines, Rust *et al.* (2004) suggest that value equity is driven by the three aspects of perceived service quality, price, and convenience. These drivers directly affect customer outcomes, such as customer satisfaction (Vogel, Evanschitzky and Ramaseshan 2008).

Since customer's perceptions of value have strategic implications to both service providers and tourism destinations, it is imperative to gain a better understanding of value equity in an increasingly important service domain: event tourism. Indeed, we believe that value equity along with its three components is applicable to influencing customer attitudes, such as customer satisfaction, among any type of customer in any consumption setting. However, it is unclear whether the relationship between value equity and customer satisfaction would be conditioned based on other factors such as customer experience.

Customer experience is a central piece of value creation (Baron and Harris 2008). There is growing evidence to suggest that firms are looking for means to enhance existing offerings by providing customers with a real experience (Creamer 2007; Mascarenhas, Kesavan and Bernacchi 2006). Customer experience occurs when patrons interact with firms' physical environment, serving staff, and service offerings (Brakus, Schmitt and Zarantonello 2009). Yet, the role of customer experience on service value equity is not well understood.

The goal of this article is threefold: (1) to explore the dimensionality of service quality in the event setting, (2) to examine the relationship between event value equity drivers and customer satisfaction, and (3) to investigate the moderating role of event experience on the relationship between value equity and event satisfaction. This work contributes to the literature by illustrating how service providers can evaluate their customers' perceptions of venues and the importance of considering customer experience when developing marketing actions that drive perceived value equity and event satisfaction.

## CONCEPTUAL FRAMEWORK

The customer equity framework proposed by Rust and colleagues helps link the three customer equity drivers – value equity, brand equity, and relationship equity – with firms' financial accountability (Lemon, Rust and Zeithaml 2001; Rust, Lemon and Zeithaml 2004). Value equity, in particular, is a firms' core proposition customer perceive. In the service setting, a firm's value propositions include the tangible and intangible service quality, the price of the service, and the convenience of such service. Value equity matters most when consumers must make important and complex decisions, for example travelling overseas for a conference presentation, and examine the cost and benefit trade-offs among various alternatives (Lemon, Rust and Zeithaml 2001). Indeed, service providers that successfully build a strong value equity would excel as it directly impacts customer loyalty (Vogel, Evanschitzky and Ramaseshan 2008).



The extant literature supports our proposed framework for understanding the role of value equity in event planning (Lemon, Rust and Zeithaml 2001; Rust, Lemon and Zeithaml 2004). The framework purports that a business or leisure traveler's perception of satisfaction regarding an event venue is driven by his or her evaluation of its service quality, price, and convenience (Getz, O'Neill and Carlsen 2001); thus value equity, as defined by its three drivers, is hypothesized to positively influence a traveler's satisfaction regarding a focal venue (Breiter and Milman 2006; Vogel, Evanschitzky and Ramaseshan 2008). Although it is indeed true that many event customers may be one-time customers, event planners need to ensure that their customers are leaving their venues satisfied, as negative word-of-mouth can be detrimental to both the venue's future potential and to revenue generation within the hosting community (Zeithaml, Berry and Parasuraman 1996).

- H1.* Event service quality is positively related to customer satisfaction.
- H2.* Event price is positively related to customer satisfaction.
- H3.* Event convenience is positively related to customer satisfaction.

In regard to event travelers' experience, Getz (2007) suggests that planned events can be dichotomized based upon activity sought, especially regarding leisure events and business events. Leisure events are experiences that participants seek for personal interest and entertainment, that have hedonistic appeals, and that are usually available for the public. Business events represent experiences that are "pursued for its value-creating benefits or out of administrative necessity" (Getz 2007, p. 30), and attendance is typically reserved for private, invited, or registered industry members (Allen, O'Toole, Harris and McDonnell 2008). These two types of events are vastly different in regard to their characteristics, such as service orientation, venue setting, cost of admission, and convenience provided by the venue and organizer. This leads to the next three hypotheses.

- H4.* The relationship between event service quality and customer satisfaction is moderated by travelers' event experience.
- H5.* The relationship between event price and customer satisfaction is moderated by travelers' event experience.
- H6.* The relationship between event convenience and customer satisfaction is moderated by traveler's event experience.

## RESEARCH METHOD

Data were collected from a sample of over 400 event tourists participated at leisure (e.g. music, cultural, food/wine events) and business (e.g., trade shows, business expositions) events in the world gaming capital, Macau, China.

We developed the items for measuring the constructs by drawing on prior research in the services literature. The service quality items were drawn from the SERVQUAL scale (Parasuraman, Zeithaml and Berry 1988) the servicescape scale (Hightower, Brady and Baker 2002). Next, the pooled items were refined with the Delphi technique with inputs from members of the travel authority, event managers, and academic hospitality researchers. The goal of this procedure was to create a service quality scale (22 items) that was generalizable to various event venues. The other scales of interest – event price (2 items), event convenience (4 items), and event satisfaction (5 items) - were also developed in accordance with both prior literature and group consensus based on the aforementioned procedure. In addition, based on Getz's (2007) event experience typology, we classified two types of event experience: leisure and business. Results from exploratory and confirmatory factor analyses suggest that event value equity can be conceptualized into three dimensions: service quality, convenience, and price. In addition, the service quality dimension can further be defined into four sub-dimensions: intangible quality, ambient conditions, space and function, and sign and symbols.

## RESULTS

Using structural equation modeling, we find that the proposed model has an appropriate model fit (CFI = .98; SRMR = .06; and RMSEA = .06), and all three event value equity drivers significantly influence tourist's event satisfaction ( $\beta_{\text{Service Quality}} = .49, p < .001$ ;  $\beta_{\text{Convenience}} = .17, p < .05$ ;  $\beta_{\text{Price}} = .13, p < .001$ ). By exploring the drivers of value equity in more detail through group invariance tests, we show that satisfaction towards a focal event among leisure and business travelers is equally influenced by the convenience of traveling to the event venue and event destination. Additionally, we demonstrate that the costs associated with event registration fee and traveling to the event destination, respectively, influence satisfaction towards the event among leisure travelers, and yet, are insignificant among business travelers ( $\beta_{\text{Price-Leisure}} = .14$  vs.  $\beta_{\text{Price-Business}} = .04$ ;  $\Delta\chi_{(1)} = 2.72, p < .10$ ).

In terms of the event service quality perceptions on tourist satisfaction, the findings reveal that business travelers place increased importance on event service quality compared to leisure travelers, when considering satisfaction towards a focal event ( $\beta_{\text{ServiceQuality-Leisure}} = .49$  vs.  $\beta_{\text{ServiceQuality-Business}} = .66$ ;  $\Delta\chi_{(1)} = 3.69$ ,  $p < .10$ ). However, leisure travelers place more importance on an event's physical space and function than their business traveler counterparts ( $\beta_{\text{Sign-Leisure}} = .72$  vs.  $\beta_{\text{Sign-Business}} = .41$ ;  $\Delta\chi_{(1)} = 14.08$ ,  $p < .001$ ).

## DISCUSSION

The work from Rust and colleagues suggests that value equity rests on three underlying aspects: quality, price, and convenience (Lemon, Rust and Zeithaml 2001; Rust, Lemon and Zeithaml 2004). However, since their work was developed based on the consumer goods domain, a timely update for the drivers of value equity in to the service domain is needed. In addition, business and leisure travelers who sojourn abroad to attend events (e.g., meetings, conferences, conventions, cultural festivals, and civic and sporting events) are unlikely to be influenced equally by the same value proposition because they seek very different event experiences (Getz 2007). However, despite its emerging importance in the service setting, empirical research on customer experience has largely been absent.

This research fills the literature gap by providing an empirical investigation of the roles of value equity and customer experience in an important but understudied field: event tourism. The findings help practitioners to understand how customer experience moderates firms' perceived value propositions. Hence, this article could potentially assist service managers to gain further insight in formulating strategic marketing.

In line with the above argument, this research provides scholars and practitioners a framework to better understand event tourists and how various value propositions influence their satisfaction level. This study also showcases the moderating role of event experience on event service quality and cost. Given the importance of event tourism to travel destinations, event venues, hotels, catering providers, and other service operators, understanding how leisure and business travelers formulate value perceptions towards various events are worthwhile. More importantly, this work responds to the request from the literature by gaining insights of the moderating role of customer experience in the service encounter.

In addition, this research bridges the gap between academic research and industry practice by providing scales that are highly applicable to event planners through the Delphi method. Furthermore, this work helps practitioners realize that although value equity drives customer satisfaction among leisure and business travelers, it does so in a quite different manner. Indeed, we encourage hospitality managers to manipulate the three drivers of value equity when formulating marketing mix and service strategies that target both leisure and business travelers, respectively.

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# CUSTOMER CO-PRODUCTION AND SERVICE INNOVATION CHARACTERISTICS: A CONCEPTUAL ARGUMENT

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## ABSTRACT

Innovations often modify the nature and/or extent of customer co-production (Eiglier et al. 1977). Such modifications affect customer evaluation of innovation characteristics (Lovell and Young 1979). In fact, Prahalad and Ramaswamy (2003) view co-creation as the “next practice and the future of innovation” programs. By exploring the associations between co-production and innovation characteristics, this research links two previously unrelated streams of research: service characteristics and diffusion of innovations.

The overarching conceptual framework guiding this research is servuction, which combines the words service and production (Eiglier et al. 1977; Langeard et al. 1981). Its main thesis revolves around the inseparability of customers from the production and delivery of service offerings. The servuction approach divides the service firm into those parts that are visible to the customer and those that are not. The visible part of the service firm (i.e., contact personnel and service facilities) and customers (i.e., the customer and other customers) constitute the servuction system (Bateson 1985). Identifying their analysis as exploratory and general in nature, Langeard et al. (1981) invite us to extend and adapt the servuction approach to specific sectors and situations. This research focuses on a subset of the interactions in the servuction system, namely the roles that the customer plays in forming his/her evaluation of service innovations. The roles played by other customers, back-office employees, customer-contact employees, and service facilities are not addressed here.

Diffusion of innovation research consists of four broad elements: innovation, communication channels, time, and the social system. Among these four elements, innovation is of prime importance in that innovation characteristics can explain 49% to 87% of the variation in customer adoption behavior (Henard and Szymanski 2001; Peppers and Rogers 1997). Innovation characteristics have always been treated as exogenous variables, whose sources of variation are uninteresting. The current study employs innovation characteristics as the mediators of the impact of customer co-production and co-consumption on adoption decisions. More specifically, it conceptualizes innovation characteristics as higher-order product attributes and proposes that first-order product attributes can serve as antecedents to innovation characteristics. Although this holds for both tangible and intangible products, service offerings provide an appropriate context for initial examination of our thesis. Hence, the focus will be on customer co-production and co-consumption as two key first-order service attributes that can in part explain the variation in perceptions of innovation characteristics. All of these characteristics, first or higher order, are seen from the customer’s point of view. This research draws on several theories and previous research to derive a set of propositions that link consumer co-production of the service for self and for others to perceived relative advantage, complexity, compatibility, and risk of service innovations.

The managerial importance of this study is the fact that ignoring customer co-production in service research will result in findings and recommendations that have less relevance and use for service managers (Eiglier and Langeard 1977a). Other service characteristics help to better appreciate the complex nature of services, but do not aid in resolving it (Eiglier and Langeard 1977a). Since the nature of a service and its managerial consequences are intertwined, customer co-production is pivotal to service research (Eiglier and Langeard 1977a). If a study incorporates all but CPS and CPO, the findings will provide little managerial insight (Eiglier 1977). Another reason for the selection of customer co-production is their relevance to service manager’s short- and long-term problems. Managers underestimate the pervasiveness and significance of these concepts (Eiglier 1977; Martin and Pranter 1989). Yet, when co-production is employed to classify services, the majority of the problems that come to the fore are key strategic issues (Eiglier and Langeard 1977b). Moreover, co-production is cited as the increasingly important determinants of perceived service quality, and value; and customer satisfaction and loyalty (Baker 1987; Hill 1977). If played well, the role of co-producing consumers can help not only assimilate new customers and equip them with service expectations and script, but also magnify and emphasize, for self and for others, the positive attitudes and beliefs about the service experience (Baron et al. 1996; Goffman 1959; Johnston 1989; Kelley et al. 1990).

References Available on Request.

## TRUSTWORTHINESS OF SERVICE PROVIDERS: A COMPARISON OF ALTERNATIVE MODELS

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### ABSTRACT

The recent global economic slowdown and its severe effect on the performance of financial sector have decline customers' confidence in their banks. In such a scenario, maintaining customers' trust has become a strategic priority for the current players in the highly competitive Indian banking industry. This is because it acts as a key differentiating factor that leads to customer loyalty and increase in profitability. Existing literature suggests that trustworthiness is a multi-dimensional construct which plays a significant role in both developing and maintaining customers' overall trust. Hence, it is of paramount importance for Indian banks to gain a thorough understanding about the dimensions of trustworthiness in order to project a trustworthy image in the minds of consumers. Given the critical nature of company's trustworthiness, a rich body of literature has studied it from various perspectives like customer loyalty, firm performance etc. However, there is still a need to conduct an in-depth investigation in order to develop a better understanding about the dimensions of trustworthiness. Therefore, this study proposes to explore the higher models of trustworthiness to fulfill the above research gap.

The purpose of this study is to identify the underlying dimensions of trustworthiness of a service provider and to compare the alternative models of trustworthiness. Using the trustworthiness instrument of Ennew and Sekhon (2007), data was collected using self-administered questionnaires from the existing customers of banks across three Indian cities viz. Hyderabad, Kolkata and Delhi. Respondents were selected randomly from the list of employees of an educational institution having centers in the above mentioned cities. Data collected was first subjected to exploratory factor analysis in order to determine the underlying dimensions of trustworthiness. This was followed by examination of reliability and validity of trustworthiness scale. Subsequently, plausible models of trustworthiness are proposed and compared using confirmatory factor analysis using AMOS 16.0 software.

This study identifies a six-factor structure of trustworthiness, of service providers, in Indian retail banking sector. The factors are labeled as customer orientation, integrity and honesty, communication and similarity, shared values, expertise, and ability and consistency. The study has also identified three second-order factors namely, competency, openness and benevolence. Furthermore, it examined four plausible models of dimensions of trustworthiness. Model A hypothesized that one first-order factor accounted for all the common variance among the 21-items. Model B proposed that the various items form a six correlated first-order factors. Model C considered trustworthiness as three factor structure namely; competency, openness and benevolence. Finally, Model D hypothesized that the six first-order factors will load onto one second-order factor namely, trustworthiness. A comparison of the abovementioned models reveals that the model with the six first-order factors emerged as the model with best model fit. The results of this study will act as levers for improving a bank's trustworthiness in the minds of customers. Moreover, it will also act as a valuable tool for comparing their trustworthiness vis-à-vis their competitors. This is a significant contribution because establishment of trustworthiness image will provide competitive advantage to the service firms by maintaining their customers' overall trust, developing customer loyalty and hence increasing its profitability.

References Available on Request.

## THESE TIMES ARE CHANGING: MY TEACHING PHILOSOPHY AND PASSION DRIVEN APPROACH

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### ABSTRACT

I have been at two academic institutions since receiving my Ph.D. in 1988: The University of Kentucky, where I taught undergraduate, MBA and Ph.D. students, and Rollins College, where I teach only MBA students. These experiences provided a foundation for my core beliefs.

Mutual respect between instructor and student - The first core belief is that learning takes place best when there is mutual respect between instructor and student; a respect that provides an environment for learning regardless of how the specific course fits into the student's overall career objectives. Mutual respect has allowed me to grow as a teacher and remain open to change based on what works best inside and outside the classroom. I have found that using an active learning platform where comprehension evolves from ambiguous real work experiences provides the greatest value for the students. Having respect for the students' judgment, they are given the flexibility of finding their own organizations or selecting one of my contacts. Most teams take full ownership and select projects through their own contacts. These project based assignments allow students with diverse business interests to gain an understanding of the core principles of the course through "real world" application. Each semester I am amazed at the quality of the projects, reinforcing my respect for the students. As a result I have been able to effectively oversee up to seven team projects a class and as many as nineteen projects a semester.

Passion for teaching - A second core belief is that passion for adding value to the student learning experience is contagious. My passion for teaching allows me to create excitement in the classroom which translates into class participation and a fun, learning environment. I try to maintain interest through the three or four hour MBA class by changing stimuli. I integrate discussions, lecture, guest speakers, breakout group assignments as well as short videos to keep the class relevant and students' engaged. My liberal accessibility outside of the classroom reflects my sincere interest in adding value to the student experience. My flexible office hours allow me to meet students not only during the weekday, but also at night and on weekends. The first day of the semester I tell students: *"I will work as hard for you as you will work for yourself."* Those who are willing to work hard find out that I really mean it!

Clear goals, preparation and follow-up -Part of my hard work begins before I step foot in the classroom. The goals for the course are included in the syllabus and reinforced the first day of the semester. I come prepared with up-to-date business examples to make each class relevant to what is currently happening in the business environment. I am a strong believer in a follow-up discussion on how the current material applies to previous classes. I also provide immediate feedback with respect to assignments and exams via e-mail before the next class. This feedback explains the reason for point deductions but also acknowledges exceptional answers and creative thinking. My goal is to provide feedback at a time when the information is most relevant and useful for improvement and motivation.

Always room for improvement - I believe that there is always room for improvement. Throughout the semester and after the course is completed and student have a chance to make their own evaluations, I analyze what is and is not working. This becomes an integral part of my learning and development as a teacher.

## EFFECTIVE TEACHING: PERSPECTIVES AND INSIGHTS

Aysen Bakir, Illinois State University, U.S.A.

### ABSTRACT

My primary objectives in teaching are three-fold: to expose my students to underlying theories; to develop their critical thinking abilities; and to enhance their decision making capabilities so that they will have a solid foundation to be able to apply their knowledge in practical settings. In order to accomplish these objectives, I utilize an active-learning approach to teaching in which I require one or more of the following in all of my courses: projects, cases, computer simulation games, in-class exercises, and/or presentations. Some of these teaching tools provide great hands-on and decision making experience for the students. Others help the students to learn the key concepts and theory, and in turn develop critical thinking.

I believe in combining theory and application in my classes. Doing so helps students understand the role of key variables in given contexts, which in turn helps them to understand which questions to ask in different situations. As you all know, the key to solving any problem is to first identify the key issues and questions. In short, combining theory and application helps students to think critically in any situation. I believe in providing a challenging, motivational, and interactive environment that maximizes students' learning potential. To accomplish and/or hone students' skills, my teaching strategies rely heavily upon the "high student involvement" (i.e., experiential learning) paradigms. In doing so, having *rigor and providing substance* is central to my course delivery.

Let me share with you a few examples that demonstrate how I use experiential learning. Over the last several years, in my Principles of Marketing and MBA Marketing Concepts classes I have been using simulations (Marskstrat, NewShoes, and MarketShare), in which students assume on the role of brand managers. The brand managers are responsible for making key decisions regarding prices, advertising and sales promotions, distribution channels and the sales force, etc., and are required to submit reports explaining and justifying the rationale for their decisions. Although the context within each simulation is different, each one provides a great hands-on, decision making experience for students. Simulations are valuable because they require students to apply the key concepts and theories that are covered in class.

In my IMC class students participate in the Yellow Pages Collegiate Competition; working in teams, students must create an ad campaign for a client (e.g., Terminix, U-Store-It). For this type of project students must conduct a situation analysis, identify objectives for the campaign, and create Yellow Pages ads. Similarly, in my Advanced IMC course, students develop a comprehensive promotional campaign for a local client (this semester they are working with a local organic foods grocery store). The student teams interact with the client throughout the semester to complete a situational analysis, identify market segments and objectives, and develop copy platforms, media mix strategy and budgeting for a year.

One thing that has been really beneficial to me personally is continual learning. For example, a couple of years ago, I attended Advertising Education Foundation's Visiting Professor Program. During my two week "faculty internship" I interacted with account directors, creative people, and others at Ogilvy Mather, Los Angeles which provided great classroom materials. On another occasion I attended Harvard Business School's case teaching seminar. This 3-day seminar proved particularly valuable to me when I later taught the MBA Marketing Concepts class. I learned how to use cases more effectively to highlight theories and initiate in-depth class discussions.

In summary, I try to create synergies by complementing theory and concepts with experiential-learning activities. I find that setting high expectations, providing insightful feedback in a timely manner, and encouraging interaction (inside and outside the classroom) are also key elements in creating a stimulating learning environment. Hopefully, these various practices help my students gain the knowledge and skills they will need throughout their business careers.

## SUBSISTENCE CONSUMER MARKETS: A THIRD REVOLUTION FOR MARKETING PEDAGOGY

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### ABSTRACT

Marketing pedagogy is highly responsive to technological breakthroughs such as radio, television, cell phones, the Internet, and Web 2.0 social networking, and it has had to reinvent itself twice on account of population shifts that radically altered the needs of markets and students. The first such episode took place in the 1920s and 1930s in response to one of the largest rural-to-urban migrations in recent history; a migration that revolutionized physical distribution and retailing, mass advertising, and the importance of branding, and led to marketing-focused textbooks and courses being added to university curricula. In the span of two decades, millions of consumers traded family farms for urban and suburban lifestyles, and empowered by automobile ownership and improved roadways, encouraged the creation of supermarkets, mass merchandisers, discounters, and strip malls – all with plenty of parking. Evolving transportation modes and shopping strategies, along with new consumer and merchant priorities, led to changes in packaging, retailing, labeling, advertising, and how marketing was taught in universities. Marketing education became a staple in business schools as a result.

A second wave of change followed the rise and maturation of the post war generation; millions of consumers in pursuit of hope and a renewed sense of direction that because of consumption savvy and diversity in their demands rendered then-dominant marketing theories and approaches ineffective. Starting in the 1950s marketing thought leaders worked on concepts such as the 4Ps, segmentation, psychographic profiles, and information processing, and marketing education began its ascendance from practice-informed descriptions based on anecdotes and historical antecedents to theory-based arguments and model applicable across market contexts. This is the educational milieu in which most of us were trained and currently function, and where ideas from scholars such as McCarthy, Kotler, and Sheth replaced those of Converse and his associates.

Radical change in marketing pedagogy may be about to happen again, as millions of subsistence consumers enter global markets, and by virtue of their rising discretionary spending power, sheer numbers, and different ways of thinking about products and consumption, expose deficiencies in the marketing theories and approaches that have shaped the field for the past fifty years. More than 4.5 billion subsistence consumers are dispersed throughout the globe, but they are primarily concentrated in Africa, Asia, and Latin America. They typically make \$2-3 per day, and because of rising daily income it is estimated that an additional 1 billion consumers will enter the market for consumables such as shampoo, packaged foods, electronic products, and the batteries that power them in the next 10-15 years. Almost half of them operate micro-enterprises and blend buying and selling decisions. In addition, more than half are functionally illiterate (e.g., cannot read store signage and package labels), and exhibit tendencies toward concrete thinking and a preference for pictorial information that set them apart from consumers in developed economies. On the other hand, they are intelligent and highly motivated, and hold sophisticated consumption priorities that differ from ours. Moreover, they come to us with wireless devices and Internet access, and with knowledge about what is available and possible that is unencumbered by the progression in evolved expectations that informed past reinventions of marketing pedagogy. Where Converse and Kotler had decades to respond to population shifts that involved tens of millions, we have a few years and face a population shift ten times the size.

Subsistence consumers see the world differently. Concrete thinking, reliance on pictorial representations, rich social networks, and acute constraints are among the factors already identified as affecting how they process marketing messages and consumption experiences, and lead them to different assessments of consumption outcomes and market interactions. In addition, they display an acute desire to understand how markets operate, and are hungry to be taught how to market what they produce and engage markets in safe and profitable ways. It will be difficult, however, to reach them through traditional pedagogical approaches. Ahead of marketing educators in developing effective teaching approaches are governments, NGOs, and other actors in the social marketing arena; entities generally seen as late comers to the field but who are well versed in understanding and influencing consumption among the poor. Their approaches are admittedly applied and not always theoretically rigorous, but many are effective and worthy of our attention. Experiential learning that relies on wireless technologies and pictorial representations, for example, has proved effective with some subsistence populations, as have participatory rural appraisal techniques and delivery methods (songs and rhymes) that align with the oral tradition by which low literacy populations transmit knowledge. We have barely scratched the surface and may not be moving fast enough, but what has already been achieved is exciting. In the same way that rural migration and the post-war generation forced radical change in marketing pedagogy, subsistence consumers are rendering many of our tried-and-true approaches ineffective, and demanding that marketing educators respond to their needs and offer viable solutions. Those that develop such solutions stand to make perhaps even greater contributions than those of our highly celebrated predecessors.



## TRAUMATIZED ECONOMIES – AND MARKETING PATHS TO RECOVERY

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### ABSTRACT

Over the course of the past three decades we have witnessed a number of shocks that have profoundly traumatized a large number of economies and the consumers who often continue to struggle in them. Several trauma-producing events immediately come to mind: the demise of communism and ensuing “shock therapy”, war and genocide, tsunamis, earthquakes, global financial collapse, food shortage, festering religious and ethnic tensions, and the growing conflict between local traditions and burgeoning forces of globalization. One or more of these events has/have devastated many nations, traumatized economies, globally, regionally, nationally and locally, and have distressed *billions* of consumers.

The purpose of this special session is to present research on traumatized economies, with hope that we may gain some understanding about the potential contributions by marketing to assuage or to prevent trauma. Four papers or research streams are presented. A brief introduction to them follows.

The presentation “Cambodia: Navigating the Confluence of Cultures toward Societal Wellness,” by Clifford J. Shultz, II and Don R. Rahtz, reports on the authors’ longitudinal study of Cambodia in the wake of genocide and profound socioeconomic mismanagement. The history of Cambodia since the 1960s is extraordinarily grim. Indeed, the country was victimized by the spillover of the Vietnam War, the tyrannical reign of Pol Pot and his genocidal Khmer Rouge followers, and the subsequent death or departure of 1-3 million people (from a population of about 6 million). By most accounts, this madness ended because of Vietnam’s intervention and occupation in the late 1970s and 1980s. By the end of the 1980s the depth and breath of devastation was so extensive some observers believed Cambodia would never recover.

Cambodia and its survivors however have begun a slow and mine-laden (literally) crawl toward recovery. UN-brokered elections were held in the early 1990s. A very delicate democratic society and free enterprise emerged. Optimism unfortunately faded quickly as poor governance, uprisings, assassinations, various forms of intimidation, and ultimately an underperforming marketing system led to the ongoing and sometimes volatile political and economic system seen today. That system could be essentially described as a loosely authoritarian state, oriented toward the market, dependent on both aid and foreign direct investment, and crippled by corruption, exploitation, underdevelopment, and poverty.

The past decade however has revealed a few successful policy and marketing endeavors that have leveraged some of Cambodia’s core assets and the resolve of its people, resulting in renewed if cautious optimism and hope. Consistent with the theme of the track, the authors explore the confluence of local and global cultures – some of which are in conflict – and their management and mitigation, with the objective of sharing some marketing, policy and consumer behavior “success” stories, with implications for future policy and marketing practice, and Cambodia’s long term societal well-being.

In the presentation “Exploring Consumer Attitudes toward Domestic Products and Products of Multinational Companies in the Balkan Region,” authors Tomaž Kolar and Vesna Zabkar examine consumer attitudes toward products of multinational and domestic companies in the Balkan region. Data for the analysis are derived from representative samples -- in total 7450 Slovene, Croatian, Serbian and Bosnian consumers -- by means of a syndicated field survey. For these four countries, a comparison was done on how (un)favorable consumer attitudes are towards various domestic and multinational FMCG products. Furthermore, a discriminant analysis was performed to explain and predict un/favorability of consumer attitudes. As predictor variables, a broad array of consumer-related characteristics was employed that pertain to general consumerist attitudes and personality traits (dimensions of the “Big Five” personality framework), while national and other demographic differences were also taken into account.

Personality traits were measured with 52 items covering consumers’ self-perception of their. Factor analysis was used for data reduction and summarization. To identify the underlying dimensions and to test whether the “Big five” dimensions are replicated among Balkans consumers, a common factor analysis with principal axis factoring was applied. Variables that

correlated highly with more than one factor were excluded from further analysis. The five factors obtained in general correspond to the “Big five” dimensions and can be interpreted as follows: (1) Conscientiousness, (2) Neuroticism, (3) Agreeableness, (4) Extraversion, and (5) Openness. Comparison of factor scores between four countries shows significant differences for all factors. Slovene and Serbian Consumers exhibit most distinctive profiles among compared countries. Croatian consumers do not stand out on any of the examined dimensions and thus can be taken as “most average” consumers in the region. Slovenes are characterized by non-agreeableness, while Serbs can be best described as the most agreeable and least neurotic consumers. Bosnian consumers are different mainly due to their closeness.

General consumerist attitudes were measured with 35 items included in the PGM survey from a set of established research instruments. A factor analysis was used for data reduction and summarization to identify the underlying factors: (1) Social influence, (2) Ethnocentrism, (3) Value shopping, (4) Pragmatism and (5) Shopping as fun. A comparison of factor scores between the four countries again shows significant differences for all factors. Significant differences in ethnocentrism, value, hedonism were at  $p < 0.001$ , pragmatism at  $p < 0.01$ , social influence at  $p < 0.05$ . Croats exhibit the highest ethnocentrism, followed by Bosnians, Slovenes and Serbs who are by far the least ethnocentric. Shopping is seen as fun mostly in Bosnia and Serbia - in both countries significantly more than in Croatia and in Slovenia. Social influence and value shopping is significantly highest for Bosnia. Finally, for pragmatism, Croatia and Bosnia are highest, leaving Slovenians and Serbians behind. (Un)favorable consumerist attitudes towards domestic and multinational products in the Balkans were measured through perceptions associated with domestic and multinational products (“too expensive”, “of high quality/prestige”, “cheaply made” or “not considered for buying”). The majority of consumers in Slovenia and in Croatia claimed that their domestic products are either too expensive or of high quality and prestige. Serbians and Bosnians, on the other hand, claimed that their domestic products are either cheaply made or not considered for buying. The key finding on the regional level indicates that (un)favorable attitudes towards domestic products are mainly driven by ethnocentrism, openness and hedonism, while attitudes towards products of multinational companies are best predicted by pragmatism, ethnocentrism, extraversion and openness.

Results generally show that examined countries differ in many investigated aspects, while some similarities are notable as well. For instance, they differ significantly in terms of attitudes and intentions toward domestic/foreign products, where the important similarity in all four countries is the perception that domestic products are of good quality.

In sum, results suggest that standardized region-centric marketing strategies cannot be advised for the examined region, despite the common wisdom suggesting that the Balkans is relatively homogenous. Rather, this region seems to be highly fragmented, which suggests multi-local strategies and careful positioning should adequately attend to national differences. Findings thus support strategies that build upon regional commonalities and local (country-specific) differences. For this purpose a focus is indicated on variables such as ethnocentrism, pragmatism and openness, instead of animosity (toward foreign products), which is often considered a key variable when foreign/multinational products are investigated.

In our third presentation, author Frédéric Jallat presents “The Impact of Fear and Stress on Consumption Patterns for Luxury Goods: A Study in a Context of Low-Intensity Conflicts and Political Tensions in Lebanon.” The relationship between fear, anxiety and other feelings of distress, and consumption has long been associated with consumer behavior. Several researchers have noted the fact that one of the objectives of purchasing and consumption is to ameliorate and mitigate anxiety. Similarly, marketers and advertisers have long realized this relationship and used it to their advantage in the promotion of goods and services that provide consumer with a sense of security. This is especially true in the luxury market since human beings tend to promote a social statute and reaffirm a symbolic power to feel more secure and reduce their anxiety.

In this respect, Lebanon is an interesting and unique case, worth being studied. The socio-political and economic environments in Lebanon from 2005 through 2008 represent indeed a perfect setting in which uncertainty, insecurity, and anxiety reached very intensive levels without a strong eruption of actual violence. Lebanese consumers during this period lived through times of continuous insecurity and anxiety when at the same time the actual threat did not materialize on a large scale. Business people and Lebanese citizens went on with their lives as usual, suffering anxiety and uncertainty, but not to an extent that disrupted their ways of living. In a sense, Lebanon was at that time a huge laboratory in which anxiety, fear, and insecurity were major variables that dominated and largely influenced the behaviors of consumers.

After a literature review on luxury goods purchasing and consumption patterns, and on fear and anxiety, we explore the behaviors of Lebanese buyers of luxury goods between 2005 and 2008 - a period that was characterized by continuous heightened anxiety due to a devastating but short war that was fought in a limited geographic area of the country, a large number of political assassinations, and repeated political clashes and tensions. Our empirical study is based on two

approaches: (a) a qualitative study using semi-structured interviews with the marketing managers of three major businesses promoting luxuries in Lebanon, and (b) a survey conducted on 89 consumers of luxury goods in the country.

In our final presentation, David Reid presents “China's 2010 Competitive Posture.” Many China experts regard China’s lack of democratic governance as a weakness that impairs China’s innovativeness and future development prospects. They saw China only as an export dependent economic success story.

China, similarly to all major economies, was affected by the 2008 Financial Crisis. As its trading partners cut back on consumption so would they cut back on imports from China. The impact on its exporting industries was expected to be devastating, largely because of its affect on unemployment and the concomitant influence on social stability. China’s government believes that to maintain stability some 22 to 25 million new jobs need to be created each year and that requires a GDP growth rate of over 8 percent. Hence when economic conditions threaten to lessen the growth rate it causes alarm bells to ring in Beijing and most provincial capitals.

So how did China’s weaknesses with lack of democratic governance play out? How did China’s economy fare with its exports in decline? Its weaknesses became strengths. An advantage that China has over its economic rivals is its ability to take bold decisions without recourse to consultation. So, when China’s 100 million plus migrant workers returned home for the Lunar New Year holiday at the beginning of 2009 steps were already in hand to ameliorate the problem. Government officials were *in situ* at railroad and bus terminals to quiz returnees about their employment status: did they have plans to return to the major cities from whence they came, did they have prospects of employment as before? Those that did not were immediately directed into government funded, so-called ‘shovel ready’ infrastructure projects. These ‘shovel ready’ infrastructure projects were funded by a speedily arranged US\$600 billion stimulus package that attracts none of the ire of that of America’s TARP (Troubled Assets Relief Program).

Despite this stimulus China’s current-account surplus dropped to \$284.1 billion, down by about a third from the previously reported record \$426.1 billion for 2008. After a drop following the initial shock, its stock markets measured by the Shanghai index climbed steadily through 2009. Moreover, the impact of falling exports turned out to be relatively minor. China’s economy is much less dependent on exports than believed. It is an investment led system and this is largely within the control or influence of the government.

This presentation will draw on 25 years of study of China including recently conducted interviews with 150 CEOs operating in China. It will review some of the assumptions made of China and explain China’s competitive situation.

# CONSUMERS' PARTICIPATION IN THE ONLINE COMMUNITIES: A MALAYSIAN CONTEXT

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## ABSTRACT

The emergence of virtual communities has provided platforms for online consumers to share and exchange information regarding products, services and ideas creating immense opportunities for online retailers since online interactions could lead to actual purchase. Although online social networking is a fast growing area, the possible influence of users' interaction has not yet received much attention from marketing researchers. This paper proposes a conceptual framework to facilitate the understanding role of consumers' participation in online communities and its effects on their purchase-related behaviours.

## INTRODUCTION

An increasing popularity of virtual communities in the Internet has gained worldwide attention from marketing practitioners, academics and consumers. These virtual communities are platforms where users (consumers) group together to communicate amongst themselves; to play games or to make purchases online. While online participation could significantly influence consumers' offline purchase behaviours, this could also have significant impact on consumers' online purchase environment. There are many studies on online shopping in developing countries. However, for a developing country such as Malaysia this area of research is still at its infancy (Khatibi, Haque, and Karim, 2006), focusing mainly on online shopping adoption and characteristics of online shopping websites (Chua, Khatibi and Ismail, 2006; Suki, Ahmad and Thyagarajan, 2007). While Lim (2002) reported that online shopping rates in Malaysia have decreased from 5% of Internet users in 2000 to only 3% in 2002, Kaur (2005) found that 3% of Malaysians like to buy goods or services in a store of whom 36% of do not want to disclose their credit card details. It has been reported that as of December 16, 2008 there were 800,000 active Malaysian users (<http://malaysiacrunch.blogspot.com>) and that Malaysia had the most Facebook users in Southeast Asia. This is significant as it implies that Malaysian consumers are willing to spend time to belong to online social networks and interact with members. The interactions, especially those that are product-related, could have significant effect on their purchase decisions.

The main objective of this paper is to examine users' behaviour in the online communities in Malaysian context, by exploring factors that influence Malaysian consumers to participate in these communities. Users' participation could range from least to most active based on message posting behaviours in a product-related online community. Differences between the participation behaviour of novices and experienced users in the community would be identified and the consequence of their participation behaviours will be investigated.

## CONCEPTUAL MODEL

Although there are many definitions of online participation, this study closely follows Mathwick (2002) and defines it as the act of posting messages in the online communities. Hammond (2000) noted that members interact differently in an online community; while communicative members tend to interact, articulate their views and respond to messages frequently, the quiet members generally read the messages or discussions but rarely respond to those. They might occasionally post inquiries or information but the effort is minimal. Nevertheless, both categories of members do benefit from the contents of the online communities. Therefore, it is expected that for either group, online communities that exchange product-related contents could affect their behaviour significantly. [Figure 1](#) at the end of this paper depicts the conceptual model proposed for this study.

Self-efficacy has been defined as "people's judgment of their capabilities to organize and execute actions required to attain designated types of performances" (Bandura, 1986; p.391). Dolen et al.(2006) later defined it in the context of online setting, as "the consumers' judgment of his or her knowledge and skill regarding the service" (p. 327), while Hsu et al.(2007) explained it as a form of self-evaluation that influences one's decision whether to adopt certain behaviours or not. This study views self-efficacy as a reflection of an individual's motivation to participate in the online community. This behaviour would require users to believe that they have the appropriate knowledge and skills to do so. Hence, it can be posited that compared to novices, experienced users have higher self confidence to join the others in the community:

*H<sub>1</sub>: Self-efficacy has a stronger positive influence on the experienced users than on the novices in prompting them to participate in the online community*

Perceived usefulness (PU) is defined as the prospective users' subjective probability that using a specific application system will increase his or her job performance within an organizational context. **Perceived ease of use (PEOU)**, on the other hand, refers to the degree to which the prospective user expects the target system to be free of effort (Davis, 1989). In the context of Malaysia, a developing country with slow Internet penetration and adoption rate, both PU and PEOU could be relevant to motivate participation in online communities and online shopping; users need to believe that the online community is easy to use and would not require any extra effort to operate. It is expected that the influence of PEOU and PU would be stronger for novices than for the experienced users. Therefore, it is hypothesized that;

*H<sub>2</sub>: Perceived ease of use has a stronger positive influence on novices than on experienced users in order for them to participate in the online community*

*H<sub>3</sub>: Perceived usefulness has a stronger positive influence on novices than on experienced users in order for them to participate in the online community*

Previous experience or the extent of users' previous experience in other online communities, could be a determining factor for members' willingness to participate. According to O'Cass and Fenech (2003), users' personal experience with the Internet is a key factor in their web retail usage as this can create a belief in users' self-efficacy influencing them to make online purchase. By visiting a broad range of websites and using various value-added services offered by them users will gain experiences that will make them more capable of taking advantage of an information system (Nysveen and Pedersen, 2004). There is no doubt that Internet experience is important in understanding customers' perceptions, attitudes and behaviour in online environments (Liang and Huang 1998). Both the novices and experienced users would be behaving favourably towards participating in an online community if they had prior experience. As such, H<sub>4</sub> is proposed.

*H<sub>4</sub>: Prior experience in other online communities will positively influence online participation for both novices and experienced users*

Social identity or identification, i.e., the conception of one's self in terms of the group's defining features, is achieved when a user comes to view himself/herself as a member of a community. It is a psychological state that enables an individualistic user to become more sharing and behave collectively (Hogg and Abrams, 1988). Virtual communities can be seen as platforms to belong to a group and participation in online communities is different from the offline environment because it lacks physical appearance and face-to-face interaction which could be more convincing. Thus this sense of belonging to a group in the online interface could be more significant for one to participate in the online community's activities.

*H<sub>5</sub>: Social identity is a positive predictor of participation in online communities for both novices and experienced users.*

Group norms refer to an individual member's understanding of and a commitment to a set of goals, values, beliefs and conventions shared with other group members (Dholakia, et al., 2004). It is the norms that members adopt when they realize that they share similar goals and belief. A user who agrees with the norms of those who share ideas in an online community could have higher tendency to join the online group and participate in its activities. Similar to social identity, it is also assumed that regardless of users' expertise in using the online community, both novices and experienced users need to view that they share similar goals and norms of the group before deciding to participate. Therefore, it is hypothesized that:

*H<sub>6</sub>: Group norms is a positive predictor of participation in online communities for both novices and experienced users.*

Online reputation has generally been defined in the context of vendor website's feedback mechanism (see Bolton, Katok, and Ockenfels, 2004; Zacharia, Moukas, and Maes, 2000). The online reputation mechanisms as reflected in many online communities may induce social changes in the way users participate in the community and may be seen as an important factor for one to join the discussions online and subsequently help making purchase-related decisions (Zacharia et al. 2000). Favourable reputations can generate excess returns for firms by inhibiting the mobility of rivals in an industry (Caves and Porter, 1977; Wilson, 1985) while unfavourable ones could do otherwise. For example, eBay's public reputation plays a significant role in the marketplace (Resnick et al. 2006). The more interesting an online community is, the higher is its potential to attract participants. Reputation is likely to be more influential in prompting novices to participate online rather than the experienced users since they have less knowledge of what makes a good and reliable online community.

*H<sub>7</sub>: Reputation has a stronger influence on the novices than on the experienced users in prompting online participation.*

Trust, i.e. "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer et al.1995 ; p.712), enables individuals to share knowledge with others (Tsai and Ghoshal 1998). Ridings et al. (2002) suggest that involvement in virtual communities could develop trust between an individual and the group's community that eventually can provide a positive outcome for the community as a whole. Although the interaction lacks face-to-face cues in the online environment, the frequency and intensity of interaction could contribute towards the

development of trust. The strength of ties could influence members to trust the information shared in the community and permit a smooth flow of product information-exchange that will later influence members' perceptions and purchase decisions. This study conceptualizes trust as the confidence a member has on the product-related information discussed in the online forum and posits that consumers' extent of participation in the online community will influence the development of trust.

*H<sub>8</sub>: Experienced users who participate in the online community are more likely than novices to develop trust on the information discussed in the community.*

Lack of trust has been cited as the most important factor contributing to consumers' hesitation to purchase online (Cho, 2006; Connolly and Bannister, 2007). In addition to the product information displayed in the online vendors' website, consumers need to have a trusting belief that their purchases and personal information disclosed in the Internet will be secure. Indeed, level of trust may determine whether an online purchase will take place or can be anticipated (Doney and Cannon, 1997). Willingness to buy from online vendors (Reichheld and Schefer, 2000) and the willingness to provide credit card information in the purchase process (Gefen, 2000) are outcomes of trust pertaining to online purchase decisions. This study investigates the role of trust pertaining to consumers' actual purchase behaviour online and hypothesizes that:

*H<sub>9</sub>: Trust on the information discussed in the communities will have a positive influence on consumer's online purchase adoption.*

Similarly, when trust develops as a result of the length of time spent participating in the community, consumers are likely to make repeat purchases. The messages exchanged in the form of product-related information will help develop stronger trust on the product of interest. Repeat purchase in this context refers to those products discussed in the online communities which the consumer initially purchased as a consequence of the influence of online participation. Thus, it is hypothesized that:

*H<sub>10</sub>: Trust on the information discussed in the communities will have a positive influence on consumer's online repeat purchase*

Word-of-mouth in a product-related online community is an informal communication that normally involves discussions and the sharing of knowledge about products. Some members join the community to contribute their knowledge and expertise while others may just gather information about products to help them make purchase decisions. The information shared in the online community will be adopted by its members depending on their extent of trust and categories of expertise. Novices may rely more on these opinions rather than those who are experienced. They may not purchase the product, but they are at liberty to pass on the product-related information discussed in the online community to others. Therefore, it is hypothesized that:

*H<sub>11</sub>: Trust on the information discussed in the online communities will have a positive influence on consumers' online word of mouth behaviour*

Researchers from both social network and knowledge management disciplines (e.g. McKenna and Bargh, 1999; Ridings and Gefen, 2004) agree that two most common reasons for consumers to join an online community are to get social support and seek information. One may not need the existence of trust to make purchase decisions or passing on word of mouth about products or retailers. In order to test the mediating role of trust in this model, it is also hypothesized that online participation could have direct influence on consumers' online purchase and word of mouth behaviours.

*H<sub>12</sub>: Consumers' participation in online community will have a direct positive influence on their online purchase adoption.*

*H<sub>13</sub>: Consumers' participation in online community will have a direct positive influence on their online repeat purchase behaviour.*

*H<sub>14</sub>: Consumers' participation in online community will have a direct positive influence on their potential to spread online word-of-mouth.*

## **PROPOSED METHODOLOGY**

A web-based survey of members of several Malaysian-hosted online communities seems most appropriate for collecting data. Selection of these communities should be based on (i) large number of membership; (ii) abundance of member-generated contributions; and (iii) lively member participation and high traffic. They should be purely discussion forums that provide threads of subtopics for discussions among members; allowing only registered members to post and exchange messages. Some of the forums may provide online purchase features for its members while others may not. For the ones that do not, there would be threads featuring links to online purchase sites related to the product category. For data analysis, adoption of structural equation modelling technique using either AMOS or PLS software and MANOVA are proposed.

## CONTRIBUTION, LIMITATION AND FUTURE RESEARCH

The proposed study, one of the pioneering studies in the context of Malaysia, is expected to highlight the role of online social networking from the perspective of consumer behaviour research in the context of a developing country. However, generalizability of the results may be questioned because of limitations such as self selection bias, lack of representativeness of websites as well as respondents could be a limitation of this study. A study involving the comparison of the participation in different types of virtual communities such as blogs, Facebook, chatrooms and so on and its affects would shed more light on the topic as each of these platforms use different interfaces for its users to participate.

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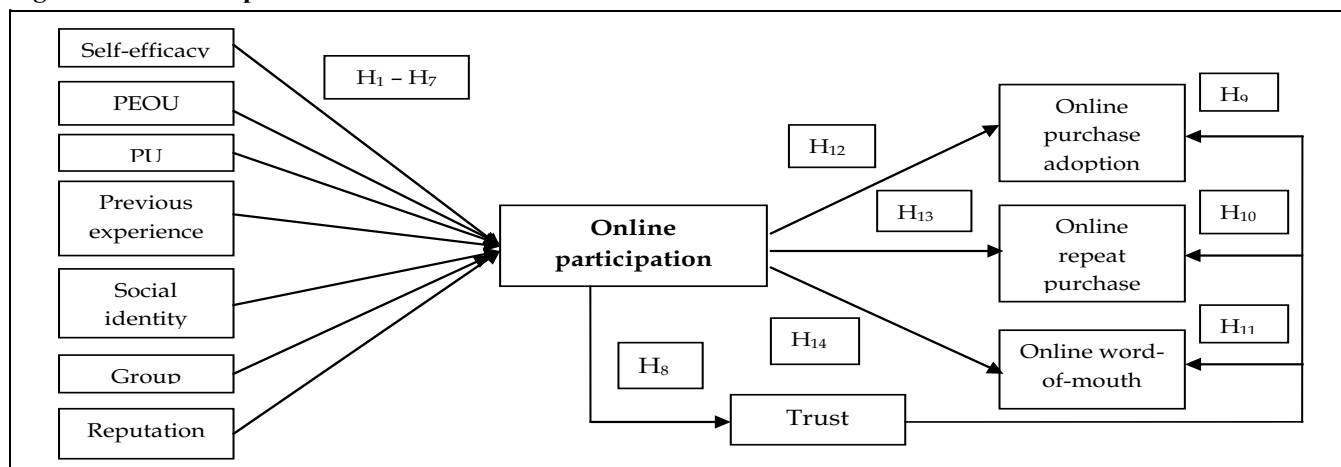
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**Figure 1: The Conceptual Model**





## **INTERACTIVITY QUALITY AND CONSUMER-BRAND RELATIONSHIP IN VIRTUAL BRAND COMMUNITIES**

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### **ABSTRACT**

As social networking media continue to grow in popularity, the firm-centric CRM is confronting with new challenges created by the pervasive consumer networking on social media. In essence, the performance of CRM is contingent on whether consumers are willing to engage in a relationship with the firm. In order to meet the development of consumer-based social networking, firms pervasively create brand communities to build and manage the relationship with consumers. Consumers may interact with companies and other consumers in company sponsored brand community. Interactivity occurs at the Business to Customer (B2C) and Customer to Customer (C2C) levels. Interactivity is also established with a focal brand and partner brands in virtual brand communities. Interactivity quality involves the perception of interaction at the B2C and C2C levels in brand communities. The paper proposes that interactivity quality has a positive effect on relationship quality for a focal brand and partner brands. In addition, it proposes that relationship quality has a positive effect on relationship strength.

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## **HOW COMPANIES IMPLEMENT KAM: A FOUR-STAGE MODEL**

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### **ABSTRACT**

In this paper we present a stage model, developed through syndications with a panel of industry exemplars and through a survey, which shows how organizations currently transition to KAM. The model demonstrates that there are four stages to implementation: Introductory; Embedding; Optimizing; and Continuous Improvement. For each stage, we present a case study that illustrates their KAM practices in that stage.

### **INTRODUCTION**

Over the last 30 years Key Account Management (KAM) has emerged as one of the most significant trends in business-to-business marketing practice (Abratt and Kelly, 2002; Homburg et al., 2002). It focuses on adding value to relationships and creating partnerships with a company's most important and strategic customers (McDonald et al., 2000). KAM provides our current best model for servicing these customers (McDonald et al., 1997) but, despite the rapid growth in the use of KAM by companies, research into the process of KAM implementation and how companies transition from a traditional sales orientation has been sparse (Wengler, et al., 2006; Zupanic, 2008). In this paper we investigate 204 companies that have explicit, formal KAM programs and build a model of KAM implementation over time. A second stage of the research provides short case studies of their KAM programs to add descriptive richness and detail to the model.

### **KEY ACCOUNT MANAGEMENT**

KAM has been defined as a process for managing business-to-business relationships that are of strategic importance to a supplier (Millman & Wilson 1995). It emerged, as a response to the pressures placed upon supplier companies by increasing customer power and procurement sophistication, as a new way to work with the most important customers (Pardo 1997; Wengler et al. 2006). KAM involves collaborative ways of working with customers rather than traditional transactional and adversarial relationships (McDonald & Woodburn, 2007). Therefore it represents a fundamental change in the way companies operate their sales and marketing functions, requiring a broad-ranging change management program (Storbacka et al., 2009). Although evidence exists that long-term relationships with larger customers can pay off for suppliers through higher revenues and faster growth rates, even where power asymmetries are considerable (Narayandas & Rangan 2004), we still lack a clear generalizable view of how companies implement KAM and their success (Kempener & Hart, 1999; Sengupta, Krapfel, & Pusateri, 1997; Wengler et al., 2006). A few scholars have attempted a synthesis of the existing research to form frameworks and surveys for further research on KAM implementation (e.g. Homburg et al., 2002; Wengler et al., 2006; Zupanic, 2008). However their low respondent numbers and limited exploration of the different elements of KAM still leave us with few generalizable indicators of the transition from sales-led to KAM-led organizations.

### **RESEARCH APPROACH AND METHOD**

Our survey instrument was developed using a 7-point Likert scale survey. We targeted key account managers working in companies with existing formal KAM programs through executive education programs, as did Guenzi et al. (2007;2009), McDonald et al. (1997), Montgomery et al. (1998), Ryals and Rogers (2007) and Wengler et al. (2006). The survey sample comprised attendees at a series of KAM-specific executive educational programs over 3 years. 286 delegates attended these events and 212 surveys were returned; eight of these indicated they did not yet have a formal KAM programme leaving 204 usable surveys (71.3% response rate). ANOVA tests suggested no significant differences between collection years. The number of years these companies had had a formal KAM programme varied: less than 2 years (37%); 2-4 years (23%); 4-6 years (26%) and over 6 years (14%). We conducted and compared both Kruskal-Wallis H nonparametric and Games-Howell Post-Hoc ANOVAs. There were no significant differences between industries.

A second method, Co-operative Inquiry (Heron, 1996) was used to add to our understanding. It comprised a year-long syndication with senior representative of seven companies with a strong track record in KAM. (For a full exploration of the co-operative inquiry see Woodburn, 2006.) They suggested a phase model of implementation running through Scoping and Introducing KAM, Embedding KAM, Optimizing KAM, and Continuous Improvement which we used to frame the

quantitative analysis. We then selected case study examples for each implementation stage using a purposive judgmental sampling method. Much previous empirical work in KAM has used the case study method (e.g. Natti et al, 2006; Rogers and Ryals, 2007; Spencer, 1999). Data were collected through 14 semi-structured interviews with key account directors, managers and KAM team members, triangulated with a review of their key account plans, company brochures, websites etc.

## RESULTS

We discovered a statistically significant difference between groups in the different stages of transitioning to KAM: Introducing KAM (Yrs 1-2), Embedding KAM (Yrs 2-4), Optimizing KAM (Yrs 4-6), and Continuous Improvement (Yrs 6+).

### Introducing KAM

The Introducing KAM stage is typified by the formal announcement of a program and the identification of specific key accounts. This leads to the creation of a new role of “key account manager”, usually consisting of a title change for some members of the sales force. Much of the Introductory KAM stage is driven by a KAM Champion. However, there is too much focus at this stage on superficial “naming” parts of a KAM programme and on raising the service levels for key accounts, rather than actually changing the dynamic of customer engagement or the culture of the organization. This means the company is likely to have increased its costs but with relatively few targets, low performance measurement and few policies and procedures to manage the key account managers’ activities.

### Introducing KAM case study

This international engineering, consultancy and facilities management firm (EFMF) had been working on a formal KAM programme for only about a year. Typically for Introduction-stage companies, this firm saw KAM as helping them to learn more about their customers, as well as offering commercial benefits: *“The KAM program helps us to gain a fundamental understanding of our customer’s business, their goals, their objectives and how we can get closer to their value chain.”* (EFMF Key account manager). Key accounts were selected in terms of value and potential growth, although customer business and reputation were also factors. The EFMF had not yet trained its key account managers. Key account plans had yet to be fully introduced and those that existed were less strategic than for firms in a later stage of implementation. The reward system was the same for key account managers as for non-key account managers.

In firms in the Introduction stage, there is often a KAM champion who is instrumental in pushing the KAM program along. In the case of the EFMF, a steering group had been set up that met quarterly and set targets for KAM program implementation. In the Introduction phase, key account managers may struggle with the basics of KAM. This was the case at the EFMF, where the key account managers had initially found it difficult to understand the principles and use the tools and techniques of KAM and, in particular, to translate these into actions. At this stage, performance measurement is seen as a difficult task. The EFMF had put some basic key performance indicators in place but had not yet been able to design a thorough and wide-ranging way of measuring the performance of the KAM program. The KAM plans showed a distinct tendency to measure success in terms of sales targets. There was a perceived need for culture change if KAM was to work.

### Embedding KAM

The Embedding stage puts more emphasis on appointing the right sort of person as a key account manager and investing in training them to fulfill a distinct role. This stage often sees the emergence of KAM teams, higher levels of policy and procedure including the development of individual account plans, and an increase in targets for KAM and performance measurement. In this stage some companies become disillusioned with KAM if they are unable to make the transition from being sales-led, perhaps where KAM has increased costs to serve and resulted in activities which may not necessarily involve immediate revenue return. However, on the positive side, more senior managers buy into KAM at this stage and more of the organization is engaged in the program, which starts to influence leadership and organizational culture.

### Embedding KAM case study

This leading global manufacturer of animal health products (AHF) has a wide portfolio of products including animal antibiotics, vaccines and health supplements. It was driven to adopt KAM by increasing concentration amongst its customer base: *“There are less and less companies...those companies become bigger and more difficult to deal with, and the KAM*

*approach works very well for that.*" (AHF key account manager). Historically, the firm had been noticeably sales-oriented and even after more than two years of the formal KAM program the key account managers felt that many senior managers did not yet fully appreciate the demands of KAM. In terms of key account manager skills and of team organization, the AHF already had cross-functional teams that included technical support. However, senior managers thought that key account managers needed more skills in commercial and business development. The AHF had key account plans in place for their key accounts which were better at analyzing the customer's issues and market place than the comparable plans for the Introduction-stage company. The plans did not yet present clear strategy and actions from the analysis, although the key account managers said that they gave them a better focus on the opportunities within that customer.

At this relatively early stage of KAM implementation, there can still be problems with customers who have been included in the portfolio but are not really key accounts. Certainly that was the case for the AHF. On the positive side, trust between customer and key account manager had increased for some – but not all – key accounts. The AHF key account managers still sometimes struggled to make enough time for KAM and, perhaps as a consequence, had a tendency to prioritize those actions that were easier to implement, whether or not these were the most valuable. Another problem was possessiveness, where the traditionally sales-oriented individuals wanted personally to 'own' the customer.

### **Optimizing KAM**

This phase sees high financial investment in building the program into the fabric of the organization. Typically, there is structural change in the organization to support KAM; a culture change to KAM orientation through education and engagement of the entire organization in KAM; and internal processes, policies and IT systems are adopted. There is a large increase in the active involvement of top management with the accounts (perhaps even acting as key account managers themselves). Service levels again increase and there are more joint activities and joint investments with customers, all of which add to the cost of the programme. Although targets begin to be set for KAM, there is actually a reduction in internal performance measurement, leading the companies to rely more on benchmarking against competitors and customer feedback to measure performance. All of this increased service needs careful monitoring to ensure it leads to higher profits.

### **Optimizing KAM case study**

This company is a large commercial law firm (CLF) whose clients include major corporations, financial institutions and public sector organizations. Several years ago the CLF adopted KAM as a means of differentiating itself from its competition and gaining market share. This entailed adding client management expertise to its well-established technical capabilities; by doing this, the CLF believed that there was potential to identify additional areas of client need that the clients themselves had not yet recognized. KAM had become widely accepted within the firm as a way of doing business. Detailed KAM plans had been in place for more than two years and training of the key account managers and their support teams had been completed some time before. Now, the CLF was exhibiting a definite desire to optimize its KAM: *"... we need to provide additional impetus into it, people should still be talking about it, people should be reviewing their plans and seeing what has changed and what hasn't, finding different ways of having strategic conversations with the clients."* (CLF KAM program director)

This drive for optimization was also manifested in the way that the CLF measured its KAM program. As well as metrics such as client retention and duration, CLF had instituted regular follow-up and review meetings. Moreover, the CLF had just introduced a new and more sophisticated performance measurement system for key account managers that was linked to rewards. Although this had not always gone smoothly, the feedback was seen as useful in improving the performance of the key account managers: The CLF had also set up an executive committee to monitor its KAM program; the committee scrutinized a detailed set of financial metrics for each key client quarterly, examining how that client's business was developing across the different divisions and departments. CLF managers believed that these review mechanisms and control systems had helped them add considerable value to their clients through their KAM program. The CLF rated itself noticeably higher than the early-stage companies in terms of the quality of its key account plans, particularly around client strategy development and turning this into action. They were less likely to target the wrong people in the client firm, more likely to have cross-functional KAM teams, and more discerning in their collaboration with clients to realize the full benefit of KAM.

### **Continuous Improvement KAM**

Over time, companies become more targeted and focused on the business case for KAM, leading to more defined selection criteria and clearer segregation between key accounts and non-key accounts; and a reduction in the levels of structural change to the organization as it consolidates the program, allied with a reduction in the involvement of top management. There may

be a decline in the number of accounts defined as key, which leads to a more focused program with internal target setting and measurement of contribution, not revenue. There is also a strong focus on cost management.

### **Continuous Improvement case study**

This global accountancy firm (GAF) offered business-to-business audit, tax and other advisory services to its many clients, amongst which are some of the world's largest businesses. The GAF had had a formal KAM program for 8 or 9 years. The GAF's organizational structure was a matrix structure designed to help support KAM. The effect of this structure was to produce KAM teams comprising technical sector specialists and client relationship partners (key account managers) who were lead partners in the firm. Working with the relationship partners were relationship directors; their role is to explore new key account relationships and also to uncover additional opportunities within existing clients. The relationship directors may work on more than one key account, but never on more than three. Day-to-day management of the client was carried out by an account manager, whose role was to project manage the operational delivery of the relationship within GAF. The account managers also kept the GAF's KAM IT system up to date. The relationships could become very close; the full-time KAM team was seen as very important and the key account managers had considerable power within GAF to command resources.

There was substantial high-level involvement; a Board member of the GAF oversaw the KAM program, and many other executives were involved in reviewing the performance and service quality for key accounts in their area. They reviewed the performance of the KAM program and of the key account portfolio regularly using sophisticated measures such as the GAF's investment costs in the key account and the lifetime value of that key account. They also reviewed non-financial relationship quality metrics such as frequency of meetings with the key account, main contacts and their importance, and how good the GAF's relationship was with them. The GAF had implemented continuous improvement through a 'Best Practice Program' run by a central team that ensured dissemination of best practice, producing reports and organizing learning events for key account managers. The review and evaluation process was formal and structured, although the key account managers had considerable freedom to manage their key accounts in the way they thought best. The GAF had also changed its internal measurement processes, previously based purely on 'billable hours', so that it could give the key account managers credit for their relationship-building efforts.

### **DISCUSSION AND IMPLICATIONS**

Our research suggests that KAM is a long-term organization-wide change management process, taking in excess of 6 years to impact and which impacts upon the whole organization infrastructure. We note two common mistakes in implementing KAM. The first is that companies begin implementing KAM without appropriate planning. This typically leads to an initial period of renaming parts of the sales and marketing structure, and making promises to customers about higher service levels, without ensuring the ability of the organization to deliver on these promises at a profit (McDonald et al. 2000; Spencer, 1999). Even if the company has managed to identify an appropriate account portfolio, they are still left with a situation where key account managers have insufficient institutional, structural, informational and resource support to provide the necessary customer service and relationship management for successful KAM (Workman et al., 2003). The second mistake is that KAM programs typically engage with too many 'key accounts' in the Embedding / Optimizing stages, only to realize that this can be a very unprofitable strategy. This realization leads, in turn, to a refocusing of the program on a smaller number of truly valuable key accounts in the Continuous Improvement stage. This finding suggests that practitioners should try to be selective earlier in the process, aiming to prevent over-stretching of the KAM program from the beginning.

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## UNDERSTANDING DIFFERENCES IN CUSTOMER WILLINGNESS TO PAY (WTP): CONTEXT EFFECTS, ATTRIBUTE FRAMING, AND PERCEPTIONS OF FAIRNESS

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### ABSTRACT

Researchers in marketing have studied customer willingness to pay (WTP) for a variety of goods and services extensively. However, to date there has been limited empirical investigation of environmental factors such as *need urgency* (demand-driven or circumstantial scarcity of a desired good or service) and *agency* (whether the purchaser is spending her own money to make the purchase, or money provided by someone else, such as an employer). In addition, factors such as the way price information is framed may have an effect on customer WTP, as might the presentation of incidental price information. In addition, the perceived fairness of a price, or of a change (particularly an increase) in price, may have an effect on customer WTP under some circumstances. Understanding the effect of need urgency, agency, framing, reference pricing, and perceived fairness on customer WTP could help managers optimize pricing and (in the case of fairness) firm reputation.

In series of exploratory quasi-experimental surveys conducted in 2008, we manipulated the price of vending-machine and/or concession-stand soft drinks in response to ambient outside temperature, increasing the price as ambient outside temperature increased. In the first quasi-experiment, we manipulated agency and urgency (two levels of each, a “present” and an “absent” condition), asking respondents to indicate willingness to pay for soda using a “brackets” procedure. We found that WTP declined significantly with age.

In subsequent quasi-experiments we manipulated framing information, increasing price from a low “regular” price in the negative condition and decreasing the price from a high “regular” price condition (in the no-attribute-frame condition, no “regular” price was displayed on the machine). We also manipulated reference pricing, using narrow (many small increments of price change) and broad (a few large increments) reference ranges. Finally, we measured perceived fairness under all three frame conditions (negative, positive, and no frame); a second fairness question in the no-attribute-frame condition asked respondents to report perceived fairness when an explanation for price change was provided.

As expected, descriptive statistics indicated WTP tended to decline as price (along with temperature) increased. In Experiment 2 (manipulation of attribute framing condition only) significant within-subjects effects for WTP for prices and conditions compared to the baseline of 70 degrees and no attribute frame were seen, as was a significant between-subjects effect for WTP and perceived fairness. We also observed significantly greater perceived fairness when an explanation for the price change was provided.

References Available on Request.

## **PRICE DROPS, AND PRICE UNFAIRNESS PERCEPTIONS**

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### **ABSTRACT**

Price unfairness literature has established that price increases or promotions can affect price unfairness perceptions; however, the effect of permanent price drops on price unfairness perceptions has not received adequate attention. We examine the effect of post purchase permanent price drops on price unfairness perceptions and propose that reputation of company, and recency of purchase moderate the relationship between the depth of a price drop and price unfairness perception. We find that deeper price drops cause higher price unfairness perceptions. We also find that the positive relationship between price drops, and price unfairness perceptions is stronger for existing customers, who perceive high company reputation than those who perceive low company reputation. We conclude that the positive relationship between price drops, and price unfairness perceptions is stronger for customers, whose purchases are recent than those whose purchases are distant.

References Available on Request.



## DETERMINING FAIRNESS: A COGNITIVE PROCESS OF PRICE FAIRNESS SITUATIONS

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### ABSTRACT

Over the last three decades, pricing scholars have devoted a substantial amount of research to understanding what creates the perception of an unfair price. While it is important to understand what leads to an unfair price, it is equally important to understand what makes a price appear fair. Past research has noted that it is possible that fairness and unfairness are conceptually different constructs (Xia et al. 2004, Finkel 2001) and that consumers go through a series of cognitive steps to determine perceptions of fairness (Campbell 1999). It is believed that perceptions of (un)fairness are context-dependent (Hertel et al. 2002), which is why empirical study respondents have a difficult time articulating what constitutes a fair price and report such responses as “*I know it when I see it*” (Xia et al. 2004). According to Bolton et. al. (2003) fairness is defined as “a judgment of whether an outcome and/or the process to reach an outcome are reasonable, acceptable, or just.” However, understanding the process that consumers go through when determining what makes a price appear fair is important for pricing managers to understand because minimizing the perceptions of unfairness, which has been empirically tested with significant results, leads to stronger levels of satisfaction and customer loyalty (Oliver 1997, Oliver and Swan 1989, Herrmann et al. 2007).

Research has shown different moderators that might affect perceptions of fairness such as: source (human vs. non-human) and emotion (Campbell 2007), pricing—both uniform and dynamic (Choi and Mattila 2009), the firm’s inferred motive and reputation (Campbell 1999), knowledge of others’ outcomes (Collie et al. 2002), and violation of social norms (Maxwell 1995, 1999). However, few models provide a comprehensive cognitive process of pricing (un)fairness since it appears to be heavily dependent on context-specific situations and scenario-based research techniques. Notably, many marketing researchers concentrate on the underlying principles of what makes a transaction appear unfair, rather than illustrate an expansive model that allows for both fair and unfair perceptions. It is possible that the reasons few models account for the duality of fairness and unfairness is because negative outcomes carry more weight in recall and are easier to measure in survey research (Mittal et al. 1998). The proposed conceptual model adapts the Hunt-Vitell (H-V) (1986) philosophical model of reasoned actions for assessing consumers’ price fairness perceptions.

Following the H-V model (1986), consumers are often are faced with an ethical dilemma in their decision making processes (Hunt and Vasquez-Parraga 1993, Hunt and Vitell 2006, Mayo and Marks 1990) and to assess a dilemma consumers are likely to partake in two types of ideological processes: deontological and teleological evaluations. The deontological evaluation is an appraisal that is mainly concerned with the morality of the situation, regardless of the end result. It is proposed that instead of using the inherent “rightness or wrongness” of the situation as the guiding nature of the deontological evaluation, the consumer elicits a *subjective* evaluation, which determines how personally affected the consumer feels regarding the price difference. In contrast, a teleological evaluation is an appraisal where the consumer views the end result as the most important aspect of the evaluation. This evaluation type focuses on choosing the one alternative that serves the greater good for all stakeholders involved. It is proposed that instead of using an appraisal that solely looks at the end result of the situation as part of the teleological evaluation, that the consumer elicits an *objective* evaluation which allows the consumer to assess the situation from a non-biased perspective.

Additionally, the proposed model works in three stages: discovery, situational appraisal and reaction. It also incorporates moderators that are posited to affect the perceived (un)fairness of the situation and ultimate purchase intent. The moderators: personal beliefs, degree of substitution, distance of substitute, and the degree of trust with the seller are all believed to interact with the underlying subjective or objective evaluation of the situation. Depending on the magnitude of the subjective or objective evaluation, the consumer will perceive the situation as (un)fair and then decide on his purchase intent.

References Available on Request.

# **CONSUMER'S INFERENCES OF MANIPULATIVE INTENT IN THE STORE ENVIRONMENT: THE EFFECTS OF ATMOSPHERICS AND PERCEIVED APPROPRIATENESS**

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## **ABSTRACT**

This study proposes that two factors, (1) the number of atmospherics used by the retailer and (2) the appropriateness of the store environment, affect whether consumers make inferences that the retailer has manipulative intent (IMI). It also suggests that IMI influence attitudes toward the atmosphere and the retailer, and corporate attributions. Results from an experiment support these predictions.

## **INTRODUCTION**

Why do retailers use atmospheric cues, as scent and music, in the store environment? Is it only to create a well-designed store environment and improve the quality of the shopping experience? Or could it be to manipulate consumers in a way that encourages purchasing? Indeed, a wide body of research has examined the impact of various store environment elements controlled by the retailer and demonstrated that they could lead consumers to behave in a way which is profitable for the retailer, for instance by spending more time in the store or buying more products (for a review, see Turley and Milliman 2000). However, research dealing with atmospherics has generally represented direct effects of store environment on shopping behavior relied. By adopting such behavioral assumption, research has for the most part neglected various consumers' internal factors (Donovan and Rossiter 1982; Mehrabian and Russell 1974) which can explain how consumers process information from the store environment.

This article takes a different approach than previous research. By focusing on the specific consumer's reactions of inferences of manipulative intent (IMI), it takes a cognitive view of consumers and considers them as active recipients of the retailer's attempt (Friestad and Wright 1994; Williams, Fitzsimons and Block 2004). This study extends the research on atmospherics by suggesting that the store environment could be interpreted as a marketing tool used by retailers to persuade them buying more (Kotler 1973). More specifically, it explores the circumstances under which atmospherics may lead consumers to infer the retailer is attempting to manipulate them. Our expectation is that consumers will infer more manipulative intent in the store environment (1) when the number of atmospherics increase and (2) when the store environment is perceived inappropriate. In such a case when consumers perceive store environment as a manipulative intent from the retailer, we believe that consumers will develop a negative attitude toward the atmosphere and the retailer and will process negative corporate attributions.

In the next sections, we describe research on atmospherics and appropriateness judgments. Hypotheses about the effects of atmospherics and appropriateness of the store environment on the IMI are then developed. We therefore conduct an experiment based on scenarios to test the hypotheses. We conclude with the theoretical and managerial implications of our findings and propose some further researches.

## **THEORETICAL BACKGROUND**

### **Atmospheric Cues and Shopper's Inferences**

For the last 30 years of research dealing with the influence of store environment, atmospherics have been shown to exert a strong influence on emotional states (Donovan et al. 1994; Kaltcheva and Weitz 2006) and purchasing behavior (Milliman 1982; Smith and Curnow 1966; Yalch and Spangenberg 1993; for a review, see Turley and Milliman 2000). Compared to the considerable work addressing environmental consumer emotions' consequences, relatively little attention has been given to the cognitive evaluations of the store environment. Notwithstanding, the assertion that the store environment can be a potent information source from which to draw inferences has been well documented (Keaveney and Hunt 1992). For instance, some empirical studies have supported the hypothesis that environmental cues lead to consumer inferences about a store's merchandise, service, prices, and shopping experience costs (Baker, Grewal and Parasuraman 1994; Baker et al. 2002).

As such, atmospherics are often considered as determinants of product-service or environment evaluation. In the case of in-store music, it has been showed that music could positively affect the evaluation of the environment. For instance, positively valenced music has been found out to give rise to a more positive impact on the evaluation of the service environment than negatively valenced music (Hui, Dube and Chebat, 1997). Type of music also influences consumer's evaluations of the store. Studies have showed that classical music had a positive effect on store atmosphere evaluations (Grewal et al. 2003), or that variety music could lead shoppers to evaluate more negatively a department store (Yalch and Spangenberg 1993). Regarding the effects of scents, they have been showed to affect product quality perceptions and product evaluations (Bone and Jantrania 1992). This is particularly true for pleasant ambient scents which are likely to improve brand evaluations, especially for unfamiliar brands (Morrin and Ratneshar 2000). Scents are also likely to affect evaluations of the store environment and merchandise: their evaluation were more positive when the store was scented than when it was not scented (Spangenberg et al. 1996).

Each of these previous researches aim for a greater understanding of the effect of specific cues of the store atmosphere on consumer's evaluations and inferences. However, these studies have all focused on a single atmospheric variable without getting attention to the interaction of the different atmospherics. This is of importance because consumers could react differently in presence of various atmospherics. When various atmospherics interplay with each other, consumer's perceptions of the environment can be biased.

### **From Atmospheric Cues to IMI**

Atmospherics are viewed as an organizational variable that can be used by managers to control consumer's behavior and attitude (Bitner 1992). Hence, we suggest that they can make consumers judge the store environment as a manipulative tool inducing a behavior that makes the retailer meet organizational goals. Thus, we argue that in-store environmental cues influence consumers' IMI.

In the field of advertising, IMI are defined as "consumer inferences that the advertiser is attempting to persuade by inappropriate, unfair, or manipulative means" (Campbell 1995 p.228). In the retail context of this research, IMI are defined as consumer's inferences that the retailer is attempting to persuade through an inappropriate atmosphere. We propose that environmental cues are likely to vary in terms of the salience of manipulative intent. More specifically, we propose that when people are exposed to atmospherics, the tendency to activate a perception of manipulative intent may depend on two factors: (1) the number of atmospherics and (2) the congruency between the atmospherics and the type of retail store.

To our knowledge, no prior research has focused on the effect of the number of atmospheric cues, but rather on the effect of their appropriate combination (i.e., congruency), and never with direct emphasis on IMI. Research on atmospherics suggests that appropriateness is a critical factor for a successful implementation of environmental stimuli. For instance, the research on the effect of ambient scents by Mitchell, Kahn, and Knasko (1995) has shown that congruent ambient scents (e.g., a floral scent in a flower shop) have different effects on information processing and choice than incongruent scents (e.g., the scent of chocolate in a flower shop). Moreover, research findings on cue congruency also suggest that the effects of atmospherics differ according to their congruency between each other. For example, Spangenberg, Grohmann and Sprott (2005) demonstrated that ambient scents could induce less favorable evaluations of the store, its merchandise and the store environment if they are incongruent with in-store music. From an experiment (no music/low arousal music/high arousal music ; no scent/low arousal scent/high arousal scent) conducted in a gift-shop, Mattila and Wirtz (2001) showed that when the arousal levels of scent and music matched, consumers' evaluation of the shopping experience was enhanced. Considering these results, the store environment appears to be not only evaluated on the basis of discrete influences of atmospherics, but rather on the basis of their appropriate combination.

To be successful, atmospheric cues must also be appropriate with the merchandise and the retail setting. Consumer's perception of the appropriateness of a retail environment's characteristics is defined by Babin, Chebat and Michon (2004) as "how well the ensemble elements match expectations for a shopping context" (p.288). Thus, it refers to the congruency between the elements of the store environment and the shopper's expectations. This match has been showed to affect shopper's evaluations and behaviors. For example, comparing the effects of easy-listening versus Top-Forty music on shoppers' estimates of the amount of spent shopping time, Yalch and Spangenberg (1990) found that younger customers (under 25) reported spending more time shopping when exposed to easy-listening music, whereas older customers (more than 25) thought they were in the store longer when exposed to Top-Forty music. The authors concluded that non-typical environmental factors led shoppers to perceive intervals of time being longer than they actually are. In the setting of wine

cellar, Areni and Kim (1993) showed that shoppers purchased more expensive merchandise when classical music (vs. Top-Forty music) was played and suggested music must fit the persuasion context in order to produce the desired outcome. On the basis of these results, we suggest that atmospherics must be perceived appropriate in a particular context to be able to persuade consumer's to behave as wanted by the retailer. If not, evaluations of the store environment in which inappropriate stimuli are diffused could be less favorable. Within such an inappropriate retail store environment, shoppers could see the presence of atmospherics as a mean of manipulation.

## **Hypothesis Development**

The Persuasion Knowledge Model (PKM) seems particularly appealing to provide an explanation for the effect of atmospherics on IMI. The PKM states that consumers identify when someone is trying to persuade them and how to react in a way that achieves their own goals (Friestad and Wright 1994; Kirmani and Zhu 2007). Consumer's identification of persuasion attempts are based on beliefs about the tactics employed by marketers and the goal such marketers seek to achieve. We suggest that atmospherics could be seen as a tactic used by retailers to persuade consumers to make them achieve their corporate goals. More specifically, we propose that when atmospherics are numerous, they raise consumers' attention of certain cues, hence activating IMI. Consequently, we propose that a positive relationship exists between the number of atmospherics in the store environment and IMI (Hypothesis 1).

In the field of advertising, research has theorized about the message cues and the variation in terms of the salience of manipulative intent. For example, Kirmani and Zhu (2007) showed that message cues which are perceived as ambiguous lead people to interpret them as reflecting manipulative intent. In this retailing research, we suggest that some in-store cues could make manipulative intent highly salient whereas other cues could make it less salient. Since inappropriate atmospherics stand out, that is, are more salient, whereas appropriate atmospherics are in line with other aspects of the store, we suggest that in an inappropriate atmosphere, shoppers would develop more IMI. This argument would suggest that a negative relationship exists between appropriateness of the atmosphere and IMI (Hypothesis 2).

According to the PKM, persuasion knowledge is likely to get consumers develop resistance strategies that prevent marketers to achieve their goals (Kirmani and Campbell 2004). As they understand and cope with marketers' actions, they form attitudes about influencers. For instance, findings from advertising research showed that IMI have a negative effect on attitude toward the advertising (Campbell 1995; Cotte et al. 2005). Research has also identified a negative attitude toward the advertiser as a response to IMI (Campbell 1995; Friestad and Wright 1994; Cotte et al. 2005). Research in advertising has also empirically examined the effects of IMI on attributions about the sponsor. Cotte et al. (2005) suggest that IMI may lead in the extreme to a consumer's backlash against the company and the advertiser. In our study, this implies that consumers inferring a manipulative intent in the store environment will develop negative corporate attributions. We believe that means of manipulation used by advertisers, i.e. the adverts, could be represented in the field of retailing as the in-store atmosphere. Consistent with this perspective, we posit that a negative relationship exists between IMI and attitude toward (a) the atmosphere (AA<sub>tm</sub>), (b) the retailer (AR<sub>et</sub>) and (c) corporate attributions (Hypothesis 3).

## **METHOD**

### **Research Design, Stimulus Selection and Sample**

To test the conceptual model, we used scenarios describing a hypothetical store environment experience. Because the purpose of the study is to examine the influence of the appropriateness of the store environment with a particular type of store, the research setting used in each scenario was a bakery. Bakery is a widespread retail store in France and French consumers have great expectations about the bakery environment which is expected to be authentic. To provide realistic store settings and create variation in the environmental stimuli, four scenarios were created and manipulated using two environmental components in a 2 (scent vs. scent and music) × 2 (appropriate vs. non appropriate) between-subjects, full factorial design. We manipulated the appropriateness through the surprise caused by on the one hand a nice scent of fresh bread, but on the other hand the absence of any visible source of that scent (no oven and or baker).

The study was conducted in France during December 2008 and January 2009. Participants in the study were all French people randomly assigned to one of the four scenarios about a hypothetical bakery. After reading and visualising the scenario, they completed a short questionnaire. In each scenario, we provided the information that the bakery was unfamiliar to respondents. The scenarios were the following: "It's four o'clock in the afternoon on a Saturday and you're entering a bakery which you don't know. In this bakery, you notice that there is no oven or baker, but nonetheless a good smell of fresh bread

(vs. “you can see the oven and a baker working and smell a good scent of fresh bread” = appropriateness treatment). Moreover, you notice that top-forty music is diffused in this bakery (vs. no information about any music = number of atmospherics treatment).”

Then, participants were asked to answer a survey in which it was clearly indicated that responses should be given according to the particular scenario they just read. The questionnaire took 8 min to complete, on average. In all, 174 completed questionnaires were obtained and used in analyses reported below.

## Measures

Seven-point scale items were used to measure each variable. Psychometric properties including reliability coefficients are presented in Table 1. The scales were either entirely or partially adopted from previous research.

To appraise IMI, we adapted the scale used by both Campbell (1995) and Cotte, Coulter and Moore (2005). Since the scale was formerly used in the field of advertising, it was necessary to adapt the items to the retail field (see Table 1). After exploratory factorial analysis, the four-item scale is unidimensional and reliable ( $\alpha=.86$ ), with one factor accounting for 72% of the variance extracted (eigenvalue of 2.87), and other factors having eigenvalues of 0.67 or less.

Attitude toward the atmosphere (AAtm) and toward the retailer (ARet) were assessed with the scale used by MacKenzie and Lutz (1989). Both the AAtm scale and the ARet scale are unidimensional and reliable, with alpha of .91 and .93.

We assessed corporate attributions with items taken from Cotte et al. (2005) and adapted them to the retail context. Table 1 provides description of the measures used in this study as well as their psychometric properties.

## RESULTS

### Manipulation Checks

To determine whether subjects perceived the environment in which there is surprisingly no oven and no baker as less appropriate, we included a seven-point Likert-type question “The atmosphere of this bakery is appropriate”. Subjects perceived significant differences in level of appropriateness across the two conditions specified in the four scenarios ( $\text{Appr.}_{\text{Oven+Baker}}=5.66$ ,  $\text{Appr.}_{\text{No Oven or Baker}}=3.80$ ,  $F(1, 172)=57.118$ ,  $p<.001$ ).

### Number of Atmospherics, Appropriateness and IMI

A 2 (scent vs. scent+music)  $\times$  2 (appropriateness) ANOVA on the IMI as the dependent variable revealed a non significant main effect for number of atmospherics ( $F(1,167)=1.35$ ,  $p>.05$ ) and a highly significant main effect for appropriateness ( $F(1,167)=75.30$ ,  $p<.001$ ) (for cell means, see Table 2). No significant interaction effect was found. The absence of main effect of number of atmospherics revealed that consumers did not perceive atmosphere composed of multiple atmospherics more manipulative compared to atmosphere composed of only one single atmospheric. The main effect for appropriateness showed that atmospheres which are perceived appropriate with the type of store and merchandise induced less IMI ( $M=2.51$ ) than inappropriate atmospheres ( $M=4.25$ ). Thus, these results did not support H1 but only H2, as reported in Table 2.

### IMI, Attitude and Corporate Attributions

Linear regression equations were developed to test for H3a, H3b and H3c. The regression results are reported in Table 3. The regression coefficients suggest strong negative effects of inferences of manipulative attempt on  $A_{Atm}$  ( $\beta=-.62$ ,  $p<.000$ ) and  $A_{Ret}$  ( $\beta=-.73$ ,  $p<.000$ ), in support of H3a and H3b. Regression coefficients are also negative when measuring the correlation between inferences on manipulative intent and corporate attributions ( $\beta_{\text{Money}}=.42$ ,  $p<.000$ ;  $\beta_{\text{Feeling}}=-.73$ ,  $p<.000$ ;  $\beta_{\text{Interests}}=-.62$ ,  $p<.000$ ), in support of H3c. These significant effects imply that when consumers perceive the store atmosphere as manipulative, they develop a negative attitude toward the atmosphere and the retailer. They are also more likely to make negative attributions about the retailer.

## SUMMARY AND DISCUSSION

As an attempt to extend the research on atmospherics, this article offers a fresh perspective on their effects on the underestimated IMI. Results support the proposition that the effects of store environment may not only have positive effects

on consumers' emotions and behavior, but also some negative effects such as IMI. Consistent with advertising research on the effect of message cues on IMI (Cotte et al. 2005), our research shows a difference between evaluations of and attitude toward atmospheres depending not on the number of atmospherics but on the appropriateness of the environment. Of interest is the finding that subjects in the two-atmospherics condition (scent and music) did not make more IMI in the store environment than subjects in the one-atmospheric condition (scent only). However, the effect of appropriateness was strong and suggests that the only source of IMI is the appropriateness of the store environment. When the environment is judged inappropriate, consumer evaluates it as a manipulative mean used by the retailer to meet corporate goals. These results provide some support for MacInnis and Parks' (1991) suggestion that stimuli must be appropriate to the context in which they are employed to enhance persuasion. Looking across our results, we consider the managerial implications and propose an agenda for future research.

### **Managerial Implications**

As a managerially relevant guideline for creating efficient store environments, one of the major conclusions of the study is that retailers can decrease consumer's IMI by using atmospherics in such a way that it contributes to the appropriateness of the store environment. As a result, managers should take precautions in choosing atmospherics that should be perceived appropriate with their product offering. For retailers, the question arises as to what atmospherics can be employed for creating an appropriate environment perception for the consumer without a feeling of being manipulated. For example, the worldwide Paul bakery (330 bakeries in 25 countries) is said to propose industrial bread but nonetheless creates authentic store environment which may be seen as inappropriate. Considering our results, one question arises: with such authentic environments despite non-authentic bread, doesn't the Paul bakery expose itself to potential risk that consumers make inferences about any manipulative role of the environment and consequently develop negative attitude? From a managerial point of view, it would be useful to examine the extent of this hypothesis. This suggestion is also of interest for any retail company who propose store environments which could be perceived inappropriate.

### **Limitations and Further Research**

Although our experiment makes interesting significant results arise, the generalizability of our findings may be limited. Indeed, despite simulated store environments have been found to provide useful results, many influences from the shopping atmosphere are subliminal and using scenarios to present a shopping environment by describing it instead of having consumers experiencing it is questionable. Future research should conduct empirical investigations in real stores. Such investigations could help researchers not only to study the effect of the presence (vs. absence) of atmospherics, but also to answer the question of consumer's consciousness of atmospherics. In our scenario, the assumption was made that consumers noticed the presence (vs. absence) of atmospherics. In a real setting, including consumer's consciousness of the use of atmospherics as a moderator could help clarify the relationship between atmospherics and IMI: the more the consciousness of the atmospherics, the stronger their effects on IMI.

Moreover, considering the affective quality of stimuli would have been useful in so far as significant interactions may occur according to it. Regarding ambient scent, if pleasant odors may increase positive attitude (Spangenberg et al. 1996), they also could increase consumer's IMI. A very good smelling atmosphere may induce skepticism about the origin of the scent: if scents are judged appropriate with the merchandise and directly coming from it, consumer's IMI may be low, whereas it may be higher when consumers are skeptical about the origin of the scent. Literature suggests that researchers could also make each element of the musical structure – such as sound, harmony, melody, and rhythm – vary to examine its effect on consumer's processing of appropriateness and dependent IMI and attitude.

Another important area for further research is the necessity to include the quality of the products in the analysis, as some of the respondents mentioned. Indeed, the more the difference between the high appropriateness of the atmosphere and the low quality of the bread, the more the IMI. Perhaps more important, further research has to consider the impact of ambient factors according to the season of the year. As suggested by Spangenberg, et al. (2005), a combination of scent and music incongruent with the time of year would yield negative consumer responses: for example, would the use of scents of pine and traditional hymns induce IMI? Probably not, because consumers expect such atmospherics to be used to create the Christmas holiday season. Research efforts of this nature will further aid our understanding in designing appropriate store environments which lead not consumers to make inferences about any manipulative intent.

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**Table 1 Measurement validity assessment**

Construct Measure	Factor loading	Average Variance Extracted	Construct Reliability
<i>Inferences of Manipulative Intent</i>			
The way this atmosphere tries to persuade people seems acceptable to me	.86		
The retailer tried to manipulate the consumers in ways I do not like	.91		
I was annoyed by this atmosphere because the retailer seemed to be trying to inappropriately manage or control the consumers	.90	.72	.86
I didn't mind this atmosphere; the retailer tried to be persuasive without being excessively manipulative.	.66		
<i>Attitude toward the Atmosphere</i>			
Good	.88		
Favorable	.93	.85	.91
Positive	.94		
<i>Attitude toward the Retailer</i>			
Good	.89		
Favorable	.96	.87	.93
Positive	.95		

**Table 2 Cell means and standard deviations**

	Scent only		Scent and Music	
	Inappropriate environment	Appropriate environment	Inappropriate environment	Appropriate environment
Inferences of Manipulative Intent	4.23 (1.42)	2.27 (.83)	4.27 (1.46)	2.70 (1.28)
A <sub>Atm</sub>	4.07 (1.41)	5.25 (1.23)	3.77 (1.48)	5.39 (1.18)
A <sub>Ret</sub>	3.79 (1.39)	5.07 (1.10)	3.48 (1.31)	5.01 (1.23)
Corporate Attributions				
Make money	4.98 (1.44)	3.94 (1.30)	4.95 (1.68)	3.86 (1.73)
Positive feeling	3.57 (1.50)	5.68 (1.00)	3.48 (1.15)	5.36 (1.49)
Consumers' interests at heart	3.13 (1.49)	5.06 (.89)	2.90 (1.77)	5.07 (1.33)
Cell sizes	58	34	40	42

Notes: Standard deviations are in parentheses.

# CONCEPTUALIZING INDEPENDENT AND INTERDEPENDENT EFFECTS ON LUXURY CONSUMPTION

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## ABSTRACT

This paper develops a model that explains how an individual's self-concept and a number of mediating individual traits impact luxury consumption behavior. This model can assist managers of luxuries in better segmenting their markets and in predicting consumer reactions to changes in their marketing strategy.

It has been recognised that consumption of luxuries should be examined separately from general consumption (Berthon, Pitt, Parent and Berthon, 2009). However, there is little towards the development of a general theoretical model of luxury consumption. This study tries to plug this gap: it reports the development of a model explaining luxury consumption, based on literature synthesis and qualitative research. An overview of the literature pointed to the conclusion that any relevant effort should focus on the ideas of Veblen (1899), such as "invidious comparison" and "pecuniary emulation", as well as on Leibenstein's (1950) signalling effects (veblen, snob and bandwagon). The development process has also taken into account related sociological and psychological research on social influence and individual personality determinants of consumption, as well as consumer behavior research on hedonic consumption.

A synthesis of this diverse body of knowledge - complemented with exploratory research - led to the development of a model that focuses on the individual differences that determine luxury consumption. The model suggests that luxury consumption encompasses a number of different behavioral manifestations that are due to influences from the self-concept (independent or inter-dependent), and from a number of, relevant to luxury, personality traits (perfectionism, hedonism, need-for uniqueness, status-seeking, vanity, narcissism, susceptibility to interpersonal influence, and fashion consciousness). In departure from existing research - that has always seen the consumption of luxuries as a single undifferentiated behavior (Tsai, 2005) - this model does not consider the consumers of luxuries as a homogenous group. Hence, a three-level conceptual structure is proposed with a) the self as the original antecedent, b) personality traits as mediators (the mechanism via which the self impacts overt behavior(s)), and c) five different behaviors as outcome: these are the "hedonic", "quality", "snob", "veblen" and "bandwagon" effects.

More specifically, each individual has a perceived self-image related to self-concept and consumes products that are seen as relevant (Claiborne and Sirgy, 1990). Consumers with a primarily independent self-concept show a more personal orientation in the way they consume luxuries, focusing on pleasure and utility. On the contrary, consumers with a primarily interdependent self-concept care more for the social impact of their consumption (Wong and Ahuvia, 1998). The second level in the conceptualization - mediating the key relationships (between self-concept and behavior(s)) - encompasses individuals' traits. These are directly related to the self (Oyserman, 2007): the independent self is related to self-directed traits such as perfectionism, hedonism, and the individualistic aspects of need-for uniqueness; the inter-dependent self is related to socially-directed traits such as status-seeking, the social aspects of need-for-uniqueness, vanity, narcissism, susceptibility to interpersonal influence, and fashion consciousness. Traits are useful for modeling purposes because they are relatively stable (Funder, 1994) and they provide a reliable link between individuals and their actions since they are "causal of behavior" (Eysenck, 1990), regardless of external situational influences (Alston, 1975). The model explains how various combinations of each of the two self orientations with different mediating traits result in one or another of the five consumption patterns.

The model has been subjected to calibration through qualitative research (in-depth interviews, with senior managers from various luxury industries). The results provide initial support for the proposed relationships. Very importantly, the model's practical relevance has been established. According to the managers, it has actionable marketing implications: it can help them to better segment their market as well as to predict consumers' reactions to changes in their offering and communication campaigns. From a theory perspective the added value lies in the development of an integrative and parsimonious model that can better explain the various twists of luxury consumption behavior.

References Available on Request.

# IS ALL THAT GLITTERS GOLD, ACTUALLY? EXPLORING ADVERTISING IMPACT OF REFINED PREMIUM PRINT

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## ABSTRACT

In times of global competition and recession refined premium printed advertising formats can help to differentiate brand communication. Marketers are facing erosion of customer attention using the leveraging advertising effect of refined premium print. We show that refined premium printed advertisements leverage both, affective and conative behavior.

Advertising in print media is facing a rough competition. Hence, advertisers seek for new chances in designing their print ads to reach oversaturated readers and thus influence consumer behavior according to their marketing aims. Highly competitive media forms and rising advertising expenses point out the necessity of efficient and innovative print communication (Gallagher, Foster, and Parsons 2001; Kanso and Nelson 2004). Therefore, firms are increasingly using a new print technique – the refined premium print. This technique is classified as a type of special ad and is defined as a norm diverging formal scope of design for print advertising by the use of haptic cues, a high-gloss print optic and the use of paper in a very high density. Present research on advertising impact, effectiveness, and consumer behavior addressed the use of the most formal advertising cues like color, layout or picture motive (e.g. Babin and Burns 1997; Lohse and Rosen 2001; Meyers-Levy and Peracchio 1995; Mitchell and Olson 1981; Pieters and Wedel 2004). As no empirical study has investigated the effectiveness of premium printed advertisement, this study wants to contribute to fill this research gap.

Therefore, it was our intention to answer two main research questions with regard to the use of refined premium printed ads. First, we will testify the effects of premium printing on affective constructs of consumer behavior, such as the attitude toward the ad and the attitude toward the brand. Second, we will examine if the use of premium printing has impact on conative constructs of consumer behavior, like consumers' purchase intention, word of mouth intention and willingness to pay a price premium concerning the advertised product. We used an experimental (2x2) design to empirically test the effects of refined premium printed advertisements as opposed to traditional designed print advertisements on key relevant constructs of consumer behavior and advertising impact. We conducted an analysis of variance for computing the results of the empirical data to be able to interpret the results (Perdue and Summers 1986).

The results of our study indicate a more unique and prestigious perception of the refined premium printed advertisements by test persons as compared to the traditional print ad versions. Thus, the premium printed advertisements act as an eye-catcher. In addition the more prestigious perception of the advertisement converges to a more prestigious perception of the advertised brand. Premium printing further boosts consumers' attitude toward the ad, as well as consumers' attitude toward the brand. All affective constructs of consumers' behavior can therefore be significantly strengthened by the use of refined premium printing in comparison to traditional designed advertisement. Thus, consumers notice premium print technology as an affective signal of advertising effort. A positive influence of the purchase intentions of participants by the use of premium printing is supported by our results. Consumers therefore have a significantly higher intention to buy the product after seeing the refined premium printed ad as opposed to the conventional printed advertisement. From an economic point of view, the willingness to pay a price premium can be leveraged by the use of premium print technology. Hence, consumers may pull together a relationship between the high costs for refined premium printed ads and corresponding product quality, uniqueness and prestige. Finally, the results implicate consumers' higher willingness to recommend the advertised product by word of mouth communication.

References Available on Request.

## THE BRAND SCORING PROJECT; AN ACADEMIC AND PRACTITIONER COLLABORATION

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### ABSTRACT

This work represents the collaborative effort between a marketing firm president and marketing professor to develop a brand scoring model. The mutual acknowledgment of a shift in power from companies to consumers in terms of what determines a brand's representation in the marketplace prompted this collaborative endeavor. Despite the many ways to market a brand (Wyner 2004), as exemplified by Starbucks, Amazon, Apple, Microsoft, Zappos, they all share one common issue; their branding efforts may be energized or undermined by the opinions of consumers due to social media.

Brand models employed to date may be practitioner or academically oriented, as well as may vary by either being financially or consumer focused (Ailawadi, Lehmann and Neslin 2003). From a financial perspective, existing practitioner models measuring brand value assume that the firm is publicly traded, using stock prices and other legally mandated metrics to determine 'brand equity'. These model requirements exclude usefulness by private and small firms. Academically oriented brand equity models may use the revenue premium a brand generates compared to that of a private label product (Ailawadi, Lehmann, and Neslin 2003). This model assumes a generic product or service exists as a basis for comparison. Ideally the financial and consumer perspective should be linked; with the consumer-level effects influencing firm-level outcomes (Ailawadi, Lehmann and Neslin 2003). Keller (1993) proposes a conceptual model of brand equity from the perspective of the individual consumer. While acknowledging firms' needs to increase the efficiency of their marketing expenditures, he also notes that "financial valuation issues have little relevance if no underlying value for the brand has been created" (Keller 1993, p 2). The practitioner and academic author of this paper agree that consumer perspectives should inform financial performance, with the additional stipulation that the metrics employed in a model should be able to be utilized by new, privately held firms as well as by established publicly traded firms.

The conceptual development of this brand scoring model is based upon three key considerations (1) academic theoretical foundations to explain how and why the constructs are interrelated (2) constructs that reflect and translate into practitioner areas of interest and (3) a structure that models how consumer factors may influence financial outcomes, yet attempting to remain parsimonious in structure: a model that allows comprehensive empirical testing, as well as partial framework testing that may be relevant or applicable to different firms.

The sequence of steps the model employs reflects a modified hierarchy of effects framework (Lavidge and Steiner 1961) with the associative network model as the basis for the psychological underpinnings (Keller 1993). The model proposes four steps; brand awareness, brand interest, brand engagement, and brand action.

The first stage is brand awareness, defined as the brand knowledge a consumer has stored in memory and what is able to be recalled. Brand knowledge may be acquired from firm to consumer (B2C) media, as well as consumer-to-consumer informational sources (C2C), including social media. The second stage is brand interest. How brand awareness and knowledge translate into consumer perceived benefits influences brand interest. Brand interest represents the perceived consumer relevance and perceived competitive advantage of the brand. The third stage, brand engagement, reflects the consumer's cumulative interest, defined as desire, to further engage with the brand. This desire may reflect the heightened interest associated with behavioral intent. At its core, desire represents the level of motivation and involvement the consumer feels and/or thinks about the brand offer. Recent work with brand engagement in self-concept (BESC) (Sprott, Zcellar and Spangenberg 2009) may represent one aspect of the desire construct. The actual behavior manifested represents the fourth stage, action. Action manifests from consumer desire. Typically one behavioral financial metric of interest by firms is sales.

The empirical testing of this four staged brand scoring model may help to identify influential steps and constructs that lead to desired financial results. Identifying consumer segments location within the staged process may inform allocation of firm resources to meet desired financial objectives. With further development and testing, the Brand Score Model may help firms address critical concerns they face today as well as the emergent issues of tomorrow.

References Available on Request.

## **SERVICE FAILURE: CAUSAL ATTRIBUTION, EMOTIONAL RESPONSES AND BEHAVIORAL OUTCOMES**

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### **ABSTRACT**

When a service failure occurs, customers experience any of a variety of negative emotions. The particular emotional reaction depends on the customer's perception of why the service failure occurred in the first place. Behavioral outcomes associated with service recovery therefore depend directly on the negative emotion and indirectly on the customer's perception of the cause. To the extent that marketing managers can frame the cause of the service failure in their post-failure communications, recovery satisfaction may be increased leading, in turn, to more positive customer response outcomes. Managerial implications are identified.

References Available on Request.

# A MULTILEVEL-INVESTIGATION OF THE MODERATING ROLE OF PERSONALITY TRAITS TO PERFORM SERVICE RECOVERY IN CAMBODIA, TAIWAN, AND SINGAPORE

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## ABSTRACT

The service interaction between service providers and receivers has long debate in service marketing literature. By performing and recovering service strategies to retain customer satisfaction and loyalty, service employees play key important role in implementing better service to meet customer need. Service recovery is putting a smile on a customer's face after you have made a mistake. By linking research gap between marketing and organizational behavior aspects, this study attempts to provide core concepts to understand the customer's perception and service employee's performance in cross-sectional service industries. The key objective of this paper is to examine the moderating role of personality traits of individual service employees to enhance service performance in cross-service unit studies in Cambodia, Taiwan, and Singapore.

This study surveyed 1,806 individuals, including 258 questionnaires answered by service managers, 774 by service employees, and 774 by customers in 258 cross-service units in three countries. To avoid using common variance method and bias answered by respondents who evaluated both sides of independent and dependent variables of this framework, Intraclass Correlations (ICCs) technique was used to aggregate, and assess the reliability of judgments made by different observers among service organizations.

SEM was used for the five hypotheses testing and to establish fit measurements for the research model, with the results indicating that four hypotheses are well supported with strong relationships providing very good evidence for the research study (i.e., H<sub>1</sub>: person-organization fit → service recovery efforts; H<sub>2</sub>: person-organization fit → customer satisfaction; H<sub>3</sub>: service recovery efforts → customer satisfaction; H<sub>4</sub>: personality traits → (person-organization fit \* service recovery efforts)). However, the moderating effect of personality traits has no significantly impact on the relationship between service recovery efforts and customer satisfaction (H<sub>5</sub>). These findings suggest that organizational practitioners and future research should focus on the personality traits of individual, and group levels and cultural differences of service organizational contexts might also affect the customer perceptions of service experiences and expectations. However, personality traits of service employee while serving customers might behave different manners; this might lead to the customers evaluate service performance of employee's behavior in difference aspects. Thus, the model represented in this research provides a core framework with a strong theoretical platform and empirical test that help enhance service managers and service organizations take into account what and how to recruit right employees to retain customers.

References Available on Request.

## CREATIVITY AND VISUAL COMPLEXITY

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### ABSTRACT

In theory, a good ad gets noticed. However, the sheer volume of advertisements creates challenges for advertisers who want to want to create ads that break through the clutter to get a consumer's attention. Advertisers may increase the visual complexity of advertisements to break through the clutter. Visual complexity can draw the viewer into the ad, increasing their involvement in message processing. On the other hand, visual complexity may confuse the ad's receiver, distracting him/her from the advertisement's message, or reducing the perceived relevance of the ad's message. Therefore, it is important to understand more about how complexity affects perceptions of the ad's creativity and the ad's effectiveness.

Ad creativity is typically described as being determined by two main factors: novelty and relevance. Although message simplicity was linked with creativity in prior research, to the best of our knowledge, it has not been considered in recent models of creative advertising effectiveness. Therefore, the proposed model tests 1) whether the complexity of the visual execution affects consumer perceptions of the ad's relevance; 2) whether the complexity of the visual execution affects the consumer's attitude toward the ad; and 3) whether the novelty of a visual execution interacts with the complexity of the visual execution to affect the consumer's attitude toward the ad.

In accordance with the previous literature, the model predicts that novel visuals and relevant messages have a positive impact on consumer evaluations of the ad. The model aims to extend our current understanding of the relationship between advertising creativity and advertising effectiveness by testing whether complexity hinders the ad's relevance. It also tests whether complexity dampens the impact of visual novelty on the ad's effectiveness, such that ads that are easier to understand strengthen the relationship between visual novelty and attitude toward the ad.

The following hypotheses are tested across two studies:

H1: Novelty and relevance have positive relationships with attitude toward the ad.

H2: Visual complexity has a negative relationship with consumer perceptions of the ad's relevance.

H3: Visual complexity moderates the effect of novelty on attitude toward the ad, such that higher levels of visual complexity dampen the positive effect of novelty on attitude toward the ad.

In Study One, a student sample of 195 participants rated different ads using multi-item measures of novelty, relevance, visual complexity and attitude toward the ad. The model was tested using a partial least squares (PLS) structural model. Hypotheses 1-3 were supported. The results indicate complex visuals can hurt the two main dimensions of ad creativity, novelty and relevance, by decreasing perceptions of the ad's relevance and dampening the effect of novelty on attitudes toward ads.

In Study Two, a student sample of 172 participants rated a version of an ad that was manipulated to be more or less visually complex using multi-item measures of novelty, relevance, visual complexity, attitude toward the ad, brand attitude and brand trust. Support for hypotheses 1-3 was replicated in Study Two. The results also indicate attitude toward the ad full mediates the relationship between novelty, complexity, their interaction, relevance, and brand attitudes. Relevance also had a direct relationship with brand trust.

The two studies in our paper contribute to a more in-depth understanding of the creativity construct and its effects on brand equity in the context of visual complexity. The results have important implications for advertising managers and researchers. We recommend that marketing researchers (and brand managers) consider changing their testing protocols to include complexity measures in their pre-test of ads to capture the nuanced effects of complexity on creativity and different aspects of brand equity. Further, managers and advertisers should consider how they want the consumer to feel about the ad before they introduce a complex execution. If they do not, they may allow their desire for attention (from the consumer or creative awards shows) interfere with the ad's effectiveness.

References Available on Request.

# THE MODERATING EFFECT OF CREATIVITY THROUGH INTERFERENCE ON RECALL AND GLOBAL JUDGMENTS

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## ABSTRACT

*The existence of forgetting has never been proved: we only know that some things do not come to our minds when we want them to – Friedrich Nietzsche*

That we forget, or fail to recall, what we at one time knew can be considered a vexing truism. What happens in-between learning and forgetting can be broadly termed interference. Interference can be more than just frustrating, it can cost advertisers, whose target audience forget their messages between experiencing it and the purchasing. This paper seeks to explore how interference could be limited, specifically by using advertising creativity as a moderator. We investigate the role of both creativity and involvement in influencing recall and product judgments. The average consumer is inundated with over 600 exposures to advertisements a day (*Media Matters* 2007). Through that noise consumers can hardly be expected to remember specific ad claims. Advertising struggles to overcome the hurdle of noise, and influencing consumer recall provides significant challenges in marketing communications (Burke & Srull 1988). Sometimes advertising success may have more to do with the ineffectiveness of the competitor, as purchase intentions depend as much on being unable to recall the competition as being able to recall the target brand (Nedungadi 1990).

This paper provides a theoretical framework for the moderating effects of creativity and interference. While it has been shown that interference reduces recall of specific product features, claims and brand names (Lee & Ang, 2003), certain items, such as involvement and familiarity (Laroche et al., 2006), reduce the moderation of interference. Given this tendency, the authors posit that creativity in advertising should also reduce the moderating effect of interference, with higher advertisement creativity serving to lessen the impact of interference and increase memory recall and retention. This would serve as a confirmation of the two factor theory of processing concerning the use of creativity in advertising, allowing that switching between paths of processing is subject to the advertisement's creativity, mirroring effects of involvement. The paper also suggests that the moderating effect of creativity should be found on both recall from memory and global judgments or evaluations.

Exploring how advertising works through a medium of interference is useful to both researchers and practitioners. Given the positive effects of nonattended cues (Janiszewski 1990), advertising in different or unexpected mediums may also reduce or subvert interference. Items within the advertising may reduce the negative moderating effect of interference, such as we propose ad creativity may have. While the effects of originality have been touched on by some (Pieters et al. 2002), the effects of creativity in advertising remain understudied in the context of the moderation of interference.

This paper begins to explain why creativity should moderate interference from a conceptual standpoint. In so doing, the effects upon recall will be discussed, and ad involvement will be used as an explanatory moderator with advertisement creativity. This inquiry contributes not just to the literature on recall, but adds to the growing literature on the effects of creativity. Further, it addresses the integral role of reducing interference in recall through the use of creativity in advertisements.

References Available on Request.



## **DEVELOPING AN ADVERTISING PERSONAL NOSTALGIA INTENSITY SCALE**

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### **ABSTRACT**

Personal nostalgia is a longing for a past that has been personally experienced (Baker and Kennedy 1994) along with the things, memories and people associated with that past (Goulding 2001). Personal nostalgia has been found to influence preferences for certain products and services (Braun-LaTour, LaTour and Zinkhan 2007), which has resulted in an increasing use of personal nostalgia in advertising for consumer goods and services like colas, cereals, beer, insurance and banking (Sullivan 2009). To date, however, the scales that have been developed have measured the propensity to get nostalgic, but they do not measure the actual dimensions of the nostalgic experience as evoked by marketing communications. This research employed two separate studies in establishing a scale to measure the intensity of the experiencing of personal nostalgia. The qualitative work utilizing focus groups along with the literature suggested a starting pool of 107 items, which was reduced through several steps to a final set of 34 items loading into four separate factors: cognitive, physiological, positive emotions and negative emotions. Suggestions for future research and potential managerial implications are provided.

References Available on Request.

## **UNDER WHAT CONDITIONS DOES TRUST MAKE A CONSUMER RE-PATRONIZE OR EVEN STAY LOYAL TO AN E-RETAILER?**

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### **ABSTRACT**

Trust is regarded as salient in the consumer and e-retailer exchange relationships because there are high risks involved in transactions with an e-retailer and online consumer and e-retailer depend on each other to realize their respective interests (Chen and O'Brien 2005). Literature review of current online B2C trust studies indicates that they still reflect the early mentality of doing business online which, in essence, is driven by discrete transactions (Urban, Amyx, and Lorenzon 2009). Guided by the old mentality, online retailers were fighting for hits, click-throughs, eyeballs, number of visitors, number of shoppers, and pure purchase volume (Bain & Company/Mainspring 2000; Reichheld, Markey, and Hopton 2000). With marketing strategies for e-retailers switching to retaining customers, studies are needed to investigate how trust in an e-retailer impacts the consumer's decision to remain with or be loyal to the e-retailer (constructs closely related to customer retention). In addition, in trust literature, few studies have examined the factors that moderate the effect of trust on its outcome variables. To the researcher's knowledge, no study has yet empirically tested the moderators of the effect of trust.

To fill the above gaps in the literature, this study proposed future intentions and consumer loyalty as the consequences of consumer trust in an e-retailer and competitive alternatives and online environmental uncertainty as the key moderators of the relationships between online trust and its consequences. The proposed conceptual framework was empirically tested it using a large-scale sample randomly selected from national online consumers. The empirical test supported the direct effect of trust on both future intentions and loyalty as well as the moderating effect of online environmental uncertainty on the effects of trust on both of its consequences. However, the moderating effect of competitive alternatives was not supported in either the trust-future intentions relationship or the trust-loyalty one. Instead, the empirical results revealed a direct effect of competitive alternatives on both future intentions and loyalty.

This study has some implications for e-retailing practices. First of all, since trust was confirmed to impact a customer's decision to re-patronize, and be loyal to an e-retailer, e-retail managers are advised to position trust as an important marketing tool that can help retain customers. Second, since environmental uncertainty was confirmed to moderate the effect of trust on both future intentions and loyalty, e-retailers are advised to carefully assess the uncertainty factor before utilizing the trust marketing tool. If the online transaction environments are perceived highly risky by consumers, e-retailers are advised to heavily invest in building consumers' trust in the e-retailer. If consumers perceive low uncertainty involved in online shopping environments, e-tail managers should realize that trust alone would not prevent their customers from switching to their competitors. Accordingly, to retain their customers, besides trust, e-tail managers have to improve their relative (compared with their competitors) performance in other areas such as merchandise selection and prices offered. Third, a direct effect of competitive alternatives on both future intentions and loyalty revealed by the study implies that staying competitive in the market and in consumers' mind will help retain customers. Hence, e-tail managers are advised to always keep an eye on both current and potential competitors and craft sound business strategy and tactics to effectively compete with them.

References Available on Request.

## **A STUDY OF CUSTOMER E-LOYALTY: THE ROLE OF MEDIATORS**

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### **ABSTRACT**

This study aims to examine the relation between customer satisfaction and loyalty and introduce the roles of commitment, trust, involvement, and perceived value as the mediators in the formation of e-loyalty. A web based consumer survey was used for data collection. Findings of the study suggest that perceived value proved to be a complete mediator between satisfaction and loyalty, while commitment, trust, and involvement each proved to be partial mediators between satisfaction and loyalty. The results have implications for the retention of satisfied customers and encourage businesses to do their best to retain loyal customers in an e-commerce context.

References Available on Request.

## **WHAT'S IN YOUR CART? INFLUENCE OF INDIVIDUAL DIFFERENCES ON PRODUCT CLASS SPECIFIC SHOPPING**

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### **ABSTRACT**

In this paper we propose a model of differences in individual characteristics that influence the online purchase pattern for different product classes. We suggest that individual differences determine the kind of products purchased online and the three product classes that we use to test our model are: search, experience and credence products. Specifically, we examine the differences in leadership orientation, innovativeness, brand loyalty and price consciousness as drivers of product class purchase. We also suggest that transactional risk perception will influence the purchase of each product class differently. Income, age and gender are also included in the model as control variables. We use secondary data source to test the proposed model. Each product class is represented by three products each. Structural equation modeling technique is used for model analysis. Since our outcome variable is categorical robust ML estimation method in EQS software is used to deal with the problem of non-normality. Further, we divide the data into two parts by random selection process. The first part is used for prediction and the second is used for validation of our findings. Results suggest that leadership oriented consumers are likely to buy search products online. Experience and search product buyers are likely to be more brand conscious than credence product buyers. And lastly, credence product buyers are more price conscious buyers than experience or search product buyers in online purchases. We conclude by suggesting marketing implications of our findings and acknowledging the limitations of this paper.

References Available on Request.

# RELIGIOUS COMMITMENT AND MUSLIM CONSUMERS: A MODEL TO STUDY THE CONSUMER DECISION MAKING PROCESS

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## ABSTRACT

This research reports how religious commitment influences involvement levels, information search, the size of the consideration set and purchase decisions using a group of Muslim and a second group of non-Muslim consumers, it also reports differences between the religious commitments of these two groups and its impact on purchase decisions.

## INTRODUCTION

Identification of religious revival as one of the ten mega trends in the new millennium (Arnould, Price and Zinkhan 2004) makes understanding of religiosity and its impact on consumers important for marketing practitioners and scholars. The issue assumes extra importance when the consumers are Muslims for two reasons. First, Muslims constitute almost a quarter of the world's population representing a global halal market worth approximately US\$600 billion (Shafie and Mohammad, 2002). Second, Islamic tenets plays a pivotal role in shaping their attitude towards purchase of food products (Ahmed 2008; Bonne *et al* 2007), marketing communications (Deng, Jivan and Hassan, 1994; Michell and Al-Mossawi, 1991), and perception of E-Commerce (Zainul, Osman and Mazlan, 2004). However, studies on marketing to Muslims have remained rather neglected. It is important to understand that traditional analysis of consumer behaviour must be modified for Muslim consumers.

This research makes an attempt to study the religious commitment and examines how it affects Muslim consumers' involvement levels, perceived difference across brands, and their purchase decision involving food and personal hygiene products. It explores to what extent religious commitment affect their confidence level, search for information and the size of their consideration sets. The study also examines if there is any difference between the level of religious commitments of Muslim and non-Muslim consumers and affect of that on their level of brand/product involvement and purchase decisions. Since consumer actions are functions of social or personal influence, including consumer involvement, understanding religiosity and its impacts is important in an increasingly globalised world.

## THE CONCEPTUAL MODEL

Religiosity, i.e., the degree to which beliefs in specific religious values and ideals are held and practiced by an individual (Delener 1990), has been viewed from the perspectives of religious commitment and affiliation. While religious commitment has been measured both cognitively and behaviourally, an individual's religious identification or denomination has generally been used as a measure of religious affiliation (McDaniel and Burnett 1990). As Islam provides a complete code of life a Muslim consumer's level of commitment to Islam determines his/her goals, values and involvement in all activities including brand/product purchase and consumption.

In this study *involvement* or the level of perceived personal importance, interest or relevance evoked by a stimulus or stimuli linked by the consumer to some enduring or situation-specific goals (Cohen 1983; Rothschild 1984), has been viewed as a motivational mediator between *religious commitment* and *behavioural outcomes* of consumer decision making (Figure 1). Involvement reflects a person's motivational state of mind with regard to a product or brand decision with the level of interest in the stimuli defined as "a goal-directed arousal capacity" (Mittal, 1989; Mittal and Lee, 1989) resulting from reflection on self-image, cost and risk, or social pressure to conform. This research examines this notion in the context of three product categories: prepackaged frozen food, deodorant, and fast food/takeaway. A highly religious consumer would like to have self-confidence and feel "assured with respect to his or her marketplace decisions and behaviours" (Bearden, Hardesty and Rose, 2001) leading him/her to get involved in an extensive search and careful processing of information and to make him evaluate many product attributes. He/she may use a higher threshold limit in determining the appropriate evoked set (Roberts, 1989) which might delimit its size. Thus, it is expected that the following hypothesis would be true:

H<sub>1</sub> The more religiously committed a consumer, the higher is his/her level of involvement at the product and brand decision level.

For a Muslim consumer, involvement is a very important variable in choosing a product since purchasing a 'wrong' product is a psychosocial risk. Hence, the following hypotheses are likely to be true for Muslim consumers:

- H<sub>1a</sub> There is a strong, positive relationship between religious commitment and product category involvement in the case of the Muslims.
- H<sub>1b</sub> There is a strong, positive relationship between religious commitment and brand decision involvement in the case of the Muslims.
- H<sub>1c</sub> Higher Religious Commitment increases Involvement in the Product and Brand which in turn enhances Consumer Self-Confidence in decision making.
- H<sub>1d</sub> Higher Religious Commitment increases Involvement in the Product and Brand which in turn enhances the extent of Information Search undertaken.
- H<sub>1e</sub> Higher Religious Commitment increases Consumer Involvement in the Brand which subsequently reduces the Consideration Set Size.
- H<sub>1f</sub> There is a strong, positive relationship between Religious commitment and the behavioural outcomes of consumer decision making.

## METHODOLOGY

The research was conducted in Sydney, Australia on a group of Muslims (n=108) and a group of non-Muslims (n=93), who are the grocery buyers for the family and the household, selected on the basis of convenience sampling. The samples included a cross-section of people from various ethnic backgrounds with a wide variety of socio demographic profiles comparable in terms of gender, age, marital status, nationality, ethnicity, occupation and annual income. However, in both groups, female respondents slightly outnumbered the males (Muslims 57.4%, non-Muslims 57%). The majority of the respondents were below the age of 35 (Muslim 69.4%; non-Muslim 79.6%) and almost two thirds had annual income exceeding \$45000.

The research instrument included several scales. It measured religiosity, both cognitive and behavioral, using seven of the 10 items of Religious Commitment Inventory (RCI-10) scale of Worthington et al (2003) as these items seemed to be most appropriate in the current context. The extent of the religiosity of Muslim consumers was measured by a 10 item Muslim Religious Commitment scale (MRCS-10) which focused on the five pillars of Islam and adherence to Islamic values and goals. A nine-item scale adapted from Mittal and Lee (1989) measured consumer involvement through product category involvement (PI) and brand decision involvement (BI). However, the BI and PI scales were not separated into sources and forms; following Laurent and Kapferer (1985), importance of product category (or brand decision) has been viewed as a dimension of involvement - not the form and was included as an item within the scale. The scale to measure consumer self confidence (CSC), i.e., perceived ability to make effective consumer decisions, was adapted from Bearden et al (2001) scale representing *information acquisition and processing, consideration set formation, personal outcome and social outcome*. The intensity of information search (IIS) measures focussing on *perceived difference across brands and extent of information sources consulted when making a brand selection* for each product were adapted from Mittal and Lee (1989) and Verbeke and Vackier (2004). *Information-sensitivity* was measured as a component of the IIS variable in the Muslim sample adapting the items used by Moorman (1998). Motivation to process and use information on halal products, brands and processes was measured through three items specifically developed for the Muslim sample. Consumer trust and impact of different information sources were measured by asking respondents to indicate the extent to which various media sources (e.g., mass media, personal, commercial sources) influenced their purchase decision, and how much trust they had on them. The evoked set was operationalized using an unaided, memory based recall measure in the form of a question that that asked respondents to write down the number of brands within each of the product categories they would consider buying. Five point Likert scales were used to record responses to the items in the RCI-7, the MRCS-10, the CSC; and the IIS scales; while seven point Likert scales were used to record responses to the Involvement scale; the extent of brand comparison; information source consultation in brand selection; and motivation to process and use information on halal products, brands and processes.

## DATA ANALYSIS

The questionnaire was pretested using two small samples and its reliability was checked using test-retest method. All the scales revealed good internal consistency with high Cronbach alpha ( $\alpha$ ) values ranging between 0.622 and 0.90; and where applicable, adequate intercorrelations between the items. Use of principal axis factor analysis with varimax rotation on the RCI-7 scale yielded a single factor with an eigenvalue exceeding 1 explaining 56.26% of the variance. All the seven items loaded strongly ( $\geq 0.561$ ) on this factor. The Cronbach  $\alpha$  coefficient of the scale was 0.869 within the Muslim sample, and 0.90 within the Non-Muslim sample. MRCS-10 Scale resulted in two factors with eigenvalues greater than one explaining 52.636% and 13.387% of the variance, respectively. They were identified and labelled as (i) Devotion, largely reflecting the

behavioural aspects of religious commitment; and (ii) Belief, reflecting the intrapersonal religious commitment and endorsed Worthington's (2003) dimensions of Interpersonal and Intrapersonal religious commitment. Both these factors also showed good internal consistency with Cronbach  $\alpha$  coefficients of 0.821 and 0.775, respectively. Pearson correlation coefficients of the relationship of the MRCS-10 and the score of endorsement of the single-item measure of religiosity were significantly correlated with the single item measure of commitment highlighting construct validity.

Following the basic schema suggested by Worthington et al (2003) the Muslim sample was partitioned into four levels: the High Commitment group (top 17.6%), the Moderate to High Commitment (next 49.1%), the Low to Moderate Commitment (16.7%) and the Low Commitment (the last 16.7%).

In each sample, radio advertisement scores were lowest for both trust and influence; while friends and family received the highest scores. An exploratory factor analysis for trust and impact scores separately confirms two factors in each case. In both samples scores for TV commercial, radio ads, newspaper ads and magazine report load on the same factor both for influence (Cronbach  $\alpha$  Muslim: 0.77; non-Muslim: 0.80) and trust (Cronbach  $\alpha$  Muslim: 0.89; non-Muslim: 0.85) highlighting that all mass media sources are judged similarly across the samples. The remaining sources of information also load on the same factor. However since their scores are clearly different and common features are absent, effects of involvement and religious commitment are investigated on the initial individual scales for the non-mass media sources and not on an aggregated score.

A one-way between-groups multivariate analysis revealed significant differences between the two groups on the combined dependent variables of PI and BI [ $F(2,198) = 6.42, p = 0.002$ ; Wilks' Lambda ( $\lambda$ ) = 0.94;  $\eta^2 = 0.06$ ]. When the results for the dependent variables were considered separately using Bonferroni adjustment ( $\alpha$  level = .025), only BI appeared to be statistically significant [ $F(1,199) = 11.83, p = 0.001, \eta^2 = 0.06$ ]. Muslims had slightly higher levels of BI (Mean score,  $ms = 4.84$ ) than the non-Muslims ( $ms = 4.43$ ). A second one-way between-groups multivariate analysis using six dependent variables (PI and BI of frozen food, deodorant and fast food) also revealed significant differences between the two samples [ $F(6,194) = 2.67, p = 0.016; \lambda = 0.92; \eta^2 = 0.08$ ]. However, BI for both frozen food [ $F(1,199) = 12.53, p = 0.000, \eta^2 = .06$ ] and fast food [ $F(1,199) = 7.71, p = 0.006, \eta^2 = 0.04$ ] emerged as statistically significant when the results were considered separately using Bonferroni adjustment ( $\alpha$  level = .008). This lends partial support to H1. It is worth noting that in both cases, mean scores for the Muslims were slightly higher for BI.

Religious Commitment as an aggregate appeared to be positively related to BI ( $p \leq 0.05$ ); but not to PI. Hence whilst hypothesis H1a was *not supported*, H1b was *supported*. For the Muslims, the extent of BI was found to be related to their degree of commitment to religious teachings. The *Belief dimension* appeared to be significantly correlated to BI ( $p \leq .01$ ) but not to PI. The *Devotion dimension*, however, *did* not seem to have any significant correlation to either BI or PI. Perhaps being involved in a brand is more of an attitude and personal thinking process based on reflection and one's current belief level. Standard multiple regression was employed to assess how much variance in BI could be explained by an individual's level of religious commitment along these two dimensions. PI was the third independent variable included, as previous studies highlight its role as an antecedent of BI (Mittal and Lee, 1989; Knox, Walker, Marshall 1994). Devotion, Belief and the PI scales explained a total variance of 49%,  $F(3,104) = 33.62, p < .001$ . In the final model, only two measures were statistically significant, with Belief scoring a  $\beta$  value of 0.24 ( $p < .05$ ) and PI scoring a higher  $\beta$  value of 0.66 ( $p < .001$ ).

An unconstrained and less restrictive model with involvement as a partial mediator was tested using multiple regressions, allowing for direct relationships between religious commitment and the three behavioural outcomes: CSC in decision making, IIS, and evoked set size. The path model in [Figure 1](#) hypothesized that a consumer's level of religious commitment would have both direct and indirect influences on these outcomes. The indirect influences would be mediated by the consumer's level of PI and BI. To estimate the magnitude of these paths, three models were tested (with each behavioural outcome used as a dependent variable respectively), using a series of regression analyses.

The path model depicts *Belief* as the exogenous factor and CSC in decision making as the outcome variable. The path coefficient between *Belief* and PI, obtained by regressing the former on the latter, indicated that when entered into the prediction model, Belief did not produce a direct effect upon PI (as highlighted in findings of Hypothesis 1a). The results of the second regression analysis depicted Belief and PI to be significant predictors of BI (Belief:  $\beta = 0.167$ ; PI:  $\beta = 0.649$ ). Whilst the path coefficients between Belief, PI, BI, and CSC in decision making identified Belief as the only significant predictor of CSC in decision making (Belief:  $\beta = 0.237$ ), the direct effects may not be considered trivial (Cohen 1988). It can be concluded that both Belief and PI have direct effects on BI and the Belief factor has a direct, non-trivial effect on consumer self confidence in decision making. The direction of the regression coefficient indicated that the more subjects

identify and commit to their religion, the more confident they are in their decision making. The results also indicated that the influence of Belief on CSC in decision making is direct and is not mediated by a subject's level of PI and BI. Hence whilst H1c is *not supported*, H1f is *partially supported*.

The second path model estimated included Belief as the exogenous factor, and IIS as the outcome variable. As the path coefficients between Belief and PI, and Belief, PI and BI have already been discussed; their results are not re-analysed. The path coefficients between Belief, PI, BI and IIS are, however, explored.

Religiously committed individuals are more likely to take brand decisions seriously (direct effect: Belief on BI = 0.176), and those who are more involved in their brand decision are more likely to be intense information searchers (direct effect: BI on IIS = 0.482). Regarding the third regression model, it can be concluded that Belief has a direct non-trivial effect on one's IIS when holding all other independent variables constant (Belief:  $\beta = 0.307$ ) as does BI (BI:  $\beta = 0.482$ ). The results also show that at least part of the influences is indirect. Religiously committed subjects are more likely to be intense information searchers because they are more involved in their brand decision (indirect effect on information search via BI =  $0.167 \times 0.482 = .08$ ). The simple correlation between Belief and IIS ( $r = 0.44$ ) implies that as one commits to and believes in his/her faith, he/she is more likely to undertake extensive or deliberate search when selecting products and brands to ensure that his/her religious goals and values are achieved through the purchase and consumption of certain products and brands that meet these goals. The total effect of Belief on IIS comes from both direct and indirect effects (total effect = 0.44 made up of direct effects = 0.307 and indirect effects = 0.080). Hence, H1d is *partially supported*; as more committed Muslim consumers do exert higher levels of BI, which in turn enhance the extent of Information Search undertaken. However, as the hypothesis proposed both BI and PI will have an effect, the relationship between religious commitment and extent of information search, H1d can only be *partially supported*. In addition, as it was found that Belief did have a positive, strong effect on Information search, H1e can also be *partially supported*.

The final path model analysis used Belief as the exogenous factor and Evoked Set Size as the outcome variable. From the third regression model it was evident that whilst Belief has a significant direct effect upon BI ( $\beta = .167$ ), it does not have any direct or indirect effect (through BI) upon the outcome variable of Evoked Set Size. The relationship between BI and Evoked set size is negative as hypothesised but significant. Hence H1e is *not supported*, whilst H1f is not supported partially.

A one-way between-groups analysis of variance was conducted to explore the impact of religious commitment on the three behavioral elements identified in Figure 1. The four groups with different levels of religious commitment were found to differ significantly ( $p < .05$ ) in terms of consumer self confidence in decision making scores [ $F(3, 104) = 3.38, p = 0.02$ ]; and in terms of the IIS scores [ $F(3, 104) = 7.46, p = 0.00$ ]. The actual differences in the mean scores between the groups for both the behavioral outcomes were moderate to large. The effect size, calculated using  $\eta^2$ , was 0.09 for confidence in decision making, and 0.18 for intensity of information search, which according to Cohen's (1988), would be considered medium and large effects, respectively. *Post Hoc* comparisons using the Tukey test indicated that in the case of confidence in decision making, the mean score for Group 1-Low commitment ( $ms = 3.38, sd = 0.58$ ) significantly differs from Group 4-High Commitment ( $ms = 3.86, sd = 0.34$ ). Group 2 ( $ms = 3.44, sd = 0.33$ ) and Group 3 ( $ms = 3.54, sd = 0.57$ ) do not differ significantly from either Group 1, or 4, or one other. In the case of intensity of information search, *Post Hoc* comparisons using the Tukey test indicated that the mean scores for Group 1- Low commitment ( $ms = 3.77, sd = 0.51$ ) significantly differ from both Group 3- moderate to high commitment ( $ms = 4.58, sd = 0.65$ ) and Group 4- high commitment ( $ms = 4.72, sd = 0.98$ ). Group 3 and Group 4 means did not significantly differ, nor did Group 2 means ( $ms = 4.37, sd = 0.58$ ) from any of the other three religious commitment groups. No difference in mean scores were found in relation to the combined evoked set score (across the three product categories) or for each individual product.

## DISCUSSION, IMPLICATIONS AND LIMITATIONS

This study provides a deeper and more comprehensive understanding of the complicated relationship between religious commitment and the consumer decision making process in the context of Muslim consumers. Religious commitment, particularly the factor of Belief, which has been found to be strongly and positively associated with Muslim consumers' brand decision involvement, can be viewed as an antecedent to their involvement in brand decision (BI). However, religious commitment was not found to influence or effect product involvement. As product involvement did not differ across the two samples, and religious commitment did not affect the levels of PI within the Muslim sample, it can be interpreted that, in this instance, Muslims and Non-Muslims do not differ in respect to what motivates them to be involved in a product category. Hence extant literature that presents satisfaction or social norms as antecedents to product category involvement may also be antecedents to product involvement in the case of the Muslims. Furthermore, involvement was found to be a partial mediator



between religious commitment and the intensity of information search undertaken by a Muslim consumer. Whilst religious commitment had a strong positive effect on consumer self confidence supporting Bearden et al's, (2001) assertion that characteristics of subjects can also have a direct influence on ones confidence levels, product category or brand decision involvement were not found to effect consumer self confidence levels, or the size of ones consideration set. Brand decision involvement only partially mediated the relationship between commitment level and the search for information, with religious commitment also having a direct non-trivial effect on the extent of information sought. Hence the decision making process in the case of food and personal hygiene products is not an automatic process. This contrasts with the findings from Kassarian and Kassarian (1979), and McWilliam (1992), who classify such products as low involvement goods characterized by habitual decision making patterns. In the Muslim sample, religious commitment was found to be an antecedent to brand decision involvement, resulting in intensive information search, and whilst not significant, reducing the consideration set size. These findings must be taken into account when extending existing theories, and branding strategies that target a Muslim consumer.

The research findings have some important practical implications as well. First, the results indicate that for Muslim consumers, the process of purchase decision-making for products such as food and personal hygiene products is slightly different than non-Muslim consumers and as such, different approach should be used to stimulate their interest in such products/brands. In addition, different segments exist within the Muslim market; Muslims who are not as committed or involved in their product or brand decision need to be motivated to consider purchasing a product differently as they do not actively seek external information in making their purchase decision.

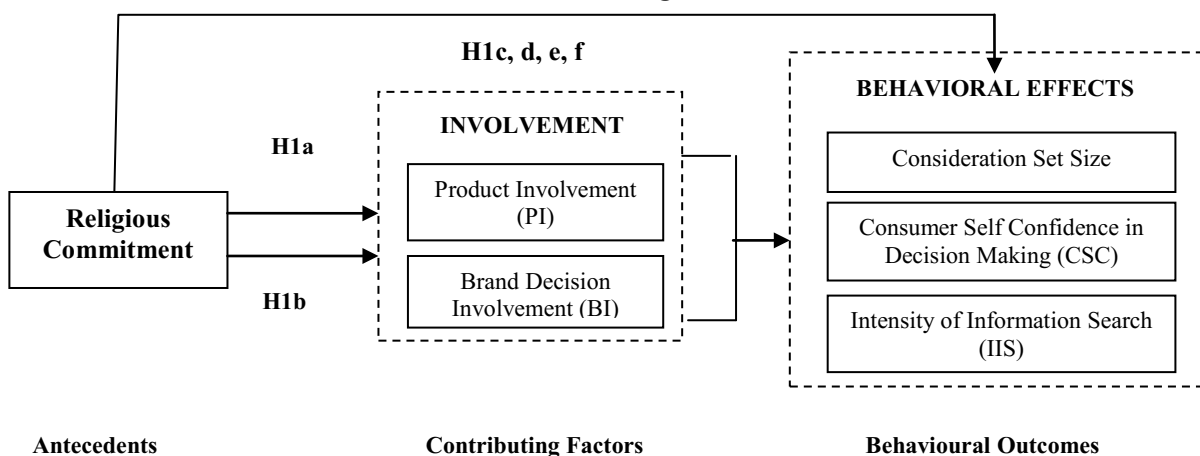
Like all survey research, this study also suffers from several limitations. Use of two rather small convenient samples from one Australian city, the option to consider only three decision making outcomes and not examine their intercorrelations may have exaggerated current regression coefficients. With the data collected during the month of Ramadan, religiosity scores for Muslims could have been higher and skewed, creating four commitment levels that did not have normal dispersion of scores. In addition in using a series of regressions instead of Structural Equation Modelling may also have overestimated results. Each of these issues imposes limits on drawing generalizations from these findings. Nevertheless, these findings do not fail to shed some light on the role of religion in consumer's decision making processes and provide some food for thought for international marketers.

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**Figure 1 A Model of the Muslim Consumer’s Decision Making Process**



# INFLUENCE OF MODES OF ACCULTURATION ON THE CONSUMER BEHAVIOR OF WEST AFRICAN IMMIGRANTS IN CANADA

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## ABSTRACT

Most previous studies of the consumption behavior of immigrants have examined their perceptions and behavior only in the context of the host country, while overlooking their perceptions and behavior in their home countries. The present study has addressed this gap in the literature by investigating the perceptions and behavior of West African immigrants to Canada in both contexts. The objectives of this study are: (i) to gain a better understanding of the modes of acculturation of West African immigrants in Canada; (ii) to relate these modes of acculturation to consumers' perceived likelihood of successful complaint and complaining behavior; and (iii) to compare consumers' complaint attitudes and behavior in their home countries (i.e., original countries) and the host country (Canada). An empirical study is conducted among a sample of 218 immigrants living in Canada and originating from several West African countries. The results show that the vast majority of respondents fall into one of two acculturation groups: (i) an 'integrated' group; and (ii) a 'separated' group. The findings also show that, irrespective of whether they were 'integrated' or 'separated', West African immigrants perceived that a complaint was more likely to be successful in Canada than in their home countries. Moreover, irrespective of whether they were 'integrated' or 'separated', West African immigrants to Canada tended to complain more (to a third party or via 'voicing') in Canada than in their home countries. Given that the host country presents a more favorable environment for complaint behavior (in terms of consumer protection, after-sales service, return policies, and so on) than their home countries, it would seem that West African immigrants were inclined to change their behavior if they believe that their complaints will be taken seriously. In contrast to these findings regarding 'third party' or 'voicing' complaints, no significant differences were found between behavior in the host country and behavior in the home countries with respect to 'negative word of mouth' and 'exit'. The likely explanation for this is that these are the easiest and least costly ways of expressing dissatisfaction (whether people are in their home countries or in the host country).

With respect to the influence of acculturation, no significant differences were found between 'integrated' and 'separated' immigrants in terms of their perceived likelihood of successful complaint in either their home countries or the host country. Both groups certainly perceived that a complaint was more likely to be successful in Canada than in their home countries. With regard to complaining to a third party or deciding to 'exit' in their home countries, there were significant differences between the 'integrated' immigrants and the 'separated' ones; however, with regard to the behavior of the two groups in Canada, the only significant difference found between the two groups was that 'integrated' immigrants tended to complain to a third party more than did 'separated' immigrants. This probably reflects a greater awareness among 'integrated' immigrants that Canada's environment provides more opportunities to complain to a third party (consumer-protection bodies, media, and so on).

References Available on Request.

# CONSUMER LOYALTY AMONG IMMIGRANTS: THE RELATIONSHIP AMONG ETHNIC IDENTITY, CHANGE-SEEKING TENDENCY AND CONSUMER LOYALTY AND THE MEDIATING ROLE OF ACCULTURATION

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## ABSTRACT

Consumer loyalty has long been at the focal point of researchers who explored the factors related to or affected loyalty (Chaudhuri and Holbrook 2001; Corstjens and Lal 2000; Miininen, Szivas and Riley 2004; Suh and Yi 2007). Nevertheless, consumer loyalty of immigrant groups remains a relatively under-researched area. When looking at immigrants, acculturation often becomes an important determinant of their consumption behavior and consumption-related attitudes. By examining the largest ethnic group in the U.S., Hispanics, we propose that the extent of individuals' acculturation directly affect their loyalty to brands and stores, which are further categorized into ethnic vs. general brands and stores.

Researchers acknowledge that consumer loyalty varies across cultures and subcultures (Al Weqaiyan 2005; Deshpande et al. 1986; Palumbo and Herbig 2000) and have often categorized cultures according to their degree of loyalty compared to the mainstream culture or to other cultures. To date, only two studies looked into how variations in the cultural orientation determined brand loyalty (Deshpande et al. 1986; Donthu and Cherian 1992) with brand loyalty viewed from a generic perspective.

Acculturation theories address immigrants' adaptation to host cultures attitudinally or behaviorally. Adopting a bi-dimensional approach, our study relies on Berry's (1980) two acculturation dimensions and entails two independent continuums-Host Culture Orientation (HCO) and Original Culture Orientation (OCO). Further, we identify two antecedents, ethnic identity and change-seeking tendency, that are associated with both the acculturation process (Phinney 2003; Valdes 2002) and consumer loyalty (Deshpande et al. 1986; Grande 2000).

A convenient sample of 208 individuals of Hispanic origin residing in the Greater Miami area constituted the sample. A questionnaire with English and Spanish versions was used and included, Phinney's (1992) ethnic identity scale, CSI by Steenkamp and Baumgartner (1995), Mittal's (1994) brand loyalty scale and Acculturation Rating Scale for Mexican Americans II (Cuéllar et al. 1995).

A SEM analysis was conducted in order to test the hypotheses. We ran alternative partial models against a full mediation model that confirmed that acculturation fully mediates the relationship between ethnic identity, change-seeking tendency and loyalty. Thus, immigrants with high levels of ethnic identity tend to pursue an OCO strategy ( $\gamma=.39$ ) that in turn, found to be significantly associated with both ethnic brand and store loyalty ( $\beta=.46$ ;  $\beta=.26$ ). In contrast, immigrants with high levels of change seeking tendency were found to choose HOC strategy ( $\gamma=.46$ ), while avoiding OCO strategy ( $\gamma=-.21$ ). In addition to the positive significant relationship between HCO strategy and both general brand and store loyalty ( $\beta=.31$ ;  $\beta=.41$ ), Host strategy individuals were found to be negatively related to ethnic store loyalty ( $\beta=-.32$ ).

Ethnic identity and change-seeking tendency significantly influence immigrants' acculturation strategy. In turn, the type of acculturation strategy fully mediates and determines the relationship between these antecedents and the consequences, which are consumers' loyalty to brands and stores. While OCO individuals show loyalty to ethnic brands and stores, HCO individuals show loyalty to general brands and stores, but refrain from shopping in ethnic stores that might manifest their segregation from the host culture. Findings imply that insights about immigrants' consumption patterns are more meaningful providing they are viewed from the acculturation context and as an inseparable part of this experience.

References Available on Request.

## INCORPORATING SOCIAL MARKETING INTO AN INTRODUCTORY MARKETING COURSE CURRICULUM: AN INTERDISCIPLINARY CASE STUDY

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### ABSTRACT

Today there is general agreement that social marketing aims to benefit society by changing the behavior of individuals through the application of traditional marketing principles (Kotler & Lee, 2008; Andreasen, 2002). Social marketing attempts to improve society by focusing on behaviors that protect i) the health and safety of individuals (e.g., smoking cessation), ii) the environment (e.g., water conservation), or iii) community well-being (e.g., literacy). Social marketing encompasses all of the activities central to commercial marketing, for example, market segmentation, consideration of environmental forces, and strategies centered on the 4Ps (Andreasen, 2002). It differs from commercial marketing, however, by focusing on social rather than financial gain, and on behavior change rather than goods and services. In social marketing, competition arises from competing behaviors rather than from providers of similar goods and services. Social marketing also requires different skill sets. Because social marketing often attempts to promote behavior that individuals do not want to perform (e.g., reducing water use), long-term effort and special levels of commitment are required to achieve social marketing goals. These important differences suggest that marketing students need to understand social marketing to appreciate the full scope of marketing. Incorporating social marketing into core marketing curricula provides students with a more complete understanding of the breadth of marketing. It also affords students a unique opportunity to wed interests in business with concerns for society.

Regrettably, few universities include social marketing in their course offerings (Rundle-Thiele & Wymer, 2009) or incorporate social marketing concepts into other courses (Bridges & Wilhelm, 2008). We contend that social marketing concepts can be effectively taught through a group Social Marketing Plan (SMP) project that i) applies social marketing concepts, ii) focuses on the environment, and iii) involves students from other disciplines. Participation in an SMP project also affords students the deep learning that comes from active participation in an interdisciplinary team. We suggest that our proposed strategy for incorporating social marketing principles into a core marketing course is an effective way to prepare students to “contribute to organizations and the larger society” and to enable them to “grow personally and professionally” (AACSB, 2008, p.1) .

The SMP was included as a class project in an introductory marketing course for sophomores. Teams of four to five students conducted an analysis and recommended marketing strategies designed to encourage people to adopt a specific behavior that would benefit the environment. At the end of the semester, teams presented their analyses and recommendations orally and in written form. SMP team projects contributed twenty percent of the grade for the course. Each team worked with a senior Environmental Science (ES) student who, as part of their course requirement, was expected to provide scientific justification for the marketing team’s recommended behavior changes. The ES project had its own set of learning goals and requirements and was independently graded by the ES instructor. Marketing and ES students were expected to meet together a minimum of three times.

The SMP project’s impact on students’ knowledge was assessed with pre- and post-project comparisons of declarative marketing knowledge. The test consisted of a mixture of multiple-choice, open-ended, and fill-in-the-blank questions. Pre-project tests were administered during the third week of the semester. Post-project tests were administered during the penultimate week of classes. Pre-and post marketing knowledge tests were also completed by a control group not required to complete a SMP project. Awareness of environmental issues and willingness to take actions to preserve the environment were assessed with pre- and post-project consumer ECOSCALEs (Stone et al., 1995). The pre- and post-project comparisons revealed significant increases in marketing knowledge ( $t(37) = 1.65$ , one-tail  $p = .05$ ), environmental awareness ( $t(62) = 1.64$ , one-tail  $p = .05$ ) and willingness to act to preserve the environment ( $t(62) = 1.73$ , one-tail  $p = .04$ ). The marketing knowledge scores of SMP participants were marginally greater than those of the control group ( $t(72) = 1.27$ , one-tail  $p = .10$ ). Students’ appreciation for other disciplines and for working on interdisciplinary teams was also assessed at the end of the semester. Results showed that SMP participants appreciated the value of working on an interdisciplinary team ( $t(63) = 10.5$ ,  $p < .001$ ) and believed that future SMP projects should include a student from another discipline ( $t(61) = 16.1$ ,  $p < .001$ ). The results provide support for the view that an SMP project is an effective way to teach commercial and social marketing concepts.

References Available on Request.

# PROMOTING STUDENT LEARNING WITH ONLINE VIDEOS: A RESEARCH AGENDA

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## ABSTRACT

Gen Y students are digital natives (Prensky 2001) who learn in complex and diverse ways, with a variety of learning styles apparent in any given course. This paper proposes a web 2.0 conceptual learning solution—online student videos—to respond to different learning styles that exist in the classroom. This research is supported by a QUT Faculty of Business Teaching and Learning Grant.

## INTRODUCTION

Marketing educators need to provide a range of learning experiences to tap into multiple learning modalities, given that a variety of learning types co-exist in any one given course (Karns 2006). Further complicating the need to cater to different learners is that the learning requirements of our students are changing (cf. Matulich, Papp and Haytko 2008). Gen Y students are distinguished from previous age cohorts by a key feature: they are ‘digital natives’ (Prensky 2001). They have grown up with technology and enjoy living their private lives in the public arena of cyberspace. Perhaps as a result of technology’s ability to cater to their every need, these students are also much more demanding when it comes to their education (Howe and Strauss 2000). These characteristics and the variation in students that comes from different learning styles present both a challenge and an opportunity for educators.

Reflective educators have identified the learning styles and preferences of their students and adapted their teaching in light of substantial educational benefits (Morrison, Sweeney and Heffernan 2003). Some educators are adopting innovative approaches to teaching using new technologies, in an attempt to meet the needs of an ever-wider and more diverse range of learners. In particular, web 2.0 technologies have come to the fore. Along with the use of such technologies as games (Drea, Tripp and Stuenkel 2005), audience response systems (McGorry 2006) and internet-based simulations (Cook and Swift 2006), there is a growing body of literature concerning the use of web 2.0 technologies in educational settings, including podcasts, social networking sites, file sharing, Twitter and virtual worlds (e.g., Dickey 2005; Evans 2007; Grosseck and Holotescu 2008). However, while many educators have generally been innovative in adopting web 2.0 technologies in teaching (the domain of the academics) less focus has been placed on encouraging the use of these technologies in the learning process (the domain of the students). Traditional assessment forms still dominate course curricula, with limited use of web 2.0 learning resources. We suggest that this is not the result of a lack of student or faculty interest in using digital technologies in the teaching and learning process. Rather, we suggest that current university teaching and learning design does not adequately integrate web 2.0 technologies in a meaningful way for students and faculty to adopt.

One of the most used web 2.0 technologies by digital natives is social networking, where daily activities, thoughts and images are shared with friends. The desire to interact with others is reflected by the use of websites such as Facebook, MySpace and YouTube. Males tend to use applications like Facebook to ‘compete’ with their mates, while females use them to express their personality and identity to others (Russell-Bennett and Neale 2009). The breathtaking uptake of youtube.com indicates the interest that people have in making videos of their lives and sharing them with others.

The purpose of this paper is to propose a web 2.0 conceptual learning solution to the current challenge facing marketing educators when teaching digital natives. We propose that educators can tap into the existing relationship that students have with new technologies to facilitate enhanced learning in our courses. In particular, we recommend the use of online videos as reflective diaries in order to respond to the different learning styles that exist in the classroom. We identify areas for future study to address a lack of empirical research into the use of such videos as a learning tool.

## THE ARGUMENT FOR ACCOMMODATING DIFFERENT LEARNING STYLES

Learning styles are defined as “*individual consistencies in perception, memory, thinking, and judgment across any stimulus condition*” (Curry 2000 p. 239). Or, the preferred approach one has to organizing and presenting information (Curry 2000). Much has been written about different learning styles, with a variety of models and scales available.

Kolb's (1984) learning theory suggests that learning is a cycle that consists of four stages, which require four different types of abilities, namely concrete experience (CE), reflective observation (RO), abstract conceptualization (AC) and active experimentation (AE). Kolb contends that these abilities combine to determine one's learning style: diverging, assimilating, converging or accommodating. Honey and Mumford (1982) developed the Learning Styles model, identifying four key learning styles, namely activist, pragmatist, theorist and reflector. As in Kolb's model, Honey and Mumford contend that learners in each of these categories are distinctly different and learn in different ways. Gardner's (1983) theory of multiple intelligences suggests that individuals possess numerous mental representations and intellectual languages, which affect how one receives, retains, manipulates and applies information. Specifically, he identifies eight intelligences: linguistic, logical-mathematical, musical, spatial, bodily-kinesthetic, naturalistic, interpersonal and intrapersonal. According to Gardner, all human beings possess these intelligences, but to varying degrees, and one's dominant intelligence will affect how they learn.

A review of the literature suggests that learning styles will inevitably vary among our students, and consequently faculty should adopt a variety of teaching approaches and methods of assessment to accommodate different learning preferences. Educational processes that reinforce one suite of skills do so to the detriment of others, with studies demonstrating loss of ability with regards to other skill sets (Kolb 1984). In such a dynamic and diverse field as marketing, this is problematic, because our goal must be to produce well-rounded graduates who are flexible and adaptable. Further, without customization, we risk unfairly under-assessing a large group of our students. Gardner (1983) makes the point that education has tended to favor two forms of human intelligence—language and logic—thereby favoring students who are good with words and numbers. Finally, matching teaching strategies to learning styles should positively affect student motivation, attitudes to learning and performance (Cassidy and Eachus 2000). Overall, when there is fit between the learning environment and student learning styles, positive learning experiences are more likely. The challenge is finding the right tools to facilitate this fit.

## **VIDEOS IN TEACHING AND LEARNING: ONLINE STUDENT VIDEOS FOR DIFFERENT LEARNING STYLES**

Examination of videos in education has largely focused on their use by instructors for teaching or instructional purposes, particularly in the context of distance learning courses and e-learning environments. Recent attention has been given to lecture webcasting (Traphagan 2005), the use of videos in lectures (Karns 2006) and videoconferencing in educational settings (Dacko 2001). While the aforementioned studies suggest that these formats are often enjoyed by students, the majority also suggest that these techniques have minimal, if any, impact on student learning outcomes. A lack of interactivity and student involvement is a contributing factor: video, on its own, does not support active learning. This is problematic for marketing educators, since active learning is preferred by marketing students (Morrison, Sweeney and Heffernan 2003).

In professional learning situations, videos are being used to develop work practice. For example, self-produced videos are being used to support informal learning in Intensive Care Units (Brandt and Hillgren 2005) and even in teacher education (Clarke 2009). But again, emphasis has been given to the use of videos for instructor-led teaching and learning, with little regard for the student viewpoint.

There is an apparent gap in the literature concerning the use of videos by students in higher education. We propose that online student videos are an ideal web 2.0 technology to cater to a variety of learning styles, as shown in [Table 1](#). Through the process of making, viewing and sharing online videos, the power shifts to the student. They may be used by instructors to help facilitate student learning, as well as allow students to demonstrate their learning as part of assessment. Overall, the video making and viewing process can be adapted by the student to suit their learning style and by the instructor to achieve necessary course objectives.

Online student videos may help students develop interpersonal skills, by expanding the opportunities for dialogue and collaboration. They may also be used as a means for students to keep a record of their personal learning experiences, because students can record and reflect upon observations, experiences and responses to course activities. Through the videos, students can record the development of their ideas and insights, reflect on course content covered, reflect on their learning process, and analyze and discuss key issues, thereby facilitating deeper learning.

## **REFLECTIVE ONLINE VIDEO DIARIES**

One recommendation is to use online student video diaries for the purpose of reflection. Reflective learning requires exploring situations from a personal perspective. It is about integrating learning from experience and learning with ideas, so that personal meaning is discovered (Boot and Boxer 1980). Reflection has been defined as: *“A form of mental processing—a form of thinking—that we use to fulfill a purpose or to achieve some anticipated outcome. It is applied to relatively*

*complicated or unstructured ideas for which there is no obvious solution*” (Moon 1999 p. 10). Reflection is important, because it can result in higher levels of learning (Biggs 2003), meaning that content is understood and retained, as opposed to simply memorized in the short-term. Essentially, reflecting on unit content and the learning process helps students learn. An online video diary can facilitate this reflective process in a way that caters to the multiple learning styles present in the class.

Students can be encouraged to record a weekly video diary about the activities of the week (either as an individual or as a team) via a webcam, mobile phone or video camera. Specific questions could be posed by the instructor as a stimulus for students, but they could go beyond the scope of the brief. The videos could then be uploaded to a website platform that has secure access (unlike YouTube), such as Google Videos, which allows students to index their videos and search for those of other students. There are a number of free platforms available, which allow the instructor to pilot the concept with minimal expense. The search and index facility would be particularly valuable when students can access past students’ experiences, allowing for the transfer of knowledge across different cohorts in different semesters.

### **IMPLICATIONS FOR MARKETING EDUCATORS**

There are four key implications that marketing educators need to consider:

1. The technical support available for students needs to be organized prior to the introduction of online video diaries and equity must be an important consideration. For instance, if students do not have access to video technology via a webcam, mobile device or video camera, loan equipment should be provided. Universities often have loan laptops; if these have webcams installed, this overcomes the problem of access.
2. A detailed guide indicating acceptable format types and file sizes should be provided for students. Students need to be reminded to check their videos work once they are uploaded.
3. The video task needs to be linked to assessment in some way. This could be in the form of direct assessment, where the video is directly evaluated and marks allocated, or indirectly, where the students use their video as the basis for written assessment, which is marked.
4. Some students may be resistant to trialing new technologies and may experience anxiety over the task. Practice video trials are recommended throughout the semester, prior to any important or high stake video submissions. This helps students to overcome technical expertise difficulties and psychological barriers to change.

### **RESEARCH AGENDA**

While we suggest that online student videos present an opportunity as an educational tool, there are some key research questions that remain unanswered. A lack of empirical research into the use of such a technique in education leaves us wondering the following:

1. Online videos for different learning styles
  - Using Kolb’s Learning Style Inventory, Honey and Mumford’s Learning Styles Questionnaire, or the Multiple Intelligences Developmental Assessment Scales, what learning styles are apparent in a given course and how do online videos appeal to these learning styles?
  - Can students improve their learning through enhanced self-awareness and the ability to identify and adopt behaviors using online videos conducive to their style?
  - Where students’ learning styles and discipline demands are congruent as a result of using online videos, is workload perceived to be lighter and does this in turn encourage a deeper approach to learning?
2. Videos for teaching and learning:
  - How can online videos facilitate peer-to-peer learning and what are the benefits in this regard?
  - Does reflection as part of video making, viewing and sharing result in deeper learning?
  - Do online student videos better engage students in the learning process?
  - How does this learning activity contribute to student achievement of specific learning outcomes?
  - How can actual learning be assessed for online student videos and what criteria should be used?
  - What are the barriers to the effective use of online videos for student learning?
  - What is the relationship between the use of web 2.0 technology such as online videos and student satisfaction?
  - What is the relationship between the use of web 2.0 technology such as online videos and student performance?
  - What are the resource implications (e.g., financial, skills, workload, IT support, manuals) for implementing a successful online video diaries program?



## CONCLUSION

To date, research reported in academic literature has been teaching focused. In this paper we propose that web 2.0 technologies may offer a means to cater to different learning styles. In particular, we propose that online video diaries may encourage students to take an active role in the learning process. These videos may also facilitate peer learning and knowledge management of key learnings, which can be passed between student cohorts. The uptake of web 2.0 technologies by digital natives in the education environment is in its infancy, however marketing academics have the opportunity to better incorporate technology in the curricula, before students demand its presence. This will allow academics to be proactive rather than reactive to the demands of the ever-changing student cohort. In addition to proposing a new approach to catering to the multiple learning styles of digital natives, we have also outlined a research agenda to guide reflective educators in the adoption of web 2.0 learning technologies. There are considerable issues to consider when implementing a new approach to learning and assessment such as online video diaries. However, the opportunities to increase student engagement and graduate capabilities provide an incentive for marketing academics to further investigate this area.

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**Table 1 Application of Online Videos for Different Learning Styles**

<i>Learning style</i> (Honey and Mumford 1982)	<i>Description of style</i>	<i>Application of online videos</i>
Activist	Students with this style learn best when doing, rather than thinking first. They enjoy work that is flexible and daring, and when it is centered around them.	Online videos allow students to speak their thoughts as they experience them, without the need for planning. The video format is determined by the student, so this allows flexibility. Also, since the student is 'the star' of their own video, the content is completely centered on themselves.
Pragmatist	Students with this style like to apply ideas, theories and techniques in a practical way. They enjoy implementing their ideas efficiently and with confidence. They like to research new ideas and experiment.	Online videos allow students to talk about their practical experiences. The use of video is an efficient way for students to communicate their ideas, plus it allows them to experiment with new technologies.
Theorist	Students with this style solve problems using a logical, rational and objective schema. They structure information into a logical order and synthesize isolated information to create a holistic theory.	Online videos allow students with this style to develop theories that explain their experiences. The videos provide a platform for them to organize their observations into logical order and make sense from this information.
Reflector	Students with this style prefer to step back and observe a situation, collect and analyze data (about events and experiences), and use this to draw conclusions in their own time.	Online videos allow students to plan their responses if they desire to do so. The videos can be done in students' own time, thus allowing them to tailor this to their own needs, rather than those of other students. Students can be provided with a list of topics for consideration and reflection, thereby offering structure and guidance, which increases certainty and confidence to perform the task.

**SECOND BEST IN SECOND LIFE: TEACHING MARKETING CASES IN A VIRTUAL WORLD ENVIRONMENT**

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Leyland Pitt, Simon Fraser University, Canada  
Michael Parent, Simon Fraser University, Canada

**ABSTRACT**

Institutions have begun to integrate pedagogical multimedia platforms such as distance learning and videos into courses. In this exploratory study, one such platform, Second Life, was used as a medium for interaction and a tool for the rebirth of case teaching. Experiences of instructors and students are included in the exploration.

References Available on Request.

# APPLYING PRINCIPLES OF INSTRUCTIONAL DESIGN TO AN ELECTRONIC REVERSE AUCTION NEGOTIATION EXERCISE

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## ABSTRACT

Electronic reverse auctions are increasingly being used by firms as they seek to improve firm financial and operational performance. The course project described in this paper serves as a model for introducing electronic reverse auctions as a central element in a comprehensive negotiations exercise.

## INTRODUCTION

Dramatic changes are taking place in sales automation (Sheth and Sharma, 2008) given that organizations are increasingly utilizing technology to source a variety of goods and services from suppliers (Kaufman and Carter, 2004). Many transactions that could be conducted as traditional face-to-face negotiations are now candidates for online, real-time auctions between buying organizations and two or more invited suppliers. Electronic reverse auctions are one of the more attractive methods of procurement. Hawkins, Randall and Wittman (2009) explain that an electronic reverse auction is an online, downward bidding event that links purchasing agents and salespeople/suppliers in real time. In an electronic reverse auction online market, purchasing agents post bid schedules for products or services they are in need of and plan to purchase over a prescribed timeframe, and multiple suppliers bid to win the purchase business. This emerging technology for sourcing is used as either a substitute for or augmentation to traditional face-to-face meetings, teleconferencing, and/or emails.

With every major industry using e-sourcing technology (Jap, 2002), the rapid growth of this sourcing effort underscores the need to expose business students (specifically, both professional sales and purchasing students) to its influence --- opportunities, issues, and consequences -- on buyer-seller dynamics (Fram and McCarthy 2000). The desired result of this exposure is to enhance the competencies of the graduates as they prepare for the duties and responsibilities assumed as sales professionals. Thus, this paper describes a business school curriculum that was updated to include electronic reverse auctions. The change in the curriculum was made using an established instructional design framework (Fink 2003) that incorporates identifying important situational factors, establishing learning goals, developing teaching/learning activities, and incorporating feedback and assessment.

An ongoing challenge for university educators is how to best prepare students with both theoretical and practical knowledge for “job ready” skills. While sales automation is dramatically changing the sales function (Sheth and Sharma 2008; Fram and McCarthy 2000), not all sales processes and personal selling interactions are automated. Traditional business skills sets are required for the processes and interactions that are not automated. One of these skills, the ability to negotiate effectively with colleagues and customers, is utilized in both the automated and manual context and is a key competency for sales professionals. Taylor, Mesmer-Magnus, and Burns (2008) found that students reportedly implemented their newfound skills in important real-world negotiations.

## INSTRUCTIONAL DESIGN OF THE REVERSE AUCTION PROJECT

The primary goal of the e-RA negotiation assignment was to provide students with an understanding of the motivations, challenges, and experiences of buyers and sellers using online reverse auctions based on a Business-to-Business context. The use of a comprehensive instructional design process guided the development of learning goals, learning activities, and assessments while accounting for contextual factors. As portrayed in [Figure 1](#), the learning activities were assigned across a 16 week semester time-line.

### Establishing Learning Goals

Our goal was to consider how the course will impact the student as an entry level professional. We asked what will distinguish students who have taken this course from those who have not. Our learning goals fell into four major categories: 1) foundational knowledge, 2) learning how to learn, 3) application of knowledge, 4) learning about oneself, and 5) connecting with others.

The foundational knowledge that students should take away included practices of organizations considering and using reverse auctions as an e-sourcing tool and an understanding of the fundamentals of e-sourcing and its impact on the sales and purchasing functions of the firm. We also wanted students to be aware of the history of reverse auctions and be familiar with applications of reverse auctions across industries. This is accomplished through a series of research papers.

For the second learning goal category we wanted students to understand how to inquire about a new subject and how to explore a new technology. In effect, our goal was to foster a customized self-learning environment. In order to leverage the benefits of experiential learning, the third learning goal required students to participate in a “Live” Bid day exercise (bidding rounds and tactics). We wanted our students to develop and respond to a request for proposal using a software program specifically developed for the reverse auction process.

Students were required to add a reflective component for the fourth learning goal. This would give students the opportunity to address their comfort with technology as well as comfort with the negotiation process.

As professionals the relationship established between buyers and sellers are still an important element in e-sourcing regardless of the technology infused into the process. Therefore as the fifth and final learning goal, students need to understand that beyond the computer hardware and software of the reverse auction technology, it is important to connect as people.

### **The Reverse Auction Tool**

A one-year user’s license was purchased for RFQHosting ([www.rfqhosting.com](http://www.rfqhosting.com)), a privatized web-based system, developed and hosted by Roanoke Electric, LLC, that enables businesses to purchase products and services using electronic commerce. RFQHosting is designed to connect suppliers (salespeople) with buyers (purchasing agents) via reverse auctions or sealed bidding online, in an easy-to-use electronic format. The RFQHosting bidding process can be augmented with face-to-face meetings and/or emails.

The sales and purchasing class students were trained separately in computer labs using a “mock” reverse auction bidding session. Consistent with the learning goals, the independent research and article review assignments completed earlier in the semester were used as preparation for a “live” bidding session. The instructors selected the industry and provided the parameters of the products and services to be open for bid. The purchasing class was required to prepare an RFQ and post it to selected suppliers (sales class students) via RFQHosting. The sales class was required to respond to it over the course of a pre-disclosed window of time in which the bidding session was open.

The students were given the day and time that the bid window would be open. At that time the students had to post their bids and manage the continuous bidding information being fed to them via real time access to bid decisions. During that hour they had the opportunity to respond to the bidding information, resubmitting lower bids and asking questions of the purchasing agent responsible for the RFQ.

### **FINDINGS AND LIMITATIONS**

Students were given pre- and post-assessments of perceptions, attitudes and experience of online auctions. The auction awareness survey was based on an instrument developed by Bosnjak, Obermeier, and Tuten (2006) to assess perceptions of bidding, willingness to bid, and bid behavior. The paper and pencil survey was deliberately scheduled for the first day of class and the last day of class. Responses were measured using a seven point likert scale (1 = strongly disagree to 7 = strongly agree). Students indicated an increase in understanding of the theoretical and practical issues associated with the use of reverse auctions. In addition, students indicated that the course experience was positive and will be useful as they become practicing professionals in today’s e-commerce environment.

The development of the electronic reverse auctions component of a negotiations exercise for undergraduate college students was limited by several factors. The make-up of the university’s student body, the accreditation status of the business school, and the class size are factors that motivate and in ways constrain the design of the course. In addition, in an effort to restrict the focus to the topic of reverse auction, the faculty team decided from a project perspective to limit the connection of reverse auctions as an e-sourcing strategy with other possible sourcing strategies. It is in this regard that we recommend a change to the project.

In conclusion, as companies face the dual tasks of managing an ever expanding supply chain and reducing costs, technology becomes an indispensable tool for sales and supply management professionals. Electronic reverse auctions are one example of the technology that graduates entering the workforce are expected to have a working knowledge of to assist in the performance of their professional duties. To meet the demands of the workplace we developed a electronic reverse auction negotiation exercise using a comprehensive instructional design process. As demonstrated, faculty can develop appropriate learning activities in order to create new learning environments that recognize the value of instructional technology in the teaching process and assist firms in their talent management processes.

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# Figure 1. E-RA Negotiation Assignment 16 Week Semester Timeline

(Ongoing Lecture Discussion of purchasing and sales topics throughout the semester)

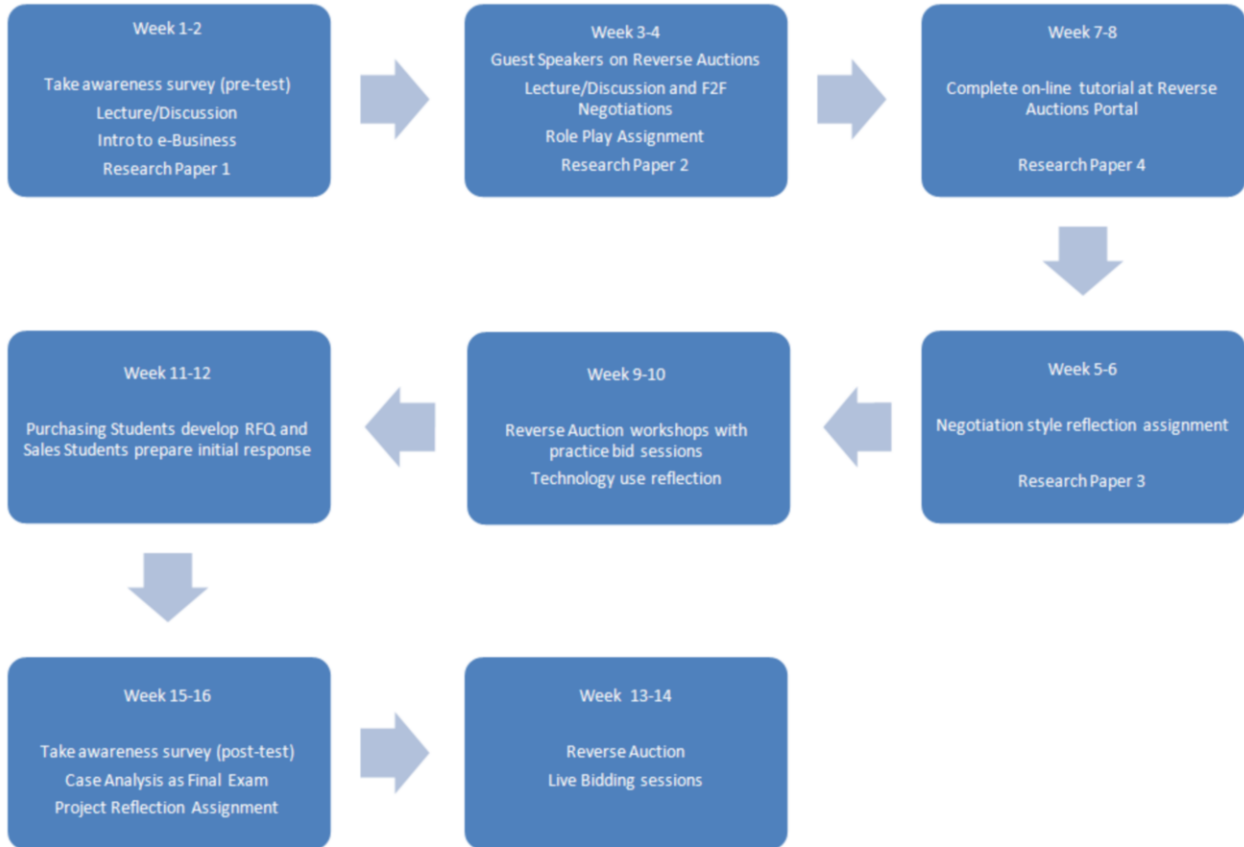
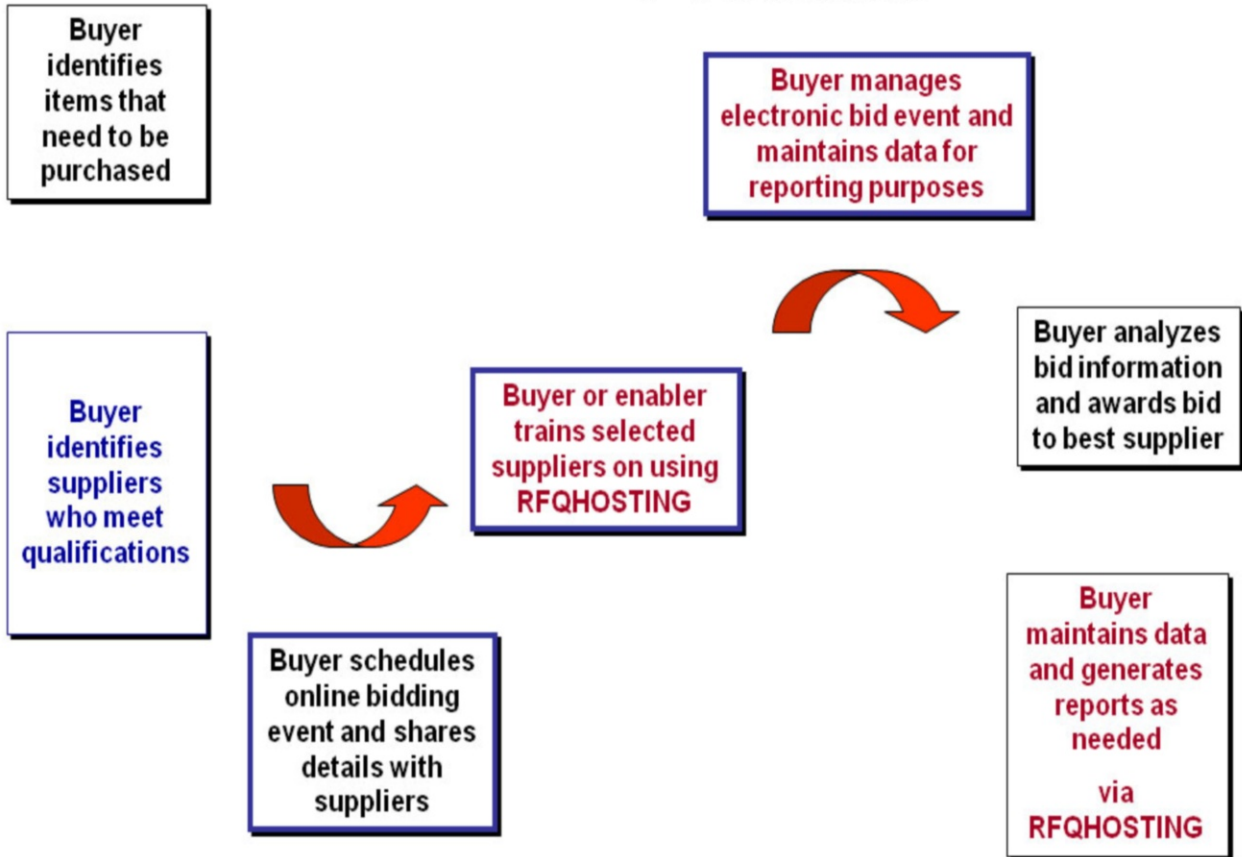


Figure 2



# Online Bid Event Process





# INFLUENCE OF ETHICAL CLIMATE ON COMMITMENT AND ETHICAL BEHAVIOR: A STUDY AMONG FRENCH SALESPEOPLE

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## ABSTRACT

This research aims to study the ethical climate, a multidimensional concept, and to analyze its influence on several variables such as salespeople's ethical behavior and their commitment. Semi-directive interviews, followed by a quantitative study among French salespeople, enabled us to build a measurement scale consisting of four dimensions and fourteen items.

## INTRODUCTION

Researchers are interested in the effects on the organization of ethical decisions taken by the sales force because the sale's context can lead them to adopt non-ethical behavior. Among the various organizational factors, the notion of ethical climate is becoming increasingly important (Victor and Cullen 1988; Verbeke et al. 1996; Jaramillo et al. 2006). First introduced by Schneider (1975), ethical climate can be defined as "a prevailing perception by employees of the company's practices and procedures that have an ethical content" (Victor and Cullen 1988, p. 101). Researchers thus agree on two points: a company's ethical climate expresses its moral values and consequently expected behaviors, and is embodied in the procedures and practices adopted by the company. As a result, defining the content of the ethical climate becomes a major issue for companies because some authors have suggested that by incorporating ethics into a company, the behavior of its members can be influenced (Verbeke et al. 1996). Other writers have also shown the main consequences of non-ethical behavior on the part of individuals: absenteeism, high turnover, lowered performance, lateness, etc., all of which can be extremely costly for the company (Jaramillo et al. 2006). Establishing an ethical climate inside firms can favor the commitment of salespersons (Schwepker 2001), as well as modifying their ethical behavior (Honeycutt et al. 2001).

Nevertheless this concept remains difficult to define. Some Anglo-Saxon researchers propose a one-dimensional measurement scale of ethical climate (Schwepker 2001), while others suggest that this should be multidimensional (Verbeke et al. 1996; Babin et al. 2000). This present contribution aims to clarify the notion of ethical climate by focusing in particular on how it interacts with other variables, such as salespeople's ethical behavior, commitment and turnover. Moreover, since existing studies were largely carried out in English-speaking contexts, it is interesting to reproduce them in a French-speaking context. The objectives of the study are first to develop a measurement scale for ethical climate among salespeople, then to test it on such variables as salespeople's ethical behavior, commitment and intent to leave. Firstly, we present the theoretical framework of the research by defining, the concept of ethical climate and its various dimensions. Next, we detail the methodology adopted to operationalize this concept: a qualitative study to specify the construct and a quantitative study to set up the measurement tool. In conclusion, we will present managerial implications, limits and ways of research.

## THEORETICAL FRAMEWORK OF THE RESEARCH

The number of research studies on ethical climate is linked to the growing importance of ethics in our life and in business affairs. But it can be confusing and it is essential to clarify the concept of ethics, then of firm's ethics.

Etymologically, the terms "ethics" comes from the Greek *ethos*, which first meant "inhabited place", then "the place one lives in". The terms "ethics" and "morality", deriving from the same etymology, often give rise to confusion, and some authors even consider the distinction to be unnecessary (Ricoeur 1990). For other writers, (Comte-Sponville 1994, p. 185), there is a difference between two terms: they are distinguished by "the respective status they confer on the values to which they lay claim". Ethics is the domain of the particular (in relation to an individual, a group, etc.), while morality is meant to be universal. This distinction between ethics and morality is generally accepted, since it enables the two concepts to be clarified (Crane and Matten 2004, p. 11). Moreover it helps refine the concept, since the English term "ethical" covers the notions both of "ethics" and of "deontology". This difficulty in defining the term "ethics" explains the debates among American researchers about firm's ethics. Some authors think that the company is an artificial entity that cannot have moral responsibility, and that it is individuals who create the company's moral dimension (Velasquez 1983); others, on the contrary, maintain that the company can be seen as a moral agent, in view of the policies it implements, its intentions and the actions deriving from them, that will influence the decisions of its employees (Crane and Matten 2004). To argue by analogy, and drawing on the definition of ethics put forward above, business ethics would then correspond to the acceptable practices implemented by the company.

Nevertheless, the term business ethics encompasses other more diffuse notions. Indeed, while companies' ethical practices such as ethical codes or rulebooks belong to formal ethics, there is also a so-called informal ethics that includes the company's culture, ethical outlook and shared values, and which can be linked to the personality of the chief executive and to the transmission of his personal values to employees (Vitell et al. 1993). Informal ethics is not formally written down, but is expressed in the common values of the company. Some researchers (Victor and Cullen 1988) thus suggest using the term ethical climate, a concept that includes both formalized ethical practices (formal ethics) and the system of values operating within companies (informal ethics).

The notion of ethical climate refers to the ways in which organizations operationalize the behaviors and action which are expected, supported and rewarded (Schneider 1975). It is expressed through the perceptions that individuals have of the ethical content of actions within the company (Schwepker, 2001). It is therefore a matter of a cognitive process: these judgments can be the result of an individual confronting ethical dilemma, observing questionable actions performed by other people, or seeing how customers and employees are treated and behave (Babin et al. 2000). Hence an ethical climate can be deemed to be weak when employees are forced to act in a way counter to their ethical standards (Grojean et al. 2004).

When identifying the different dimensions of ethical climate, only a limited literature on the subject exists, due to the recency of the concept. Of these studies, one in particular (Babin et al. 2000) concerned itself with measuring ethical climate and emphasized its four dimensions:

1. The company's ethical procedures. The organization's values are expressed through codes of ethics, ethical policies and directives (which may or may not exist) that encourage, specify, and manage ethical behaviors and correct non-ethical behaviors.
2. Perception of the behavior of other actors. Earlier studies showed the importance of other employees in forming ethical judgment as well as in the perception of the ethical climate.
3. The notion of respect and fair treatment among employees. Research confirms that being treated fairly in the company contributes to ethical decision-making and enables a strong ethical climate to be built.
4. Selling practices. Babin et al. (2000) consider that this dimension is an important component of the ethical climate. Indeed, selling practices whose main objective is to sell regardless of other considerations can lead to questionable behaviors.

The overview of the literature now leads us to add to the ethical climate two other variables linked to sales management: the role of the sales manager and the remuneration plan.

5. The role of the sales manager (dimension 5). Research indicates that, even when companies have a code of ethics, employees often follow the example of their manager rather than the company's ethical policy (Grojean et al. 2004). Thus salespeople interpret management values through the behavior and utterances of sales managers.

6. The remuneration plan (dimension 6). It is now acknowledged that the commission system gives rise to internal dysfunction and that it can even encourage salespeople to act in a non-ethical manner insofar as their interests do not coincide with those of their customers (Kurland 1996). This dimension can thus be included in the ethical climate because the perception that salespeople have of the remuneration plan can lead them into questionable behavior.

In conclusion, the results of the study carried out by Babin et al. (2000) as well as the analyses made on the basis of the literature lead us to conclude that there are six dimensions of ethical climate.

## **OPERATIONALIZATION OF ETHICAL CLIMATE**

We followed the standard general framework proposed by Churchill (1979) and adopted a two-stage approach. First, in order to bring out and determine the dimensions of ethical climate in the French sociocultural context, we conducted a qualitative study among 11 B-to-B salespersons. We carried out a lexical and thematic content analysis. In the second stage, drawing upon these interviews, we were able to proceed to the construction of a measurement scale on the one hand by adapting Anglo-Saxon scales and on the other by generating items. We then proceeded to the validation by an expert group of the 24 items obtained. This approach enabled us to eliminate two items whose attribution was problematic or which were unclear to the experts. We decided to measure these items on a 6-point Likert scale, going from "strongly disagree" to "strongly agree", using the same scale as Babin et al. (2000) and Schwepker (2001). We carried out an initial exploratory study on 116 salespeople and tested the convergent validity with their ethical behavior. The second confirmatory study was conducted on 210 salespeople in B2C and we tested the convergent validity on two variables: commitment and intent to leave.

We carried out a quantitative study among 116 salespeople in B2B and we decided to use an exploratory factorial analysis with SPSS 11.01 software. To analyze the results of the factorial analysis, we retained components with appropriate values

higher than 1. An iterative approach was adopted in the factorial analyses by refining the scale according to the following criteria: elimination of items with a communality below 0.4; elimination of items having a correlation of less than 0.5, and which did not contribute to factorial precision; and improvement of reliability by using Cronbach's alpha ( $>0.5$  for an exploratory study). We had envisaged the existence of two dimensions – “Respect and fair treatment of individuals” and “Sales manager's role” – but we found on examining the results that these factors were not present. Conversely, the items which were associated with these dimensions were found in other factors. Thus two items of the “Respect” dimension were integrated into the “Company's ethical procedures” dimension; and the items associated with the “Sales manager's role” dimension were integrated into the “Sales practices” and “Remuneration plan” dimensions.

We tested the predictive validity of the scale by studying the relationship between salespeople's behavior and ethical climate. The role of the ethical climate on the salespeople's ethical behavior has been shown by various authors (Hunt and Vasquez-Parraga 1993). When the ethical climate is clearly perceived by salespeople, their ethical behavior is strengthened. Conversely, when employees are forced by the company to act in a way that runs counter to their ethical standards, this generates a weak ethical climate. In order to operationalize the salesperson's ethical behavior, we decide to use the vignette method. Indeed, some researchers view it as the basis for research on ethics (Chonko et al. 1996). Five scenarios were thus presented to salespersons. However, since it was a sensitive subject and that it concerned specialist salespersons in the industrial sector, we were only able to retrieve 66 questionnaires. As a result, a structural modeling was carried out using the partial least squares method (PLS). Indeed, the PLS method is more flexible for small size samples, which explains why researchers have often used it (Valette-Florence 1989). The results reveal a significant link between the two variables, since the Student *t* test ( $-2,87$ ) is higher than 1.96, which demonstrates the predictive validity of this ethical climate measurement scale in four dimensions. Our research thus confirms the results of the studies carried out by Wimbush et al. (1997), which show that an ethical climate that is perceived as weak can give rise to non-ethical behaviors in the sales force. On the other hand, when it is perceived as high, the ethical climate favors ethical decision-making (Verbeke et al. 1996).

In a second stage we conducted a confirmatory study in 2006 on 210 salespeople in B2C and tested the predictive validity of the scale using two other variables: commitment and intent to leave. The link was tested in a previous research but with a one-dimensional scale (Schwepker 2001) and it was interesting to compare results. For commitment, we used the 9-item scale developed by Mowday et al. (1979), measured by a 5-point Likert scale. For intent to leave, we used the Donnelly and Ivancevich (1975) 3-item scale and a 5-point Likert scale. These scales have the advantage of having been already tested on salespeople by Anglo-Saxon researchers (Schwepker 2001). These indicators are satisfactory, since each scale has a Cronbach's alpha higher than 0.80 (see [table 1](#)); the representation quality, evaluated by the KMO indicator, is higher than 0.7; and the percentage of variance explained by each variable is higher than 60%. To verify the validity of the factor structure and to test the research model, we carried out an analysis using AMOS 5.0 software on the basis of the hypothetical model. The model's goodness-of-fit indices, although close to the accepted means ( $> 0.9$ ), are acceptable (GFI= 0.861  $< 0.9$ ; AGFI= 0.813  $< 0.9$ ); RMSEA is higher than 0.08 (0.091). The incremental indices (NFI, IFI and TLI) that measure the improvement in goodness-of-fit by comparing the model tested to a base model (Roussel et al. 2002), although close to 0.9, are also below this generally accepted limit (NFI = 0.835, IFI = 0.889 and TLI = 0.866 respectively). Nevertheless, Roussel et al. (2002) point out that these limit values are primarily an indication of standards and the indisputable rejection threshold for the model. We therefore decided to keep all these items so as to conserve the model's consistency, without trying to improve these indices at all costs by eliminating one or more items. We then tested the relationships between the three variables (see [table 2](#)). These then enabled us to confirm (or disconfirm) our research hypotheses, since in order to be significant, Student's *t* must be higher than 1.96.

## CONCLUSION

The aim of this study was to develop and validate a measurement scale of ethical climate: semi-directive interviews, followed by a data collection stage, enabled us to draw up a measurement scale of ethical climate consisting of 14 items arranged in four dimensions: “The company's ethical procedures”, “Peer behavior”, “Selling practices” and “Remuneration plan”. Our results show its influence on the commitment of salespeople in their work as well as on their ethical behavior. As a result, this study provides an instrument that can be used for future work among salespeople. The scale elaborated here contributes to a better understanding of the concept of ethical climate, for which there is no recognized measurement tool in the scientific community. The results also confirm the conclusions of the Babin et al. (2000) study on the existence of a multidimensional concept. By having this measurement instrument available, it now becomes possible for researchers to compare the ethical climate of different companies and to determine the dimensions favored by each. Furthermore, by focusing on the sales force, our research reveals the role of the “Remuneration plan” dimension as a component of ethical climate. These results

underline the importance of sales management in the perception that sales personnel have of their company's ethical practices and, consequently, in the creation of a strong ethical climate (Honeycutt et al. 2001; Kurland 1996).

Several proposals for management can be put forward on the basis of the results of the study. First of all, if companies wish to create a strong ethical climate, they need to take into account the four dimensions identified in this research. Indeed, until now, ethical business strategy simply involved introducing codes of ethics in the company. The second managerial implication follows from the fact that the "remuneration plan" is a component of ethical climate. While previous researchers had already highlighted the role of remuneration in salespersons' behavior (Kurland 1996), no one had established its place in ethical climate. Our results, however, show the need for companies to think not only about the financial consequences of their sales policy but also about its ethical impact. Consequently, the creation of an ethical climate becomes a sensitive issue, since it requires that companies make a sometimes difficult choice between contradictory demands: giving the sales force predetermined sales targets whilst developing ethical selling practices; and setting up behavior control policies whilst involving sales managers in building an ethical climate (Weaver et al. 1999).

A number of limitations can be identified, related either to the specification of the construct or to the methodology. From a theoretical standpoint, the limitations of our research are contingent upon the concept of ethical climate. Some dimensions such as "the role of the sales manager" have to be dropped, since they were measured only by one item. However, we can suppose that they do make a contribution to the ethical climate scale, but to such a small extent in terms of measurability that they had to be eliminated. Moreover, our model has its limitations in that its indicators are not strongly indicative (GFI and AGFI below the criteria, RMSEA higher than the accepted criterion), although the links between the variables are significant. Similarly, the fact of having tested the link between salesperson commitment and ethical climate in only one company may also constitute a bias, particularly for the generalization of the results.

Various possible ways of research stem from this study. We could firstly consider how salespeople's trust toward their sales managers affects ethical climate. Indeed, prior research revealed the importance of the sales manager in regard to ethical climate (Jaramillo et al. 2006). While our study has shown the importance of the sales dimensions (sales practices and the remuneration plan) for ethical climate, the role of the sales manager on the other hand was not specifically examined. A second way of research could be to analyze the impact of ethical climate on salespeople's performance: although various empirical studies have addressed this question, their findings tend to be inconclusive. Yet the salesperson's performance is a key factor for companies and improving it without damaging customer loyalty is a major concern for them.

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**Table 1 The model's indicators of variables**

Variables	Number of items	Number of factors	Cronbach's alpha	KMO	Factorial weight
Org. commitment	8	1	0.896	0.913	61%
Intent to leave	3	1	0.837	0.7	75.5%
Ethical climate	14	4	0.828	0.815	65%

**Table 2 Causal relations between the variables**

Hypotheses	t	Results
ETHICAL CLIMATE influences positively salespeople commitment	6,168	confirmed
COMMITMENT reduces intent to leave	-4,934	confirmed
ETHICAL CLIMATE reduces the intent to leave	-1,299	not confirmed

## SCALES IN JPSSM FROM 1980 TO 2009: A SOCIAL NETWORK ANALYSIS

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### ABSTRACT

Previous studies have not discussed the structure of scale usage and the network of scales. Therefore, researchers do not have a clearly quantitative and qualitative pattern to understand the scales used in personal selling and sales management. This study solved the gap with the scales used in *The Journal of Personal Selling and Sales Management (JPSSM)*. The objectives of the study are: first to provide a frequency ranking of scales, identifying the most used scales in order to understand the changes of scale usages over the decades; second, to develop the scale networks by social network analysis in order to explore the relations between scales; third, to point out the gaps and opportunities in research.

The author reviewed all the empirical articles in *JPSSM*. The time period covers 30 years from the first issue in winter 1980 to the fall 2009 issue. There were 1,066 scales collected from 260 articles and those scales were classified into 393 scale categories for this study. Then rankings were conducted based on the frequencies of scale categories. Inter-relationships among scale categories were studied using *Social network analysis* (UCINET 6). The relations between any two scale categories were measured by the times in which they are discussed together. For example, Mahajan et al. (1984) used three scales, *Job satisfaction*, *Role ambiguity* and *Role conflict*, so the three scales generate one time for each different relation (*Job satisfaction* and *Role ambiguity*, *Job satisfaction* and *Role conflict*, *Role ambiguity* and *Role conflict*). For analyzing the relations among scale categories, the author applied social network analysis to develop scale-category networks. First, a scale-category by scale-category sociomatrix was developed, and then transferred into an undirected relation matrix (adjacency matrix) to develop a network. Next, after generating the full scale-category network, the author identified the key scale categories, their links, and their locations in the entire network. Finally, the author analyzed the ego networks of the key scale categories over the three decades.

In frequency rankings of scale categories, this study revealed the top six scale categories with frequencies over 30, *Job performance*, *Job satisfaction*, *Organizational commitment*, *Role ambiguity*, *Intention to leave*, and *Role conflict*. Extending the rankings to the patterns of scale usages over time, the author found the evolution of scale categories and the situation of intensive scale usage.

In scale-category network analysis, according to degree and betweenness centrality, the study specified the key scale categories to be almost the same as the top six scale categories. However, *Commitment\_Buyers-Salespeople* with a frequency of 7 is distant from the top six in frequency but a key player in terms of centrality. Moreover, strong and weak relations among scale categories are identified by analyzing the scale-category networks. Potential research opportunities are suggested by screening structure holes. For instance, Jones, Sundaram, and Chin's (2002) sales force automation (SFA) separates from the main network of the top six. The evolution of a scale category *Adaptive selling* was exposed by examining its ego networks over decades. *Adaptive selling* was not mentioned in the 1980s. In the 1990s, it was just a subordination of *Job performance* in its ego networks. In the 2000s, it has become the real central node, and all neighbor scale categories had been replaced by technology group, salespeople's ability, and a clique led by *Job performance*.

Indicated by the results of this study, there are several theoretical and managerial implications in this study. First, this study is the first to apply social network analysis to scale-category networks, providing significant findings. Second, it contributes a comprehensive scale category source of personal selling and sales management. Third, it provides the unique database very useful for knowledge development and accumulation. Forth, not only does this study contribute to the understanding of the development of scale category but also to the future scale usage by analyzing scale-category networks.

References Available on Request.

## THE GLOBAL MARKETING AND CONSUMPTION OF SPORT

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### ABSTRACT

Sport is a ubiquitous artifact of human culture. Most if not all cultures have various forms of play and games, which can range from informal activities engaged by a few individuals to organized sports and events that capture the time, resources and imaginations of consumers and companies around the globe. Such organized sports can be transcendent, lucrative, costly, divisive and unifying – locally and globally. Much of organized sport is big business, affecting billions of lives. This business cannot succeed without the complex interplay of cultures, markets, marketing and consumer behavior, finance, and politics.

Consider, for example, soccer or football as it is known in most countries. This year, national teams from 32 countries will descend upon South Africa for the quadrennial event known simply as “the World Cup” (officially recognized as the FIFA World Cup – a trademark protecting the interests of Fédération Internationale de Football). Thirty-one national teams survived a brutal series of qualifying matches over a span of two years for the right to play in the “finals” along with the host country. These 32 teams then play elimination matches culminating in a final game to determine the world champion. How popular is this event? It is estimated that a total cumulative television audience of 26.29 billion fans watched the matches of the 2006 World Cup held in Germany; as many as 2 billion television viewers may have watched the final game, which pitted Italy against France (FIFA, [www.fifa.com/aboutfifa/marketing/factsfigures/tvdata.html](http://www.fifa.com/aboutfifa/marketing/factsfigures/tvdata.html), accessed January 30, 2010, Zurich: The Fédération Internationale de Football Association). These measures do not include consumer and marketer activities on websites, blogs and chat rooms. The marketing opportunities are staggering; the implications for local and global consumers directly and indirectly involved in this spectacle are almost hard to fathom. Sponsors pay huge sums of money for exclusive rights to teams, players, and ancillary events. Other companies not recognized as official sponsors find clever ways to be associated with this spectacle. During the month of the tournament, factories cease operations, restaurant and bar patronage surges and retreats, water flow is affected in entire cities, fans purchase and proudly wear replica jerseys, and life markedly changes, the world over.

Soccer’s World Cup clearly provides a quintessential example of the interplay of culture, globalization and marketing in the world of sport. Similar fanaticism, and concomitant marketing and consumption however are also inexorably linked to the Olympics, the English Premier League, American football and the Super Bowl, the NBA, Major League Baseball, NCAA-sanctioned events; cricket and rugby, and their leagues and “Cups”; and so on. Indeed, reflecting on any of these sports/leagues and their championships one cannot help but to ponder the marketing and consumption dynamics: advertising, promotion and sponsorship; marketing research, product development, branding, targeting and positioning; distribution and retailing; and of course pricing decisions. Lastly, while sports are typically associated with recreation, health, fitness, and festiveness, one also should ponder the potentially irresponsible or harmful dimensions often associated with them: gambling, fan violence, public spending on new stadia vs. schools or libraries, and numerous opportunity costs, to list a few examples.

This special session assembles scholars and practitioners with interests in some of the preceding issues. The purpose of the session is to share research and professional perspectives on a number of issues vis-à-vis the global marketing and consumption of sport. Abstracts of the presentations are shared below.

The first paper in our session is “Global Sports and Global Athletes: Career Trajectories and their Role in Marketing and Public Policy,” by T. Bettina Cornwell and Paul Jaspers. International media and corporate sponsorship have come together to produce global sports spectacles that catapult individual athletes into celebrity status sometimes over night. The trajectories of athletes often follow one of two paths: one dismal, the other stellar. Of the positive outcomes possible, business entrepreneurship is common (Hughes 2003) but so is the less documented social entrepreneur and that is the focus of this discussion. Many international star athletes are becoming “a product” in their own right and controlling their brand and their media coverage in new ways. Some of these athletes are also taking their star status and building social campaigns and contribution mechanisms that have the potential to influence public policy for their home countries or issues that influence them. Presented is a framework for study of this phenomenon and one case study.

Next, Keith W. Lambrecht will present “Social Media and the Marketing and Consumption of Sport.” The sport industry is a multibillion-dollar global business that will continue to grow into the foreseeable future. However, it has never been more difficult to attract and retain the sports fan. Today’s sport industry has changed and thus the way fans consume sport. The sport industry not only includes the traditional four major professional sports leagues, baseball, football, basketball, and hockey; but also sports such as golf, NASCAR, and tennis along with numerous new start-up leagues and niche sports at the professional level; the expansion of intercollegiate athletic sports; youth sports and several other non-traditional action or extreme sport activities for spectators to consume. Further, media have also changed the landscape of the sport industry. There are more televised sports programming today than ever before with free broadcasts, cable television and various radio networks individualized to specific sports. Fans also have access to games and game results via their computer, Blackberry, or cell phone. Given all the opportunities for fans to consume sport along with other entertainment events, it is apparent that “old style” business strategies to attract fans perhaps are becoming obsolete.

New technologies enable fans to track their favorite sport or team from their home, office or practically anyplace. While traditional sport marketing departments may work on marketing their team to local markets, progressive sport marketing departments are searching for new strategies to communicate with out-of-market fans.

The purpose of this presentation is to share initial findings from a working study on social media tools currently favored by sport fans in the Chicago Metropolitan area. Of particular interest are:

- Social media sites used
- Social bookmarking
- Photo and video sharing sites used
- Microblogging/text sites used
- Frequency of online social networking
- Level of participation
- Ideas that would entice fans to participate in sport team social networking

Analysis is intended to reveal preferences, attitudes, and tendencies of social media users, and effectiveness of various social media vis-à-vis selected demographic groups.

Jason C. Healy will next present “Football Fan Identity Construction in the 21st Century.” Football (soccer) is now a global multi-billion Euro commercial business. This study investigates *how* fans consume it and interprets their consumption experiences, presenting a theory of their usage of football as an element of their personal identity. Fans play a part in producing as well as consuming football and, on a symbolic level at least, they have power to control the socially constructed nature of the game/industry. This research explores how fans are using the Internet as a resource in identity construction and maintenance. The fans studied in this project are followers of the Liverpool Football Club: they come from all backgrounds and countries. An online ethnograph/netography was conducted of a Liverpool fan web-forum, RedAndWhiteKop, on which the sport is discussed in-depth. Data were collected, coded and analyzed, making use of NVivo, following grounded theory methods from the perspective of a critical theorist.

The author submits that a relative lack of monetary transactions, and/or hierarchical decision-making structures, apparent on such a ‘new medium’ as the Internet is representative of something like an ‘ideal speech scenario’, as that normatively promoted by Jürgen Habermas. This ideal speech situation functions well on the web forum, but is somewhat cut-off from the rest of the football, given how the wider industry operates much more on the basis of financial imperatives and via very tight hierarchical organizational structures or other such ‘delinguistified power’, in Habermas’s terms. As a consequence, while fans promote a more consensual and democratic approach to the organization of the world’s number one game, other parties within the industry are slow to engage in dialogical approaches to the sport’s development. Of course, there is scope for change here, which requires us to theorize how fan power impacts/can impact consumption and identity in this market.

Finally, Henry Rabello of Nike will present “The Global Marketing and Consumption of Sport: The Nike Perspective.” Nike is a global leader in sport. Its network, from conception to consumption, connects manufactures, designers, engineers, bankers, insurers, shippers, media, marketers and consumers in the four corners of the world. Its brands and images – the “Swoosh” and others – are known the world over. Many consumers have a deep emotional attachment to Nike; a hard-won affinity earned in large part by Nike’s marketing acumen. The purpose of this presentation is to introduce participants to the global marketing practices and philosophies of Nike, including Nike’s origins and evolution; as well as the opportunities, challenges, and responsibilities of an iconic marketing company in the transcendent realm of global sport.



# **AN EMPIRICAL STUDY OF RELATIONSHIP BENEFIT-BASED DRIVERS OF CUSTOMER ASSETS IN THE CONTEXT OF CHINA: THE MEDIATING ROLE OF RELATIONSHIP QUALITY**

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## **ABSTRACT**

This paper aims to extend previous research by investigating the effects of relationship benefits on customer assets and the mechanism through which such effects take place. Empirical data from a large-scale consumer survey indicated that relationship benefits are important drivers of customer assets. Confidence benefits were found to be the strongest influence; they affected customer assets both directly and indirectly. Customer satisfaction, trust and commitment, three key components of relationship quality, were found mediating the impact of relationship benefits on customer assets. The findings showed that relationship benefits had differential effects on sources of customer assets. Relationship quality fully mediated the effects of social benefit and special treatment benefits on customer assets. However, the relationship between confidence benefits and customer assets was only partially mediated.

References Available on Request.

**THE EFFECT OF CUSTOMER'S GREENNESS AND PERCEIVED VALUE ON LOYALTY IN INDUSTRIAL RELATIONSHIPS. THE ROLE OF COMMUNICATION AND RELATIONSHIP LENGTH**

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**ABSTRACT**

This study explains the formation of loyalty based on green values, perceived value and marketing communication. A conceptual framework is developed and tested with a global sample (n=121) of industrial customers. The results indicate that a) green values have a positive relationship with perceived value, b) perceived value has a positive effect on communication quality and loyalty whereas its effect on channel effectiveness is insignificant, c) channel effectiveness has a direct positive relationship with loyalty whereas the effect of communication quality on loyalty is insignificant, and d) relationship length has a moderating effect on perceived value-loyalty, channel effectiveness-loyalty and communication quality-loyalty links. The moderating effect is positive for the communication quality-loyalty links whereas, surprisingly, the effect is negative for channel effectiveness-loyalty and perceived value-loyalty links. The study provides both theoretical and managerial contributions.

References Available on Request.

# THE IMPACT OF ENVIRONMENTAL FACTORS ON WEBSITE LOCALIZATION DECISIONS

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## ABSTRACT

Website localization is a key concern in Internet-based cross-border commercial activity. This paper examines the role played by environmental factors on two website localization decisions – whether to launch local sites and to what extent such sites should be localized. Such effort is based on a suggested operationalization of Javalgi & Ramsey's (2001) framework of four infrastructures that are expected to influence e-commerce growth in foreign markets, including: technological, commercial, socio-cultural and governmental-legal infrastructures. In addition, the role of online market potential estimations is also assessed.

The analysis is based on 441 observations of home-target country dyads collected for nine European airlines. Results show that geographic distance, website traffic volumes, and economic freedom levels influence both decisions. Cultural distance only influences the decision to launch a local site, but not the extent of its localization. Social development levels, online market demand potential, and the cultural dimensions of masculinity and uncertainty avoidance only influence the extent of website localization, and not the decision to launch a local site. Finally, IT infrastructure and rule of law in target markets were found not to influence website localization decisions.

Being one of the first to address the question of environmental factors' impact on website localization decisions, this study also has its shortcomings which must be acknowledged. First, due to missing data, relevant export dyads involving 63 different target countries were excluded from the analysis. Still, the remaining 82% of all relevant observations were included. Furthermore, both the chi-square and Hosmer and Lemeshow tests show good fit between the data and the model, with respect to both research questions.

More importantly, the findings are framed within a particular context. First, it is important to stress that the analysis is restricted to a B2C (Business to Customer) business model context. And, therefore, B2B (Business to Business) aspects of online activities within the same region and industry may exhibit different patterns. Second, it is widely accepted that the airline industry has been significantly affected by Internet diffusion and the emergence of e-commerce, while other industries may be less affected and therefore exhibit different patterns. Third, the European home market context may reflect operation from economically developed home markets, while airlines from other regions and especially less developed ones, may again exhibit different patterns. And, fourth, the summer of 2009 restricts the analysis to a particular point in time, and especially in the context of a constantly evolving technology such as the Internet, future longitudinal studies may be able to trace a change in the impact of various factors in website localization decisions. All these contextual limitations serve as a productive starting point for future research investigating the same questions in different industries, regional settings, and points in time.

Finally, this study shows that although environmental factors play an important role, accounting for 35%-40% of the variance, they do not represent the full picture, and future research may also look into internal factors and their impact on localization decisions as well as on potential interactions between internal and external conditions.

References Available on Request.

## SOURCE EFFECTS IN ONLINE SALES SITUATIONS: THE ROLE OF AVATAR-BUYER (DIS)SIMILARITY

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### ABSTRACT

This exploratory study investigates the role of a virtual salesperson's (dis)similarity to an online buyer in enhancing web site sales outcomes. Our findings show that under low involvement purchase conditions, avatar's dissimilarity to the buyer positively affects buying intentions, possibly through positive emotions due to the opposite gender attractiveness. Under high involvement conditions, avatar's dissimilarity increases buyer cognitive effort, so that stronger sales arguments lead to higher purchase intentions, while weaker arguments lead to lower purchase intentions.

A salesperson's similarity to the buyer is hypothesized to affect the outcome of the sales situation, based on the process of social identification, whereas the buyer will be more influenced by a seller with whom he/she shares certain attributes (Festinger 1954; Tadjfel 1957). According to this view, such observable characteristics as age, gender, race, type of clothing, etc. will invoke cultural stereotypes and lead to categorizing salespeople into social groups. It has been argued that effects of observable characteristics can be explained by the level of customer involvement with the purchase situation, whereas physical (dis)similarity serves as a peripheral cue and affects buying intentions only under low involvement conditions (Lichtenthal and Tellefsen 2001). If a customer is more strongly involved with the purchase, physical similarity or dissimilarity of the seller will be less important and may affect buying intentions through sensitizing the buyer to stronger elaboration of the sales message arguments (Petty, Cacioppo and Schumann 1984).

116 undergraduate marketing students from two US public universities fulfilled an extra credit assignment of evaluating products on a website. In addition to avatar (dis)similarity manipulation, students were randomly assigned to three conditions of purchase situation involvement: websites selling a children's game (low involvement), a foldable bed (moderate involvement), and a website advertising a student apartment complex (high involvement). Our results showed a marginally significant role of avatar dissimilarity on increasing purchase intentions of the online buyer under low involvement conditions. This finding supports the earlier view that certain observable source characteristics are antecedent to positive sales results (Gadel 1964; Hendrick et al. 1972). It also emphasizes the potential of virtual sales representatives to add social benefits of the shopping process to online storefronts, and suggests that manipulation of avatar appearance to match the desired stereotype may enhance sales on the website. Our result is consistent with the finding by Dwyer et al. (1998) that gender similarity is negatively correlated with sales. We suggest that Similarity-Attraction Paradigm (Byrne 1961; 1962) may be instrumental in explaining this result. Our findings also suggest that a different mechanism explains the role of source effects in high involvement conditions online: that of increasing cognition effort of shoppers. Thus, for high involvement online shopping situations, manipulating avatar features may increase consumer attention towards the arguments presented on the website, making better quality products more preferable. This finding echoes earlier results, under which source factors may influence the extent of thought about the message under moderate involvement conditions in face-to-face sales encounters.

Future research should consider the role of other avatar characteristics in online sales outcomes under varying purchase involvement conditions. It would be interesting to explore whether matching avatars to online buyers in term of internal characteristics (e.g. extroversion, need for cognition, or interest in the product category) would affect sales outcomes, online retailer loyalty, or satisfaction. Another area of future research may be the potential differences between levels of involvement online and off-line.

References Available on Request.

# UTILIZING WEB SITES TO PROVIDE INFORMATION AND BUILD RELATIONSHIPS WITH CONSUMERS

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## ABSTRACT

This paper reports on research designed to assess how small and medium size enterprises operating in the wine sector in four countries worldwide utilize their web sites for providing information to consumers as well as developing and maintaining relationships with them. Implications for theory and practice are drawn.

## INTRODUCTION

In the pre-Internet era, without the required resources to establish multiple physical storefronts and channels of distribution, most small and medium sized enterprises (SMEs) were limited to serving consumers in markets relatively close to their home base. The Internet was depicted as 'levelling the playing field', making it possible for SMEs to expand greatly their consumer base by attracting, communicating with and selling to consumers in expanded regional, national and world wide markets (Hamill and Gregory 1997; Quelch and Klein 1996; Sinkovics and Bell 2006). With the rapid growth in consumer utilization of the World Wide Web, company web sites have become recognized as an integral component of business-to-consumer (B2C) marketing strategy for companies operating in today's economy – facilitating communications, sales, and relationship management. While there is a wide range of newer internet as well as social networking technologies that might be implemented, the company web site is viewed as a cornerstone and pivotal to facilitating e-marketing (Haag, Baltzan and Phillips 2006). Company web sites have been demonstrated to contribute to profitability for small and medium enterprises in all industries worldwide (Johnston, Wade and McClean 2007); however, effective use of this new tool requires technological skill, marketing acumen, as well as access to sufficient resources. And while the advantages of utilizing company web sites appear substantial, it must be recognized that because "small business owners face resource constraints that limit their abilities to use technology or to use technology in its latest iteration" (Tarabishy 2007, p.3), the development, maintenance and utilization of web sites may be challenging for SMEs.

Although quite a large body of writing has been developed concerning how to design web sites to improve consumer usability and achieve success, the most significant part of this literature is based on studies of large firms as opposed to SMEs (Cox and Dale 2002; Gefen 2002; Reibstein 2002; Haugh and Robson 2005). The paper addresses this research gap by describing a study aimed at gaining a deeper understanding of how SMEs use company web sites to achieve the goals of providing information to consumers and creating relationships with those consumers. The wine sector was selected for study because (a) it provides a uniform industry in which to make international assessments, (b) it represents an important industry sector for empirical work. Global wine sales are estimated to reach \$273.1 billion US by 2011, an increase of 19.9% since 2006 (Datamonitor 2007), and (c) although a few large companies exist in each major wine producing country, the majority of wineries can be defined as small and medium sized enterprises (Aylward and Glynn 2006; Datamonitor 2007b, 2007c). Accordingly, the research described here examines to what extent and how effectively wine SMEs in Canada, the United States, France and Australia utilize web sites in providing information to, and in creating and developing relationships with, consumers.

## ROLE OF WEB SITES IN SME MARKETING STRATEGY: BACKGROUND LITERATURE

Much has been written in the marketing literature about the increasingly important goal of creating and maintaining relationships with customers (for recent reviews see Boulding et al. 2005; Harker and Egan 2006). Internet-related technologies, including web sites, are considered to be an important tool utilized in customer relationship management for gathering information from and providing information to customers, as well as creating/facilitating forums in which communities of interest might exist among consumers with regard to products such as wine, particular brands of wine, and topics of interest related to wine consumption and wine tourism (Earle and Keen 2000; Mohammed et. al. 2004). Because they offer particular advantages to SMEs in reaching geographically dispersed consumers, nationally and internationally, one would expect that most wineries would have web sites. The first strategic goal a web site can serve is to provide information to virtual visitors.

**Hypothesis 1:** A majority of SME wineries will utilize company web sites for the purpose of providing information to consumers.

A second major goal of company web sites is to foster relationships with consumers/ potential consumers (Mohammed et. al. 2004, Peters 2006). The development and nurturing of such relationships is key to the new 'dominant logic' of marketing as it is practiced in today's world (Vargo and Lusch, 2008) and is reflected in writings on the tasks essential to the marketing function (Heide and Wathne 2006; Palmatier et al. 2006). Recent consumer research has highlighted the benefits to marketers of participating in 'brand communities' or product/brand focused groups of consumers. These benefits include increased brand loyalty and repurchase rates, reduction in consumer switching behaviours, increased positive word of mouth, access to grassroots research and suggestions for product improvements and the development of long term symbiotic consumer-marketer relationships (Cova and Cova 2001).

In the wine industry, it may be possible to foster a sense of community among consumers who have visited and/or enjoyed the wines of a particular winery by allowing them to talk about their visit experience, add information to the site, contribute tasting notes, recommend various wine and food matches, and share aesthetic and emotion-laced experiences. However, we expect that many small winery owners/managers may not have the technical skills, marketing savvy or indeed the time and financial resources necessary to fully exploit the potential of social media tools (e.g., blogs, Twitter) through their winery web sites. Therefore, we hypothesize the following:

**Hypothesis 2:** A minority of SME wineries will utilize web sites in developing and fostering relationships and community with consumers/potential consumers.

Acknowledging SME resource constraints, since provision of information to consumers via a web site is a more basic function than is the creation of relationships/sense of community with them (Nielsen 2000), one would expect that wine SME web sites will be more focused on providing information than on creating relationships with consumers.

**Hypothesis 3:** Winery SMEs will be more focused on providing information to consumers and less focused on creating relationships with consumers on their company web sites.

Within the wine sector, new world regions such as California and Australia are known to be focused on gaining competitive advantage through technology (Aylward 2006) while old world regions such as France have been more resistant to adoption of innovative technologies and practices and more reliant on emphasizing their longstanding winemaking traditions and culture (Hussain et al. 2007). Accordingly, one would expect higher utilization of web sites by SMEs in new world regions, as well as more sophisticated uses of web sites by wineries in those regions. One might also expect that web sites of wineries in new world regions would be "better" in that they would more likely exceed minimal standards. However, research by Thach (2009) shows that even in the US, a well developed new world region, much opportunity remains for utilizing web technologies to assist in serving customer needs.

**Hypothesis 4:** There will be significant differences in regions across the world with SME wineries in new world regions offering web sites with stronger information and relationship building capabilities than wineries in old world wine regions.

## METHODOLOGY

This empirical study utilized content analysis (both a quantitative and qualitative approach that allows open-ended data to be categorized, explored and evaluated) of company web sites from a simple random sample of 60 wineries from each of four countries: Canada, Australia, the United States, and France, for a total of 240 SME wineries worldwide. In order to create a sampling frame, the researchers collated winery listings from several wine industry sources, deleting duplicate listings. Two coders independently coded each web site. Coders were trained extensively on the research instrument and coding approaches. Analysis of inter-coder reliability shows little divergence.

## FINDINGS

In support of Hypotheses 1 and 4, the data summarized in [Table 1](#) reveal that large majorities of SME wineries in each country have operating web sites and utilize web sites as part of their marketing strategy, (statistical differences in utilization were found ranging from a low of 88.7% in France (old world wine region) to highs of 95.5% in Canada, 93.3% in Australia and 100% in California (new world wine regions) (Chi-square = 10.1,  $P < .05$ ).

Further supporting Hypotheses 1 and 4, very high (and statistically different) proportions of the SME wineries across countries utilize their web sites for information provision (ranging from 84.0% in Australia to 94.7% in Canada (Chi-square = 16.6,  $P < .01$ )).

Hypothesis 2 was not supported in that slightly *more than half* the SME wineries in Canada (53.1%), and Australia (51.3%) and more than three quarters of California wineries were utilizing their web sites for developing relationships with consumers (76.0%). The research shows that the only country where a minority of SME wineries (29.8%) utilize company web sites for developing consumer relationships was France.

Considerable support for Hypothesis 3 is revealed in [Table 1](#) where it can be seen that SMEs utilize their web sites significantly more frequently for information provision than for relationship and community building – for example in California 100% of SMEs utilized their web sites for information provision while only 76.0% utilized them for relationship building (the Z Test of Proportion was significant at the .01 level for all countries).

Hypothesis 4 was also supported in that use of web sites for relationship and community building was found to be statistically different across countries (Chi-square = 55.7,  $P < .01$ ) with France using web sites least for relationship building 29.8%; and United States using web sites most for relationship building (76.0%). However, in contradiction to Hypothesis 4, SMEs in both Australia and the United States (new world wine regions) utilize their web sites less frequently for information provision than do SMEs in France.

[Table 2](#) summarizes key findings with regard to methods utilized by winery SMEs to build relationships and facilitate community with consumers. Almost half of winery SMEs in the United States (45.5%) share information about winery activities compared to about one-quarter of the SMEs in both Canada (26.2%) and France (25.4%). Similarly, about two-thirds of American SMEs offer wine club memberships (68.6%) compared to only 2.6% of French SMEs and 21.9% of Canadian SMEs. California also leads in terms of asking for customer email addresses, providing newsletters and allowing customer account creation. Canadian winery SMEs tend to lead in terms of providing advice in most aspects (France provided more advice concerning age ability), but relatively few wineries overall provide advice. None of the SME wineries provide chat rooms; French wineries were significantly more likely to provide a customer feedback form compared to SMEs in the other countries. The practice of allowing visitor to visitor contact via a SME winery web site was infrequent with the United States leading (10.0% of wineries).

## SUMMARY AND CONCLUSION

The results show that high proportions of SME wineries in the four countries studied have adopted web sites as part of their strategies in providing information to consumers. Distinctive marketing strategies by wineries in the old world (i.e. France) and new worlds (i.e. Australia, United States, and Canada) appear to be reflected in the type of information provided on the SME web sites. For example, SMEs differed significantly in providing information concerning the history of the winery. The highest number of wineries providing information on history was found in France (94.7%) while significantly fewer wineries in the new world provided such history (73.6% of Canadian wineries, 77.5% of Australian wineries and 85.1% of Australian wineries). This finding supports existing literature showing that old world wine producers emphasize the history, tradition, and culture of wine making in their countries and are less focused on adopting and competing on basis of technological advantages (Hussain et al. 2007).

As expected, most SMEs utilize their web sites more frequently to accomplish the most basic functions of providing information to consumers (Nielsen 2000), while fewer were found to be geared toward creating relationships and establishing community for consumers. In spite of recent writings (e.g. Thach 2009) that stress the utility of web sites in fostering a sense of community among web visitors, and the current attention being paid to Web 2.0 functionality (e.g., user generated content, blogs, etc.) wineries were found to be comparatively weak in the use of technology to facilitate visitor to company information flow and visitor to visitor exchange. The potential gain for marketers of tapping into the virtual community nature of the Internet has long been recognized (Strangelove 1995), but has only recently begun to be explored in practice. In spite of researchers' admonitions that "Internet marketing...is about building relationships within a virtual community" (Strangelove 1995, p.43), and "building a brand online has to do with developing relationships through intensive interactions" (Shabazz 2004, p.128), few firms have harnessed the power of their web sites as relationship building tools. There appears to be considerable scope for wineries to develop and strengthen relationships with winery consumers using their web sites. This is especially so given the growing popularity of wine consumption among the 'millennials' cohort

(those born between 1977 and 1999), with their relative technological sophistication and fluency with Internet use (Olsen, Thach and Nowak 2007).

The implications of this research for wineries must be assessed in light of the study's strengths and weaknesses. The weaknesses of the study include lack of data on the strategies of the wineries in order to provide context to better interpret the web site implemented by that winery. In addition, research is required to assess how dimensions such as size and age of the winery are related to web site development. However, the study benefits from a well constructed simple random sample, and careful coding (including multiple coders) that allows increased confidence in the aspects of the assessment which involve judgments.

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**Table 1 Overview of Strategic Use of Web Sites by Winery SMEs**

<b>Utilization By Winery</b>	<b>Canada</b>	<b>Australia</b>	<b>California</b>	<b>France</b>
Have a Working Web site (*)	95.5%	93.3%	100.0%	88.7%
Web site for Information provision (**)	94.7%	84.0%	85.9%	88.7%
Web site for relationship and community building (**)	53.1%	51.3%	76.0%	29.8%

\*\* Alpha < .01 \* Alpha < .05

**Table 2 Relationship and Community Building Web site Provision**

<b>Creation of Relationships</b>	<b>% of Wineries</b>			
	<b>Canada</b>	<b>Australia</b>	<b>United States</b>	<b>France</b>
<b>Company to Visitor</b>				
Shares information about winery activities (**)	26.2	30.6	45.5	25.4
Offers wine club membership (**)	21.9	31.5	68.6	2.6
Asks for email address (no order is made) (*)	32.2	36.0	46.7	31.9
Company has/offers newsletter (**)	42.5	30.6	53.7	14.9
Provides External Links (**)	54.7	31.9	36.4	40.3
Allows account creation (**)	11.3	19.8	60.3	75.2
<b>Offers Advice</b>				
About food matching/dining (**)	57.4	31.5	35.5	38.6
About storage (*)	19.3	15.3	8.3	21.1
About recipes (**)	21.0	3.6	18.2	3.5
About age ability (**)	26.4	35.1	17.4	42.1
Winery offers to solve customer needs (i.e. gift giving) (**)	49.8	27.0	47.9	18.0
<b>Visitor to Company</b>				
Provides feedback form (**)	22.3	27.9	24.8	40.4
Provides chat room (NS)	0.0	0.0	0.0	0.0
<b>Visitor to Visitor</b>				
Allows visitor to visitor contact (**)	1.7	4.5	10.0	4.4

\*\* Alpha < .01 \* Alpha < .05 NS – not significant

# **DISTAL SALESPERSON-SUPERVISOR RELATIONSHIPS: A CONCEPTUAL INTEGRATION OF SELF-DETERMINATION, LEADERSHIP, AND COMMUNICATION THEORIES**

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## **ABSTRACT**

In the sales literature, several researchers have identified that supervisory roles and behaviors play a vital role in fostering salesperson-supervisor relationships and, ultimately, salesperson performance. However, this body of research has extensively focused on such relationships in face-to-face or collocated contexts. But, in recent times, selling organizations are rapidly adapting to newer market structures, work practices, and technological advances by utilizing distal salespersons. Distal salespersons (a) are physically, socially, and psychologically separated from their workplace, (b) rely extensively on electronic media for communication with co-workers and supervisors, (c) have less access to peer support, (d) have fewer informal interactions with co-workers and supervisors, and (e) generally, receive scripted, rather than face-to-face, feedback from supervisors (Mulki et al. 2008).

Although distal salespersons enjoy flexibility and mobility in performing their sales responsibilities, they have reduced opportunities to build and maintain interpersonal relationships with their supervisors. Factors such as spatial distance, absence of socialization processes, and infrequent formal or informal communication pose challenges to the cultivation of relational ties and, consequently, may potentially impede salesperson performance. Yet, the sales literature reflects little effort on the examination of the facilitators, nature, and outcomes of distal salesperson-supervisor relationships. Therefore, as a starting point, this research integrates germane theories from social psychology, leadership, communication, and marketing to provide a conceptual framework of distal salesperson-supervisor relationships.

First, to understand interpersonal attachments in distal salesperson-supervisor relationships, self-determination theory is employed. Self-determination theory postulates that, in the context of interpersonal relationships, innate psychological needs form the basis for an individual's self motivation and personality integration. The implications of self-determination theory transfer to the context of distal salesperson-supervisor relationships in that strong attachments are likely to form when supervisors are responsive to the innate needs (autonomy, competence and relatedness) of distal salespersons. Therefore, supervisors' recognition of and responsiveness to the innate needs of a distal salesperson are proposed as antecedents of attachment strength in distal salesperson-supervisor relationships.

Second, extending research on leadership theories and related work in the sales literature, it is proposed that high-quality LMX relationships are instrumental in distal salespersons forging attitudinal attachments with their supervisors. Prior studies have identified that high-quality LMX relationships engender better subordinate responses when distal separation exists, including outcomes such as cooperation, trust, satisfaction with supervisor, and salesperson performance. Third, using media synchronicity theory and media richness theory, it is proposed that effective use of synchronous and asynchronous communication, as well as, rich media interfaces are likely to result in better attachment between distal salespersons and their supervisors. Finally, consistent with self-determination, leadership, and communication theories, it is posited that strong attachments between distal salespersons and supervisors lead to positive relationship outcomes such as distal salesperson performance, organizational identification, and reduced turnover intentions.

In summary, this research highlights that by fulfilling the innate needs of distal salespersons, maintaining high quality LMX relationships, and using appropriate communication styles and interfaces, it is possible for supervisors to cultivate relational attachments with distal salespersons. Consequently, such secure attachments influence distal salespersons' performance, organizational identification, and turnover intentions. Although these outcomes are vital for any organization, they are especially desirable for highly dynamic selling organizations that continue to evolve with unprecedented changes in their micro and macro environments.

References Available on Request.

# THE INDIRECT EFFECT OF ADVERTISING PERCEPTIONS ON SALESPERSON EFFORT AND PERFORMANCE

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## ABSTRACT

Considerable research explores advertising's role in influencing buyer perceptions and behavior. However, advertising's impact on another key audience - the firm's sales force - has been largely overlooked. Drawing from social identity and expectancy theories, and using survey and objective performance data from a sample of 200 field salespeople, we demonstrate that a salesperson's perception of brand advertising has a significant effect on the effort placed in support of that brand, and resulting salesperson performance, by positively influencing the extent to which the salesperson identifies with the brand and his or her expectancy that such effort will generate results. More specifically, a salesperson's perception of advertising *quantity* positively affects results expectancy, while attitudes towards the advertising message positively affect salesperson - brand identification. Brand identification influences salesperson performance not only through increased in-role effort, but also through the salesperson's increased propensity to engage in brand-supportive extra role behaviors. Therefore, in addition to its well documented value in creating "pull," advertising may also function as a "push" device, by facilitating salespeople's identification with a brand and by engendering among salespeople stronger expectations that effort placed on a brand will result in improved sales performance. These results suggest that managers should not only pay attention to how brand advertising is being perceived by sales employees, but they should proactively work to influence salesperson perceptions via thoughtful and sufficient internal communications.

References Available on Request.

# THE RELATIONSHIP BETWEEN JOB LIKING, SELLING SKILLS, AND EMPOWERMENT OF RETAIL SALESPEOPLE AND THEIR AFFECTIVE ORGANIZATIONAL COMMITMENT

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## ABSTRACT

Committed retail salespeople are a key success factor in retail businesses, since commitment urges them to engage in discretionary efforts leading to customer satisfaction and retention (Zeithaml et al., 1990). Research findings indicate that there are many important predictors of organizational commitment of salespeople: these include, amongst others, role ambiguity (Agarwal & Ramaswami, 1993), task characteristics (Hunt et al., 1985), supervisory behaviors (Johnston et al., 1990), organizational structure (Michaels et al., 1988), and job satisfaction (Babakus et al., 1999). However, affective organizational commitment of retail salespeople in the context of their empowerment along with their job liking and perceived selling skills has not yet been examined. This study addresses this research gap using a multilevel modeling approach.

Affective commitment reflects positive feelings towards the organization and its values (Johnston et al., 1987), represents salespeople's emotional attachment to and identification with the organization (Fu et al., 2009; Ingram et al., 1989), and results in valuable organizational outcomes (Bergmann et al., 2000). For instance, Jaramillo et al. (2005) state that committed salespeople are more likely to exert effort on behalf of the organization as identify the organization's gain as their own. Selling skills (capabilities of engaging in behaviors such as attentive listening and effectively working out solutions to customers' questions - Behrman & Perreault, 1982), and job liking (an intrinsically interesting job leading to engagement in focused attention, cognitive functioning, and persistent effort - Hidi, 2000) have been hypothesized to influence positively salespeople's affective commitment (Ford, 1992; Locke & Latham, 1990; Moch et al., 1979). Furthermore, salespeople's empowerment (an active work orientation 'in which an individual wishes and feels able to shape his or her work role and context' - Spreitzer, 1995 [p1444]), has been found to facilitate a salesperson's commitment to the organization (Kirkman & Rosen, 1999; Locke & Schweiger, 1979; Spreitzer, 1996); consequently, it has been hypothesized that, as salespeople's empowerment increases, affective organizational commitment also increases (Liu et al., 2007).

To test the above hypotheses, a random two-stage sampling design was used in which a stratified random sample of companies was taken in the first stage, and then salespeople were sampled at random from the selected companies in the second stage (Snijders & Bosker, 2004). The total sample comprised 105 companies and 419 salespeople. Data was collected from sales managers via a questionnaire administered through face-to-face interviews and from salespeople through a self-administered procedure. A multilevel analysis was performed to assess the effects of the above predictors on retail salespeople's affective commitment. Using a multilevel modelling approach for studying hierarchical (nested) data (i.e., selling skills and job liking at salesperson level and empowerment at sales manager level) on the affective commitment of retail salespeople, allows responses at these two levels to be modelled while accounting for the dependencies among observations (Heck & Thomas, 2009).

The results confirmed the positive impact of selling skills, job liking and empowerment on affective commitment. In addition, a moderating effect of job liking on the relationship between selling skills and affective commitment was found, indicating that the relationship between selling skills and affective commitment varies across different levels of job liking. This finding, therefore, provides some evidence of the importance of job liking both as an antecedent and moderator of affective commitment. Finally, the levels of empowerment provided by retail organisations to their salespeople did not differ significantly between companies. Notwithstanding the study's limitations, these finding have managerial implications in the areas of strengthening selling skills, increasing job liking, and designing jobs in a way that empower salespeople and lead to commitment.

References Available on Request.

## **DOES SATISFACTION LEAD TO LOYALTY? AN ATTRIBUTIONAL THEORY APPROACH**

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### **ABSTRACT**

Research shows that increased customer satisfaction with the service experience leads to increased customer loyalty, however, up to sixty five percent of satisfied customers defect. In an effort to further understand these defections, the authors use attributional theory to develop a conceptual framework to examine the relationship between customer satisfaction with the experience and customer loyalty in increasing co-production and relational experiences. This paper presents propositions which suggest that customer attributions of credit act as the causal mechanism for these defections, such that internal attributions of credit by the customer in co-production experiences leads to decreased customer loyalty and that relational experiences can help to mitigate the effect of internal attributions on customer loyalty. As a result, this paper shows that present managerial strategies for managing customer defections concerned solely with customer satisfaction are insufficient in their present form.

References Available on Request.

## **SOFT AND HARD BENEFITS OF LOYALTY PROGRAMS AND LOYALTY OUTCOMES**

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### **ABSTRACT**

The task of differentiating services becomes increasingly difficult when those services begin to be perceived as easily imitable and fairly standard. The perspective offered by service dominant logic (SDL) suggests that when marketers face such a prospect, they should proceed by moving from tangible to intangible service attributes and to co-create value with their customers, making the process of imitation much more difficult. In the credit card industry, the creation and execution of effective rewards programs has been the primary way credit cards differentiate their offerings. This paper examines how hard and soft benefits of credit card loyalty programs are perceived, and how they influence attitudinal and behavioral loyalty. In line with the SDL perspective, the importance of soft benefits is emphasized. The results show that attitudinal loyalty is a key mediator of the relationships between both hard and soft benefits of loyalty programs and behavioral loyalty. The results and implications for future research are discussed.

References Available on Request.

## **SOLUTION ORIENTATION: THEORETICAL FRAMEWORKS, PRACTICAL APPLICATIONS AND CHALLENGES**

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### **ABSTRACT**

The importance of providing tailored solutions to customers, i.e. being solution oriented, is now recognized across organizational settings such as business-to-business, business-to-consumer, private and public sector contexts.

However, despite this development the literature in the field of solution orientation is still at an embryonic stage with an emphasis on theory development. Linking into the 2010 Academy of Marketing Science Conference theme “Achieving Balance: Research, Practice, & Career”, this special session provides a forum for researchers and practitioners who have an interest in the practical application of theoretical concepts related to solution orientation. The papers presented in this session are based on academic research projects carried out in conjunction with practitioners. The aim is to provide an insight into the implications for and challenges faced by practitioners in the development and provision of solutions.

To provide a rich overview, the selected papers draw upon diverse perspectives and data from a wide range of organizational contexts.

The first paper, “Developing Customer Solutions During an Economic Downturn,” by Michael Marck, Jay Mulki, and Patrick Lipovski, investigates how solution strategies are formulated in private business-to-business contexts in order to overcome adverse economic conditions, such as in the recent recession. In-depth interviews uncover how times of low demand are used to develop strong relationships with clients and their stakeholders to develop integrated solutions and to prepare for the provision of these at a later stage.

The second paper, “Co-Creating Community Solutions with Customers,” by Matthew Alexander and John Yellowlees, explores how customers can be involved in the development and provision of community solutions. Departing from the inquiry into traditional B2B and B2C contexts, this qualitative research reveals how the customer co-creation process translates into practice and can be effectively managed to pursue aims beyond the profit of organizations.

The last paper, “Providing Business-to-Business Solutions in a Public Sector Context,” by Barbara Caemmerer, Heiner Evanschitzky, and Alan Wilson, provides an in-depth insight into the practices implemented and challenges faced by a government agency in the pursuit of a more tailored and holistic provision of services to its customers. The data - collected through internal document analysis, observations, and key informant interviews - reveal managerial practices, attitudes and boundary conditions that enable and hinder the provision of solutions in the public sector.

# CHOICE BETWEEN PLEASURE AND FUNCTION: A CROSS-CULTURAL PERSPECTIVE

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## ABSTRACT

This article investigates whether culture influences consumer choice between fun and function. We argue that individualistic consumers prefer the hedonic vice option over the utilitarian virtuous option, whereas the converse is true for collectivist consumers. We propose methods to investigate the hypotheses and discuss the significance of the proposed research.

Researchers are interested in the question: what makes consumers choose a hedonic vice versus a utilitarian virtuous product (Dhar and Wertenbroch 2000; O'Curry and Strahilevitz 2001; Okada 2005; Shiv and Fedorikhin 1999). Prominently featured in prior research is a phenomenon known as choice-goal compatibility (Chernev, 2004). Researchers argue that trade-offs between hedonic versus functional attributes are essentially trade-offs between valued goals these attributes help attain (Luce et al. 1997; Luce et al. 2001). Promotion focused individuals centre their thinking on *ideals* reflected through their hopes, aspirations or wishes. Prevention focused individuals centre their thinking on *oughts* reflected through their duties, obligations or responsibilities. Researchers argue that trading utilitarian attributes for hedonic ones helps attain promotion goals, whereas trading hedonic attributes for utilitarian ones helps attain prevention goals (Chernev 2004; Chitturi et al. 2007). It is against this background of previous research that we investigate trade-offs between hedonic and utilitarian attributes from a cross-cultural perspective.

Previous research suggests that chronic ideals versus oughts are developed through socialisation processes that focus on the relative independence or interdependence of an individual's self-view (Lee et al. 2000). Independent self-views, commonly found in members of Western cultures, focus on the uniqueness and separateness of the individual from the others (Markus and Kitayama 1991). Interdependent self-views, commonly found in members of Asian cultures, focus on the connectedness among individuals, viewing the individual in relation to a larger social whole (Markus and Kitayama 1991). Lee (et al. 2000) found that individuals with a dominant independent self-view focused on promotion-framed information, whereas individuals with a dominant interdependent self-view focused on prevention-framed information. Lee's (et al. 2000) research suggests that chronic self-views are antecedents of chronic self-regulatory patterns. Specifically, individualists are more attuned toward promotion focus, whereas collectivists are more attuned toward prevention focus. Thus the following hypotheses:

H1a: Promotion focus (ideals are more accessible than oughts) is predictive of hedonic consumption.

H1b: Prevention focus (oughts are more accessible than ideals) is predictive of utilitarian consumption.

H2a: Consumers from an individualistic culture should prefer the hedonic product in a binary choice set.

H2b: Consumers from a collectivist culture should prefer the utilitarian product in a binary choice set.

This research adopts a 2 (accessibility: ideals versus oughts) x 2 (culture: Australian versus Chinese) between-subject design. Accessibility of ideals versus oughts means whether ideals are more accessible than oughts or vice versa. Given that ideals and oughts co-exist in a consumer, priming techniques can be used to manipulate accessibility of ideals versus oughts (Pham and Avnet 2004). The experiment will be administered to ensure that the priming manipulation precedes the choice decision and subjects should perceive the choice as incidental. First, subjects will be asked to write down either their hopes and goals (ideals) or their duties and obligations (oughts). In the choice decision that follows the priming manipulation subjects will indicate whether they want to select a bar of chocolate or a piece of fruit as a snack. Following their choice, subjects will be asked to indicate the basis of their choice. The choice-basis measures are adopted from Shiv and Fedorikhin (1999).

This research continues the investigation of an important question: What makes a consumer choose a hedonic vice versus a utilitarian virtuous product? It echoes a growing body of evidence suggesting that consumer choices are goal-compatible. More importantly, this research introduces a cultural perspective from which hedonic versus utilitarian choices are examined.

Reference Available on Request.



## REGULATORY FIT WITH THE BENEFIT LEVEL OF A GOAL-VEHICLE AND FIT WITH THE GOAL: THEIR COMBINED INFLUENCE ON PURCHASE BEHAVIOR

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### ABSTRACT

One's regulatory fit with a goal may help explain the zeal or energy with which one will gravitate towards a means or goal-vehicle that may be used to achieve that goal (Higgins, 2000). However, the literature pertaining to regulatory fit theory is relatively silent on the distinction between regulatory fit with a level of benefit that will be provided by an attribute of an object that facilitates goal achievement, relative to a base or reference level of benefit, and the regulatory fit that one may have with the goal that the object helps to meet. In other words, even though an individual may have a regulatory fit with a goal that a desired object may help to achieve as well as with the means or goal-vehicle by which the goal will be achieved, it is plausible that if the level of benefit or utility that will be provided by the goal-vehicle is not sufficiently high enough relative to a base reference level, the individual may not select the goal-vehicle even though there may be a strong sense of regulatory fit with the vehicle or means of goal achievement.

Avnet and Higgins (2006) proposed that a regulatory fit experience has two principal components; the strength-of-engagement, and the feeling-right components. Based on the above reasoning, the overall purpose of this study was to investigate whether the structure of regulatory fit could be modified to account for the level of utility (or benefit) that may be provided by a goal-vehicle. We hypothesized that it may be too simplistic to state that one will have a regulatory fit with a goal-vehicle (or goal achievement means) based on its ability to help in the achievement of a goal due to a strong strength-of-engagement fit component as well as a strong feeling-right fit component, as the regulatory fit literature does, without accounting for the level of utility that will be obtained from the goal-vehicle. In this study we formulated and tested the validity of seven hypotheses in support of this argument with 66 participants in Washington State, USA. Participants were presented with two options for indirectly funding a particular state sponsored social program towards which participants indicated they had a regulatory orientation goal of financially supporting in order for the program to continue helping children in the State of Washington. The two funding options were selected so that the "feeling-right" component of regulatory fit was strong for one and weak for the other. The independent variables were the two funding options, the regulatory orientation of participants (to which they were induced into having either a promotion- or a prevention-focus), and the magnitude of the benefit that each funding option would provide to the social program from funds received. The dependent variable was the likelihood of donating to a funding option based on the above combination of variables.

ANOVA results indicate that the strength-of-engagement component of regulatory fit, conceptualized as the likelihood of donating to a particular funding option, was influenced by the utility that was provided by a goal-vehicle or funding option as well as a participant's regulatory orientation. We found that the option with the weak feeling-right component was more likely, statistically, to receive funding from promotion-focused participants when the level of benefit provided by the option was low; however, when the level of benefit was high there was no statistical difference between both types of participants. We also found that the option with the strong feeling-right component was more likely, statistically, to receive funding from prevention-focused participants when the level of benefit provided by the option was high; however, when the level of benefit provided was low there was no statistical difference between both types of participants. Overall, we found that funding level was held constant (or not factored into the analysis), promotion-focused participants were more likely, statistically, to donate to the funding option with the weak feeling-right component than were prevention-focused participants.

Overall we believe that our results provide support for the inclusion of a third component in the regulatory fit model that will be based on the level of utility that will be derived from a goal-vehicle, and that one cannot simply say that an individual will gravitate towards a goal-vehicle based on regulatory fit with the vehicle or means of goal pursuit. Our findings indicate that the level of utility that will be received from a goal-vehicle will also have a direct influence on the strength-of-engagement component of regulatory fit; however, whether the feeling-right component for a goal-vehicle is strong or weak, as well as an individual's regulatory orientation, are also factors to be considered when predicting the likelihood that the individual will select the goal-vehicle.

References Available on Request.

# MARKETING PROFITS AS A NEW PROFITABILITY METRIC BASED ON LEAD PRODUCTS: COMPARISON WITH ACCOUNTING PROFITS AND IMPLICATIONS FOR RETAILERS

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## ABSTRACT

Conventional profits are viewed from an accounting perspective that focuses on individual products, understandably without considering marketing aspects of business. To find out a product's contribution to the overall store profits, retail managers calculate profits of the product by subtracting its cost from its revenue, which is referred to as "accounting profits" of the product. Even though accounting profits have been widely adopted and used, it is questionable to what extent they can help retail managers make better "marketing" decisions. Accounting profits do not provide an accurate picture of which products draw consumers to stores and thus more important to retail managers. Consumers make a physical or mental shopping list before a shopping trip, and the shopping list usually contains multiple products. With the shopping list, they buy the listed products at a store. Among the listed products, some are more influential in consumers' store choice decisions than others. In this paper, those influential products are referred to as "lead products," which are defined as products on a shopping list that are the most influential items for the shopping trip that are associated with particular stores. In many cases, consumers choose a store on the basis of lead products, and thus lead products play a crucial role in consumers' store choice decisions and determine at which store the entire listed products in the shopping list will be purchased. In this sense, lead products make significant contributions to the total profits for the store by drawing sales of the less influential products on the shopping list to the store while those less influential products make no contribution to the store profits. A profitability measure for individual products based on this logic would be quite different from measures based on accounting principles.

Accounting profits treat the joint purchase of multiple products as separate purchases of individual products by focusing on performance of individual products and ignoring the important role of lead products on a shopping list. They do not correctly reflect consumers' shopping behavior and thus could lead retail managers to design and execute ineffective marketing strategies. For example, a store manager might decide to promote general merchandise items because their accounting profit margins are high. However, his customers perceive the store's general merchandise category as weak in quality and selection, but come to the store because of its excellent produce section. Since the customers do not have a positive image about the store's general merchandise category, the promotion campaign for the category is not likely to create excitement among the customers and thus would not generate a significant store traffic increase. If the store manager promoted produce items instead, the promotion would be successful, because produce is likely to be a lead category for many of his customers and thus they would visit the store more often due to the promotion on produce. This would increase store traffic, which leads to more sales. As such, a marketing-based profitability measure can provide retail managers with more useful, customer-centric information that can help manage customer traffic and product categories through lens of consumers.

In this paper, marketing profits are considered as an alternative and more relevant measure of profitability that addresses the drawback of accounting profits. Marketing profits of a product in this paper are defined as the amount of profits generated because of the product, including profits from the product as a lead product and profits from associated ancillary products (i.e., the other non-lead items) on the shopping list. The concept of marketing profits uses a new, marketing-based approach to profitability of individual products, taking into account consumers' preferences and store choice behavior. Specifically, marketing profits capture the mechanism that a consumer's retail store choice is determined by "influential" products on her shopping list and measure such products' contribution to overall store profits.

The objective of this paper is to empirically show that marketing profits are different from accounting profits using survey data and to explain how marketing profits can provide more relevant profit information than accounting profits for retail managers. To collect data, a survey instrument was utilized. Questionnaires were distributed to shoppers who were exiting two supermarkets. For the sampling purposes, a combination of convenience and judgment sampling approaches were employed in order to obtain sufficient efficiency of distributing questionnaires without introducing serious biases. The results of this study show that marketing profits offer quite different, yet more useful information about stores' profit structures, compared to the information that accounting profits provide. The most marketing profitable category for Store A was produce, and the second was grocery. But for Store B, the most marketing profitable category was meat/seafood, followed by produce. Although the two stores show similar profit patterns in terms of accounting profits, marketing profits reveal quite different profit patterns between the two stores, identifying which product categories are drawing customers to each store.

References Available on Request.

## **INTERCONNECTED OPERANT RESOURCES AND MARKET PERFORMANCE: THE RETAILERS' PERSPECTIVE**

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### **ABSTRACT**

Service Dominant Logic (SDL) has changed the face of marketing research over the past five years. SDL emphasizes not only service in the experience building process, but also the importance of operant resources in achieving sustainable competitive advantages. Following this focus on operant resources, this article examines service related operant resources in the retailing context and their impact on retailers' market performance. This research not only explores operant resources that are internal to the organization (customer orientation and service culture), but also studies operant resources that involve external relationships (collaborative communication and relationship quality) and their impact on value creation. A survey is conducted with 300 key retailing informants. The results indicate that service related operant resources perform more efficiently when reinforced by other operant resources like relationship quality and top management support.

References Available on Request.

## **RETAIL FREE-RIDING: THE CASE OF THE WALLPAPER INDUSTRY**

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### **ABSTRACT**

It is often claimed that discounters are able to succeed by “free-riding” on the pre-sale consumer services, depth of assortment, convenient location, and the brand/product image created supplied by full-service retailers. Although free-riding has been argued to affect the competition of brands within an industry, it is rarely identified as potential determinant of industry viability. Using the wallpaper industry as a case study, we analyze the marketing history of this industry over a 30-year period to illustrate how retail free-riding has potentially contributed to the radical decline in size and profitability of an entire market. Possible implications for distribution channel policy and pricing practices are also discussed.

References Available on Request.

# CONSUMER UNDERSTANDING AND USE OF NUMERIC INFORMATION IN PRODUCT CLAIMS

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## ABSTRACT

This paper visits the marketers' assumption and investigates to what extent consumers understand and use numeric information presented in marketing communications. Study 1 demonstrated that less numerate individuals, compared to those higher in numeracy, were less sensitive to numeric information in their affective evaluations of products. Study 2 demonstrated that the majority of participants, especially less numerate individuals, were susceptible to the Illusion-of-Numeric-Truth effect. Study 3 demonstrated that less numerate participants were capable of being more sensitive to numeric information in product claims when they were encouraged to process numeric information more systematically through fluency manipulations.

We often use numeric information with the intention of communicating a precise meaning, assuming that consumers understand and use this information appropriately in their decisions. However, some research suggests that consumers' ability to understand simple math is surprisingly low (e.g., Lipkus et al. 2001). This paper visits the marketers' assumption and investigates to what extent consumers understand and use numeric information presented in product claims. Numeracy, the ability to process basic probability and numerical concepts, and its relation to the use of numeric information in individuals' affective product evaluations and truth judgments are tested as well. This research also explores ways to help consumers, especially those lower in numeracy, to weigh important numeric information more in their product evaluations.

In Study 1, participants were presented with fictitious product claims comparing two products (e.g., 35% of consumers preferred Pentol to Phemanide), and were asked to rate their affect towards the target product (e.g., Pentol). The results demonstrated that highly numerate individuals successfully relied on numeric information more than less numerate individuals in their affective evaluations of products. Less numerate participants, on the other hand, seemed to be more influenced by the general positivity of product claims. In Study 2, participants engaged in truth judgments in addition to affective product evaluations. The results replicated that of Study 1 and further demonstrated consumers' insensitivity to numeric information when judging the truthfulness (accuracy) of product claims from memory: they, especially those lower in numeracy, inaccurately judged numerically false claims to be true (the Illusion-of-Numeric-Truth effect). For example, consumers judged the claim "most consumers preferred Levantra" to be true when they were previously presented with "30% of consumers preferred Levantra". Additional analysis suggested that highly numerate consumers successfully used their affect towards products in subsequent truth judgments, whereas less numerate consumers seemed to judge familiar claims as true regardless of their actual truthfulness. In Study 3, participants were encouraged to process information more systematically through a fluency manipulation (Schwarz 2004). As hypothesized, participants' preferences were more sensitive to numeric information when numeric information was in a hard-to-read font (disfluent condition) than in an easy-to-read font (fluent condition). With disfluent (vs. fluent) numeric information or higher (vs. lower) numeracy abilities, participants reported less preference for target products with unfavorable numeric information. Study 3 demonstrated that less numerate participants were capable of being more sensitive to numeric information in product claims when they were encouraged to process numeric information more systematically.

Results of these studies indicate that not all numeric product information is used by consumers. Although most of the participants in this paper were highly educated (cf. college students), they failed to consistently use numeric information in their judgments. These results suggest that a large number of consumers in the U.S. may be relatively insensitive to numeric information and susceptible to the Illusion-of-Numeric-Truth effect. It is important for marketers to acknowledge that consumers may not always use the numeric information presented in marketing communications, even proportional information as simple as "30%". This paper is a first step towards understanding consumers' use of numeric information in their product evaluations and in creating ways to encourage consumers to use numeric information more frequently and accurately in their product evaluations.

References Available on Request.

# **WARRANTY AND PRICE AS QUALITY SIGNALS: THE EFFECT OF SIGNAL CONSISTENCY/INCONSISTENCY AND SIGNAL UNEXPECTEDNESS ON PRODUCT PERCEPTION**

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## **ABSTRACT**

This dissertation aims at examining the effect of signal inconsistency and signal unexpectedness on a consumer's evaluation of a product. Study one examines the effect of signal consistency/inconsistency on product quality, where consistent signals are those of the same valence. For example, high price is consistent with a good country of origin. However, a long warranty is inconsistent with a brand name that has a low quality reputation. We argue that when signals are inconsistent, consumers will engage in an attribution process to explain inconsistency. If consumers attribute inconsistency to persuasive motive, then perception of quality will decrease. If no persuasive motive is perceived, then consumers will tend to discount inconsistent signals and perceived product quality will not be affected by those signals.

Study one has important theoretical and managerial implications. Theoretically, the study is expected to increase our understanding of the interaction among multiple signals, which is an under-researched area. For managers, understanding how price and warranty interact provides important information regarding optimal prices and warranties to achieve the desired goal of enhancing consumers' perception of product quality.

Study two addresses the effect of one signal on the credibility of other signals. Studies concerning signaling product quality have focused on either comparing the use of intrinsic and extrinsic cues, or on the importance of different extrinsic cues in evaluating product quality. However, no study thus far has examined how the characteristics of one signal might affect the effectiveness of other signals. Study two aims at filling this void through examining the effect of credibility and diagnosticity of some signals on the credibility and effectiveness of other signals. This study will extend cue utilization theory by exploring the effect of cues on the diagnosticity of other cues. When faced with a diagnostic cue with ambiguous credibility, consumers might use other cues to reach a conclusion about diagnostic cue credibility. If the cue is determined to be credible, the diagnostic cue will be used in evaluating the product. If the cue is determined not to be credible, the cue will not be used in product evaluation.

Study two shows important theoretical and managerial implications of cue utilization. Theoretically, the study provides the first empirical examination of the effect of signals on the diagnosticity and credibility of other signals. For managers, the results of the study are expected to provide important diagnostic information that might be overlooked. Specifically, different components of durable products may play an important role in product quality perception.

References Available on Request.

## **CLOSER THAN YOU THINK: OUTSHOPPING INTENTIONS AND THE PERCEPTIONS OF DISTANCE**

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### **ABSTRACT**

One of the tenets of marketing is that producers and consumers are separated, and the purposeful study of the marketing process is predicated on the removal of the causes of separation, whether spatial, temporal, informational or financial (Bartels 1968). Spatial theory was one of the earliest areas of study in marketing. Based upon population and distance, Reilly's law of retail gravitation (1929) calculated a "break-even" point between two shopping areas, where consumers on either side of the calculated line would determine where to shop.

Shoppers rarely perform in such a simplistic fashion. Shoppers regularly visit centers outside of their local shopping districts, even when the barriers are seemingly difficult to overcome. The outshopper, defined as an individual who will forgo the convenience of local shopping to travel to out-of-town markets to purchase goods and services (Hawes and Lumpkin 1984), is a phenomenon worthy of study even in the age of the Internet. Running counter to Reilly's law, these shoppers will minimize the natural barriers of time, distance and convenience to travel to special shopping markets and engage in the same or similar behavior they could partake in locally. While many consumers consider these barriers to be sufficiently challenging, outshoppers perceive them as either being surmountable or engage in behavior that minimizes their inconvenience.

This study broadens the understanding of outshopping behavior by studying how consumers perceive time and distance to outshopping locations. An investigation of extant research shows that distance can be perceived differently depending on many aspects. These coalesce into two different constructs that affect distance perception, those that center on the market characteristics, labeled as macro-analytic, and those that center on the individual, defined as micro-analytic (Reynolds and Darden 1972). By performing a typology of these studies, we define the possible antecedents that change our perceptions of distance that fall within these two constructs and posit a model of perceived distance and its ultimate effect on outshopping intentions.

References Available on Request.

# **DIMENSIONS OF COMMITMENT IN THE RELATIONSHIP DEVELOPMENT PROCESS: AN EXPLORATORY STUDY**

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## **ABSTRACT**

Commitment is an important characteristic and outcome of long-term buyer-seller relationships. Prior research has identified several dimensions of commitment in relationships. A conceptual framework is proposed that suggests that the type of commitment that is dominant in the relationship varies according to stage of the relationship development process.

This study explores the proposition that that one or more dimensions of commitment is more relevant during different phases of the inter-firm relationship. In contrast to prevailing models that conceptualize commitment as the strongest phase in the relationship development process, it is argued that some level of commitment is important in all stages of the relationship. In the relationship development process, the type of commitment varies depending on whether the relationship is in the exploration, expansion, commitment, or dissolution phase. Service providers express and adjust their commitment messages depending on whether clients implicitly or explicitly convey whether they 'want to,' 'have to,' or 'ought to' enter a relationship, stay in a relationship or leave a relationship. Firms signal their commitment to the client using different appeals so that they can successfully move the client to the next phase in the relationship and solidify the client's commitment to the firm.

The purpose of this paper is to explore the nature of the commitment process during the relationship development process. Are there predominant dimensions of commitment that are expressed during the various relationship development phases? There has been little research that studies if the form of commitment changes as a relationship evolves within the context of business-to-business services. Understanding of the behavior of how service providers manage the commitment development process will enable firms to more successfully focus their business development efforts with appeals that move clients closer to loyal and satisfying relationships. This study examines the parallel processes of commitment development and relationship development from the perspective of the business-to business service providers and draws upon and combines these two streams of literature.

Commitment guides behavior during all the phases of the relationship with the client. During the awareness phase, commitment is expressed through persuasive communications that positions the firm as offering key benefits. During the exploration phase, commitment is largely instrumental, with each party weighing the cost and benefit of continuing in the relationship. In the expansion phase, the commitment is akin to the 'honeymoon phase' where both affective and normative commitment helps to establish the personal relationship and who is going to do the 'cooking and cleaning.' In the commitment phase, affective commitment continues to be important but continuance commitment is expressed as resources are fully committed to the relationship. Finally, during the dissolution phase, affective commitment is expressed to prevent losing the client.

Each relationship stage has one or more predominant forms of commitment. The transition from one phase to the other is initiated by an event and fueled by a form of commitment. The conceptual model suggests that psychological forms of commitment, including affective and normative commitment, may be more important to acquiring and maintaining relationships. Calculative forms of commitment, such as instrumental and continuance commitment should only be used at particular phases in the relationship. Each of the dimensions of commitment: instrumental, affective, normative, and continuance has different effects on the client-supplier relationship and may be more or less desirable during each of the phases of the relationship development process.

References Available on Request.



# THE IMPACT OF SERVITIZATION ON SELLING

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## ABSTRACT

The trend towards servitization and service-dominant logic, in which suppliers differentiate through product-service packages rather than through the underlying product, has profound but largely unrecognized consequences for selling. In this paper we examine the operationalization of service-dominant logic in the sales context and consider the implications for the sales process.

## INTRODUCTION

There is a growing research interest in the notions of servitization (selling services and business solutions: Vandermerwe & Rada, 1988; Neely, 2007) and in the bundling of goods, services and support, and ‘know-how’ as product-service systems (PSS- Aranjó & Spring, 2006; Ford et al., 2003; Spring & Araujo, 2009; Vandermerwe & Rada, 1988). In the academic sphere there are increasing arguments in favor of service-dominant logic and a blurring of the distinction between products and services (Araujo & Spring, 2006; Bowen & Ford, 2002; Vargo & Lusch, 2004a, 2004b). To date, however, there has been little academic consideration of the implications of servitization for selling. In this conceptual paper, we start from the position that it is not the distinction between products and services *per se* that is important; rather, it is the *complexity* of the products or services that matter (implied by Spring & Araujo, 2009). We argue that complex products, services and product-service systems demand a ‘complex selling’ strategy. In effect, complex selling is the way in which service-dominant logic is operationalized at the sales level. We observe that companies find complex selling to be a lengthy and costly process and, therefore, that complex selling opportunities need to be treated as equivalent to investments and managed accordingly.

## SERVITIZATION, SERVICE-DOMINANT LOGIC, AND SELLING

Building on Vargo and Lusch’s (2004a; 2004b) influential work on service-dominant logic, recent servitization research has focused on the organizational adjustments needed to deliver – rather than sell - PSS (for example, Gebaur, Fleisch & Friedli, 2005; Oliva & Kallenberg, 2003; Brax, 2005). The main driver for servitization has been the top line, to generate more revenues from customers (Araujo & Spring, 2006; Spring & Araujo, 2009). However, when it comes to the bottom line, there is evidence that firms are struggling to profit from servitization (Neely, 2007, 2009; Oliva & Kallenberg, 2003). At least part of this problem must lie with sales, not least since the sales function increasingly takes responsibility for pricing and delivery (Verhoef & Leeflang, 2009). Moreover, there is evidence that sales people in servitized firms tend to ‘give away’ services as a way of selling the underlying product (Neely, 2009; Brax, 2005).

There is an increasing trend for sales people to take on relationship manager roles (Guenzi, Pardo & Georges, 2007), meaning they are now involved longer-term and end-to-end with the customer, including after-sales service, and also act as the primary point of contact (Weitz & Bradford, 1999). This has increased the cost of selling (Kotler, 2003); and the larger and more complex sales required in a servitized world are lengthening the sales cycle. Van der Valk (2008) finds the need for considerable buyer-supplier interaction and communication during the buying process (see also Sampson & Froehle, 2006). At the same time, customer expectations are becoming more demanding (Bowen & Ford, 2002). There is evidence that customers are increasingly buying services, not just products (Fitzsimmons, Noh & Thies, 1998; van der Valk, 2008) and business-to-business customers expect vendors to offer packaged goods / services solutions (Brax, 2005) to deal with specific customer problems (Johnson et al., 2008). Effectively, customers are demanding more work on the problem as part of the sales process; thus, much – sometimes all – of the solution development is taking place prior to payment, resulting in higher sales costs (Johnson et al., 2008). This both increases the suppliers’ investment in the sales process and increases their risk.

There is a link between the notion of customer solutions and that of service-dominant logic (Tuli et al., 2007). A common characteristic is the concept of value, particularly of value-in-use, which is also important in complex selling (Johansson et al., 2003; Neely, 2009). Service-dominant logic emphasizes a process of collaborative co-creation between vendor and customer. To date, researchers have tended to treat this as taking place post-sale (e.g. Davies et al., 2006; Sampson & Froehle, 2006; Van der Valk, 2008). However, anecdotal evidence suggests that there is considerable impact during the sales process (Wynstra et al., 2006), since the solution may have to be developed during the course of that process (Bowen & Ford, 2002; Tuli et al., 2007).

## A DEFINITION OF COMPLEX SELLING

Previous research has provided overlapping definitions but alternative names for complex selling. Mattsson (1973) refers to ‘systems selling’; Galbraith (2002) and Kumar (2004) talk about ‘solution selling’; and Guenzi, Pardo & Georges (2007) discuss ‘relational selling’ but, in all cases, they mean business-to-business selling where the focus is on dealing with a particular customer issue. Often, this involves the supplier selling ‘packages’ of products and services instead of simply products (Tuli et al., 2007). Rackham (1988: 6-11) captures these characteristics in his definition of the complex or major sale as having four characteristics: an extended sales cycle; a significant customer commitment; an ongoing relationship including implementation; and a high perceived risk for the customer.

Clearly, there is a considerable overlap between the concept of complex selling and that of product-service systems (Tukker, 2004; Spring & Araujo, 2009). In PSS, there is usually a pre-existing product, although it may be an extremely small part of the offer (e.g. Tukker, 2004). In complex selling, there may be no tangible product at all; an example might be the sale of major consultancy projects. In both cases, however, the service-dominant focus is on solving a particular customer problem or meeting a specific demand. Drawing on both areas of research, we define complex selling as:

*Complex selling is the act, or process, of selling complex services or product-service systems, in which the focus is on providing a solution to a customer’s (recognized or unrecognized) problem or on changing the customer’s business model.*

The adoption of complex selling is driven by the perception that the addition of services to a goods-based offer will facilitate the sale (Brax, 2005). Typically, suppliers employing complex selling ‘bundle’ products and services (Davies et al., 2006) in order to move away from selling rapidly-commoditizing products (Galbraith, 2002), because the solution has value greater than the sum of its constituent elements (Johansson et al., 2003). There is some evidence that customer expectations in the servitized context are that complex selling involves end-to-end relationship management processes (Tuli et al., 2007). Certainly, the supplier organization has to become more customer-focused if complex selling is to work (Galbraith, 2002). Thus, we can extend our definition of complex selling::

*Complex selling focuses on value-in-use. It typically involves a high level of customization. This may take the form of co-creation with the customer, perhaps developing the solution as part of the sales process.*

Because of the importance of defining the problem and understanding what the customer’s needs are, and then developing – or co-creating (Bowen & Ford, 2002) – the solution, the sales cycle in complex selling is likely to be longer and more costly than for equivalent-size sales where the product or service is pre-specified (Davies & Brady, 2000; Johnson et al., 2008). In effect, value is developed during the sales cycle through a dialogue between the vendor and the customer and the consequent development of the solution (Davies & Brady, 2000). Thus, the final element of our definition:

*Complex selling usually requires a long sales cycle during which the vendor’s offer may be customized for that customer.*

## EVALUATING BID OPPORTUNITIES IN COMPLEX SELLING

Davies and Brady (2000) argue that, in complex product systems, volume-based efficiencies are rarely available, so supplier efficiency should be measured in terms of bid management as well as implementation skills. However, the more opportunities you chase, the more standardized your solutions have to be (Davies & Brady, 2000). In this situation, the selection of which opportunities to pursue and, therefore, what business model to adopt, becomes increasingly important (Johnson et al., 2008). We suggest that the best sales strategy in a servitized environment is to treat each sales opportunity as an *investment* and evaluate it based on the following straightforward criteria:

- A. Do we want this opportunity? (Desirability)
- B. Can we win it? (Winnability)

### Sales Opportunity Winnability

In a complex selling world, the cost of engaging in a lengthy sales process means that the winnability, as well as the financial value, of the opportunity becomes crucial. Because the specifics of *what* is delivered may change, economies of repetition may come from pursuing similar *types* of project (Davies & Brady, 2000). Previous research suggests that there may be two elements to the winnability of the sales opportunity: the relative strength of the supplier’s value proposition (Johnson et al., 2008), and the readiness of the customer to buy. Thus, winnability could be assessed using the following criteria:

- How compelling is the value proposition, compared to the competition and to the price we want to charge?
- Customer-readiness – is the customer in a position to buy? Do they need and want the offer? Do they have the budget for it? How willing is this customer to deal with us? (multiple sourcing policies, incumbent supplier advantage, previous experience with supplier)

### **Sales Opportunity Desirability**

The desirability of a sales opportunity is largely related to its financial value. The shift to complex selling has raised a substantive issue about whether the business won is worthwhile. Certainly, there is some evidence that solution providers make small or even negative returns on their efforts (Stanley & Wojcik 2005). The reasons seem to relate to higher costs (Gebaur et al., 2005); although solutions are difficult to copy, they are also difficult to develop and implement (Brax, 2005; Day, 2004). There is a considerable body of existing research which examines the logic of an investment decision in a marketing context, particularly relating to the lifetime value of a customer (Ryals, 2008). Other research (e.g. Ryals, 2008) has suggested that there is relational as well as financial value to engaging with customers. Finally, work such as Tukker (2004) and Brax (2005) suggests that there is risk for the supplier that should be offset against the potential value of winning the project. A known factor affecting the desirability of solutions business is the degree to which the customer is prepared to collaborate with the vendor to help design the solution. Previous research has shown that the customer's willingness to adapt to the vendor's solution, and to provide guidance about its internal workings and politics, play an important role in the eventual success or otherwise of the project (Tuli et al., 2007). Brax's (2005) work implies that the risk may relate to implementation (can we deliver / what might go wrong?) and the associated risk of supplier reputational damage. Thus, the desirability of a sales opportunity can be evaluated against three criteria:

- Financial (e.g. the net present value of the opportunity)
- Relational (e.g. innovation, reputation, referral, referenceability)
- Risk (e.g. implementation risk, reputation risk)

Mapping competing sales opportunities in this fashion provides a basis for discussion about the Expected Monetary Value (EMV) of each opportunity. Consideration of the components of Desirability and Winnability also suggest certain sales strategies that could increase one or both. Thus, for example, the cost of providing an on-site engineer for a customer implementation could be evaluated against the increase in EMV as a result of higher winnability.

## **DISCUSSION**

Previous research has found evidence that firms have difficulties in making money from servitization. We argue that these difficulties relate, at least in part, to the increased investment needed in the complex sales process, that sales opportunities should be evaluated in terms of Desirability and Winnability, and that these criteria can also be used to select sales strategies as the bid progresses. Our paper makes both theoretical and managerial contributions to the literature on sales. The first contribution is to theory, by extending the PSS and servitization literature into the sales domain and considering the implications for sales research. We do this through our proposal that complex selling is the consequence of the adoption of PSS. A key implication of our proposed definition of complex selling is the longer and more costly sales cycle. Consequently, we propose that selling in a servitized context should be viewed as an investment decision on the part of the supplier and evaluated accordingly.

The managerial contributions from this paper follow from the above theoretical contributions. The first is that, in a servitized world, companies should frequently re-evaluate their sales opportunities during the increasingly lengthy sales process, so that they can understand the expected monetary value of each opportunity and, where necessary, disengage with less attractive opportunities. The second implication is that sales directors in servitized contexts are faced with a series of opportunities that can be managed as a portfolio based on the desirability and winnability of the sales opportunity. It is likely that these decisions will increasingly have to be made by sales and marketing working together. Kotler et al (2006) suggest that improved opportunity selection may be an important benefit from better integration of sales and marketing efforts.

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# KNOWLEDGE TRANSFER FROM EXPERTS TO NOVICES: A CAUSAL ATTRIBUTION APPROACH

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## ABSTRACT

This paper explores how novices' (e.g., sales representative's) attributions about causes of experts' (e.g., sales manager's) success, influence emotions and formation of behavioral intentions. This research draws on Wiener's Attribution Theory (WAT) (Weiner, 1986), Role Congruity Theory (RCT) (Eagly & Karau, 2002), and the sales management and knowledge transfer literatures to explore processes underlying novices' willingness to form behavioral intentions. It shows that novice attributions about causes of expert success, and by extension sales person's attributions about causes of sales manager success, have the potential to impede or enhance training efforts of experts (e.g., sales managers).

Attribution theories have had considerable application in the study of sales management. The motivational effects of sales person causal attributions regarding their own successes or failures (i.e., sales persons' self-directed attributions) have been considered (Dixon & Schertzer, 2005; Badovick et al., 1992) as have the motivational effects of sales manager causal attributions regarding sales representative successes or failures (i.e., sales managers' other-directed attributions) (Swift & Campbell, 1995). However, to our knowledge, the motivational effects of a sales person's causal attributions regarding their sales manager's successes or failures (i.e., sales representatives' other-directed attributions) have not been examined.

Motivation has been identified as an antecedent to receipt of expert knowledge by a novice (Szulanski, 2000) and the attribution-affect-action sequence predicted by WAT offers a possible explanation for the presence of motivation. WAT suggests that when novices (e.g., sales representatives) attribute an expert's (e.g., sales managers) success to effort, they admire the expert and engage in pro-social behavior (i.e., receive new knowledge). Alternatively, when a novice attributes an expert's success to ability, novices view experts as arrogant and engage in anti-social behavior (i.e., resist knowledge). RCT suggests that male-expert *ability* attributions will be viewed more positively than male-expert *effort* attributions and female-expert *effort* attributions will be viewed more positively than female-expert *ability* attributions. Thus, when experts are male (female), ability (effort) attributions are expected to result in more positive feelings about the expert, greater intentions to heed expert advice, and increased beliefs about team intentions to heed expert advice. Furthermore, WAT suggests that feelings about the expert will mediate the relationship between causal attributions and intentions to heed expert advice.

Hypotheses were tested in a two (attribution: effort/ability) X two (expert gender: male/female) design in which attribution and expert gender were manipulated variables. Novice gender was measured for consideration as a possible covariate. Participants were three hundred and fifteen individuals (51.7 % male, 62.9% from a US university, 37.1% from a Canadian university). Participants read one of four specially created vignettes that described the first meeting of a team of business students who were beginning to prepare a case analysis for a business case-competition. Each vignette was written from the perspective of an inexperienced team member (i.e., a novice). The scenario contained specific suggestions made by an experienced team member (i.e., an expert) about how to do a case analysis. After reading the vignettes, participants responded to questions to assess feelings about the expert and willingness of themselves and the team to heed expert advice.

The results showed that novices liked experts who made effort attributions better than experts who made ability attributions, regardless of whether the expert was a male or a female. When experts were female, effort attributions regarding past success yielded greater intentions to heed advice and greater beliefs that team would heed advice, than did ability attributions. The results also showed that the effects of attributions on intentions and beliefs were fully mediated by feelings about the female expert. Interestingly, the prediction that ability attributions regarding past success would be more influential than effort attributions for male experts was not supported. When experts were male, novices were equally influenced by ability and effort attributions. No differences between male and female novices were identified in any of the analyses above.

This research adds to the knowledge transfer and sales management literatures by providing evidence that attributions made by novices about causes of an expert's success influence the effectiveness of knowledge transfer. It also contributes to our understanding of WAT and RCT by providing evidence that these attributional effects are influenced by expert gender. This research identifies specific strategies that impede the effectiveness of knowledge transfer. As such, it has made an important contribution to the study of knowledge transfer and sales management.

References Available on Request.

## **IMPACT OF CRM ON SALES PERFORMANCE FOR VIRTUAL SALES PROFESSIONALS**

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### **ABSTRACT**

In the last decade firms have implemented technology initiatives for sales professionals that provide access to customer data and enable them to increase workplace efficiency by communicating electronically with their clients and colleagues. Many salespersons work virtually outside the traditional office and technology, in the form of CRM, allows sales professionals to devote more flexible time to better serve their customers. By utilizing CRM technology, today's sales professionals can communicate and collaborate with clients and internal managers anytime, anywhere. This study's findings support the hypotheses that CRM utilization has positive impacts on sales performance, namely sales process effectiveness, performance with customers, and administrative efficiency. Among the three performance measures, CRM usage has the greatest impact on sales process effectiveness.

References Available on Request.

# **WHY DO THEY USE SOCIAL NETWORKING SITE: SOCIAL CAPITAL AND TRANSACTION COST PERSPECTIVES**

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## **ABSTRACT**

Our research tends to investigate what factors affecting consumers' acceptance of social networking site and the impact of the bonding social capital and switching cost on their attitude toward using the weblog service, which may be accumulated by community interaction and during the ex-post transaction process. Our research model integrates constructs from three literature foundations; first is a set of constructs perceived social influence and perceived usefulness from theory of reasoned action and technology acceptance model. Second is two types of social network ties from social psychology. Last one is the switching cost from transaction cost theory. Results showed that social network ties and switching cost play a mediating role in the relationship between perceived self-disclosure and attitude toward using social networking site, which in turn to affect intention to continually use social networking site. Perceived social influence is an antecedent of perceived usefulness which is successful in determining the attitude of using social networking site. Finally, the article concludes with implications for web-based service providers, and additional extended research suggestions relevant to the online social capital and consumer loyalty are also provided.

References Available on Request.



## SOCIAL NETWORKING AS A MARKETING TOOL

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### ABSTRACT

This study was conducted to understand factors that would affect amount of social networking and marketing activities performed. Data were collected from current Facebook users via electronic questionnaire. The results revealed that the main factor influencing networking and marketing activity on the Facebook was trust.

### INTRODUCTION

The rapid changes in information technology enabled social network sites (SNS) to integrate in our daily life more actively. Social networking have become enormously popular since people based on common interest all over the world can get connected (Acar and Polonsky 2007; Guo 2008).

A social network is made up of users and the relations between them. People post profiles of themselves; they invite their friends to join, who in turn invite their friends, creating a complex virtual network of communication (Wasserman & Faust, 1994). Most sites support the maintenance of pre-existing social networks, but others help strangers connect based on shared interests, political views, or activities. Some sites cater to diverse audiences, while others attract people based on common language or shared racial, sexual, religious, or nationality-based identities. Sites also vary in the extent to which they incorporate new information and communication tools, such as mobile connectivity, blogging, and photo/video-sharing (Boyd and Ellison 2007).

In the business arena, the tremendous growth of the Internet, and the particularly the Web 2.0 technologies has led to a critical mass of consumers and firms participating in a global online marketplace. The rapid adoption of the Internet as a commercial medium has caused firms to experiment with innovative ways of marketing to consumers in a computer mediated environments. Firms use various media to communicate with their current and potential customers. (Hoffman, Novak and Chatterge 1995). As a result of competitive structure of the markets, social networking sites have emerged as a new marketing channel for the firms in the recent times.

SNS presents a number of opportunities for companies to get close to their markets, including observing and collecting information; hosting or sponsoring communities; providing content to communities (such as music, information or entertainment); and participating as members of online communities (Lea, Yu and Maguluru 2006). Through the use of engagement marketing tactics in the form of applications, social ads, brand groups, sponsored pages and sponsored apps, brands have opened up communication channels with their customers on these platforms. No modern marketing plan targeting users online is complete without a social network marketing component. A company's involvement in social network sites can also result in a strategic and operational benefits. By inviting feedback, or simply observing conversations, a company can learn about customers' needs and inform its new product development policy. In the language of "service dominant logic", a company can involve members of the community in the co-creation of value through the generation of ideas (Palmer and Koenig-Lewis 2009).

As social networks become more personalized, the disclosure amount of personal information has increased considerably. This has triggered the discussions over risk of privacy invasion and the possibility of identity theft (Acquisti and Gross 2006; Strater and Richter 2007). It is important to recognize that while social networks are focused to connect others, users must follow certain rules and etiquette for the interactions to be viewed as legitimate. Otherwise, privacy is violated making users feel uncomfortable and prompting them to leave the site (Weaver and Morrison 2008). Parallel to this, "trust" also became an issue.

Self-disclosures between individuals are based upon trust, and it is only when an individual considers another trustworthy that he will undertake the risk of disclosing himself (Jourard 1971). Likewise, Wheelless and Grotz (1977) stated that trust is an antecedent to a willingness to disclose. However, individual must also possess a trust in the SNS network to be able to disclose his personal profile as well. Trust, therefore, is a dual concept within the SNS environment. An individual must have trust in the target of his self-disclosures; however, this same individual must possess a trust in the SNS network as well (Wheelless and Grotz 1977).

Although SNS seem to be changing the way people use the internet, too little attention has been paid to the influence of personality dimensions. Nowadays, the effects of personality traits are being examined across all disciplines. Personality is a relatively stable precursor of behavior; makes up the characteristic patterns of thoughts, feelings, and acting that make a person unique (McCrae and Costa 1997).

The Five-Factor personality factors as proposed by Goldberg (1990) are used widely to classify personality traits. Many personality psychologists have reached a consensus that five personality constructs, referred to as the Big Five, are necessary and sufficient to describe the basic dimensions of normal personality (Burke and Witt 2002).

The Five-Factor Model describes personality based on five main dimensions: extroversion, emotional stability, agreeableness, conscientiousness, and openness. Extraversion reflects preference for, and behavior in, social situations. People high in extraversion are energetic and seek out the company of others. The opposite, introverts tend to be more quiet and reserved. Agreeableness reflects interaction with others. People high in agreeableness tend to be trusting, friendly, and cooperative. Conscientiousness reflects how organized and persistent one is in pursuing his goals. People high in conscientiousness are well organized and dutiful, dependable and reliable. Emotional stability reflects the tendency to experience stable thoughts and feelings. People high in emotional instability are prone to insecurity and emotional distress. Openness reflects 'open-mindedness' and interest in culture. People high in openness tend to be imaginative, creative, and to seek out cultural and educational experiences (Somer, Korkmaz, and Tatar, 2002).

Personality is a determinant of being a part of SNS and usage frequency of certain applications. Being an extravert or a shy person would result in different usage patterns. It would be logical to assume that extroverts prefer face to face communication and have various options to socialize in different atmospheres where computer mediated communication is ideal for people with introvert personalities (Acar and Polonsky 2007) An agreeable person will have smooth relation with his peers therefore; his interaction on SNS will be different from an emotionally unstable person. Likewise, conscientiousness and openness, which are the determinants of online personality traits, are subject to research.

Even though social networking is no longer a new phenomenon, Facebook has created innovations that have allowed it to keep its user interested. Facebook is a unique social network that views itself as a social platform. Facebook was founded by Mark Zuckerberg in 2004 originally restricted its site to college students by requiring users to register with e-mail addresses associated with their college institutions. In 2006, the service ranked as one of the top in things on campus along with iPods and text messaging. In that same year, Facebook elected to open its services to anyone thirteen years or older with an e-mail address. The move helped Facebook increase new memberships. Today, the Facebook increases new memberships by 200,000 per day and causes average page views to swell to fifty-four billion each month (Guo, 2008). With the appealing quality of its nature, the Facebook is the subject of many researches by the academicians from all fields. Hence, in this study the Facebook is analyzed from the perspective of personality, privacy, and trust.

In this study social networking term is used to define all activities that users perform as marketing and social purposes on the SNSs, namely Facebook. The purpose of this study is to determine the privacy and trust issues affecting the amount of social networking activities performed. Furthermore the specific personality types of Facebook users that influence the marketing activity and the networking.

## **METHOD**

### **Measures and Research Instrument**

A multi item questionnaire was used in this study to measure the dimensions of 'personality', 'privacy concern', 'trust on the Facebook' and 'marketing activity and networking on the Facebook'. To measure personality Goldberg's (1999) IPIP (International Personality Item Pool) was used. This instrument was constructed to measure five dimensions of personality: extraversion, agreeableness, conscientiousness, emotional stability, and openness. It consists of fifty items. The authors developed other items of the questionnaire. Marketing activity and networking on the Facebook was measured by nine items; privacy concern was measured by six items and trust on the Facebook was measured by three items: 'Facebook is trustworthy', 'Facebook has gained my trust', and 'Facebook protects my personal information'. Constructs used were measured with a five-point interval scale.

## Sampling and data collection

Data for the study were collected from current Facebook users via electronic questionnaire. The sample comprised of 311 females and 243 males. Age of the sample ranged between 19 to 69 with a mean of 30.68 and a standard deviation of 7.73.

## RESULTS

### Measurement Validation

To assess the reliability and validity of the measures, CFA was applied to all multi-item scales including the 'privacy concern', 'trust on the Facebook' and 'marketing activity and networking on the Facebook' scales developed for this study. The results indicated an acceptable fit ( $\chi^2$  (129, N=554)=492.12,  $p=0.00$ , GFI=.91, AGFI=.88, CFI=.96, NFI=.95, TLI=.95, RMSEA=.07).

We then employed procedures to check for convergent validity and discriminant validity. All factor loadings were relatively high and significant, providing evidence for convergent validity (Bagozzi and Yi 1988). Construct reliabilities of .93, .90, .97, and .84 indicated high internal consistency of the dimensions (Hair et al. 2006; Netemeyer et al. 2003). Average variance extracted (AVE) values, which reflect the overall amount of variance accounted for by the latent constructs, were all above .50 threshold (Fornell and Larcker 1981).

To assess the discriminant validity of the scales we first checked the Fornell and Larcker (1981) criterion where the discriminant validity is established when the AVE for the two constructs is greater than the squared correlation between the two constructs. Then we constrained parameter estimate for the two constructs to unity and compared with factor model where parameter is freely estimated (Anderson and Gerbing 1988). For each pair the constrained CFA produced an increase in the chi-square statistic ( $\Delta\chi^2$  with 1 df) that was significant at  $p<.01$ . Findings supported both the convergent and discriminant validity consequently the distinctness of the constructs.

For the personality scale since IPIP is one of the most frequently used and psychometrically tested questionnaire only reliabilities were checked. Cronbach's alphas for the five dimensions of IPIP ranged from .68 to .82. Summated scores of the dimensions were used in the following analyses.

### Structural Model

Since the objective of this study was to investigate which dimensions affected marketing and networking on the Facebook, a structural model was constructed and tested (See Figure 1).  $\chi^2$  goodness of fit index of the model was significant ( $\chi^2$ (217, N=554)=670.03;  $p=0.00$ ) indicating observed and the estimated covariance matrices differ considerably. However, chi-square test statistics are usually quite sensitive to sample size, therefore a large number of alternative goodness of fit measures have been developed to assess the model fit of structural models (Hair et al., 2006; Hoyle, 1995). Here Goodness of Fit Index (GFI), Adjusted Goodness of Fit Index (AGFI), Comparative Fit Index (CFI), Normed Fit Index (NFI), Tucker-Lewis Index (TLI) and Root Mean Square Error Approximation (RMSEA) were used. GFI, AGFI, CFI, NFI, and TLI indices can take values between 0 and 1. Even though there is no standard for acceptable value for these indices, rule of thumb is values greater than .90 (Bentler, 1992). RMSEA values of over .10 have been viewed as unacceptable and values .08 and less have been advocated as indicative of acceptable fit (Lattin, Carroll & Green 2003). Consequently, goodness of fit indexes showed a good fit and supported the proposed model (GFI=.90; AGFI=.87; CFI=.95; NFI=.93; TLI=.95; RMSEA=.06).

The results revealed trust on the Facebook has positive effect on both networking and marketing activities on the Facebook ( $\beta_{\text{networking}}=.22$ ,  $p$  value =.00;  $\beta_{\text{marketing}}=.25$ ,  $p$  value=.00). Also the amount of marketing activities performed on the Facebook is affected by a person's privacy concern. As the privacy concern of a person increases, the amount of marketing activities on the Facebook decreases ( $\beta_{\text{privacy}}=-.31$ ,  $p$  value = .00). The privacy concern on the other hand has no significant affect on the amount of networking.

Only three of the personality dimensions influenced the Facebook activities. Decreased 'agreeableness' and 'conscientiousness' results in increased 'marketing activity' ( $\beta_{\text{agreeableness}}=-.21$ ,  $p$  value = .00;  $\beta_{\text{conscientiousness}}=-.15$ ,  $p$  value = .00). Emotional stability on the other hand influences the amount of networking ( $\beta_{\text{emotional stability}}=-.15$ ,  $p$  value = .00).

However extraversion and openness had no significant effects. Personality types, conscientiousness and openness also had effect on privacy concern ( $\beta_{\text{conscientiousness}} = .27$ , p value = .00;  $\beta_{\text{openness}} = .21$ , p value = .00). Increase in agreeableness, increased trust on the Facebook ( $\beta_{\text{agreeableness}} = -.15$ , p value = .00).

## CONCLUSION

In the new intensified competitive environment with higher customer expectations, rapid technological change, organizations must define excessive and different purposes to survive and to compete globally. That is why social networking has become crucial to the competitive success of the organizations. Without a social network marketing component, modern marketing plan targeting users online is not complete. A company can learn about customers' needs and inform its new product development policy by tracking their consumers over the networking system.

With this aim, this research was conducted to find out the personality traits of Facebook users that performs marketing activities. To compare the differences between the characteristics of users conducting marketing activities to users carrying social activities, networking on the Facebook was also included as the second dependent variable. Privacy and trust issues are the main independent variables in the virtual environment therefore were included in the model as well.

The results revealed that the main factor influencing networking and marketing activity on the Facebook was trust. As trust to the SNS environment increases, the amount of networking and marketing activities conducted increases. On the other hand, privacy concern is found as a barrier to conducting marketing activities on SNS. In order to increase the level of marketing activities on SNS environment, SNS sites should convince their users that their private information will be kept secure.

Interestingly our findings indicate that agreeable and conscientious people are doing less marketing activity in the networking system. Other personality characteristics did not have significant affects on the marketing activities. Only emotional stability influences the networking. The emotionally unstable people seem to do more networking than others.

Social networks are perceived as new marketing tools for the companies, however the amount of marketing activities performed by the users indicate that SNS members still use these networks with social needs like, findings and communicating with friends rather than marketing activities (Uluşu, Yurtkoru and Durmuş 2009).

As a limitation of the study it has to be considered that in Turkey social network marketing concept is newly developing area so as social marketing phenomenon is getting mature further researches has to be conducted to understand better the networking environment and consumer behavior.

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# **CONSUMER e-COMMERCE DISSONANCE: INNOVATING WITHOUT ALIENATING BEFORE INFORMATION OVERLOAD**

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## **ABSTRACT**

After over a decade since widespread adoption of ecommerce, privacy concerns continue to increase among people going online, while at the same time Internet usage is at an all time high and companies are forced to keep up with innovative new technologies. The Internet and its' innovative technological advances, while providing opportunities for easier and more fluent commerce, has opened new threats for user privacy and potential for information overload and consumer dissonance. With information being collected on sites visited as well as personal identifying information, the subsequent sharing of personal information, and the evolving perceived technical threats, many consumers feel they have lost control. Government regulators, consumer advocacy groups, and e-businesses need to understand how Internet innovation affects the consumer. The central premise being that these groups are modeling consumer trends and making decisions on false or fabricated information, even suggesting this could lead to inhibiting overall Internet innovation, especially e-commerce. A 2008 survey found that due to new concerns about being confronted by technologies they don't understand on the web, a majority of consumers have stopped giving out personal information on the internet, 28% say they have reduced their overall use of the Internet, and 30% say they stopped buying things online (Princeton Survey Research 2008).

These increasing amounts of innovation and threats to privacy online can lead to people either decreasing the amount of time they spend online, or even choosing not to visit or purchase from specific websites that seem overwhelming (Phelps, Nowak & Ferrell 2000). Innovation on the web can provide consumers with much more valuable information and experiences. This enables firms to take a more proactive, rather than reactive stance, in situations that may have policy implications. When an issue arises, firms are able to quickly see adaptive and maladaptive behaviors and can respond at Internet speed to mitigate the issue before it gains any critical mass. Firms can respond at a much faster, and in a less expensive manner than they can by using traditional mass media.

With this increasing behavior by online consumers for anonymity to protect their privacy, marketers need to take steps to understand this behavior in order to shift the mindset of the consumer from one of defensive and restrictive behavior, to an environment where the user experience builds trust and increases Internet usage, as e-businesses continue to innovate and add new technologies and content to their consumers (Miyazaki & Fernandez 2001).

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# **INTRINSIC, PRIME, AND INDIVIDUAL INFLUENCES ON CONTEXTUAL DESIGN FLUENCY**

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## **ABSTRACT**

In three studies we show that a design's typicality, clarity, and simplicity differentially contribute to a target's perceived fluency, with individual design acumen moderating effects of simplicity and clarity but not typicality. When targets (products) are primed by disfluent designs (packages) target contextual fluency traces back entirely to its intrinsic design factors. Increasing the fluency of a prime, however, results in assimilation effects as consumers progressively transfer the fluency of the prime to the target. Downstream effects of contextual fluency on purchase intentions and willingness-to-pay are mediated by attractiveness. Individual need-for-cognition and cognitive load both have detrimental effects on contextual fluency. Implications focus on the advancement of research on fluency and implications for managing design.

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# A SYSTEMATIC REVIEW OF NPD ALLIANCES: THEMES, CENTRAL ISSUES, THEORETICAL FOUNDATIONS, AND RESEARCH AGENDA

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## ABSTRACT

We conduct a systematic review of more than 500 NPD articles in the business/engineering literatures. Our systematic review reveals eight distinct themes. Based on themes, we discuss central issues and theoretical foundations. Finally, we identify research gaps in each theme and present a research agenda for NPD alliances.

Few research areas are characterized by as much agreement among researchers as the criticality of alliances for innovation. Consequently, the study of new product development (NPD) alliances has attracted broad interest and has resulted in a vast amount of literature. However, because of the broad nature and scope of researchers' interests, NPD alliance literature is somewhat underdeveloped and remains fragmented. Furthermore, with regards to innovations outcomes, NPD alliance literature suffers from low levels of explanation (e.g., Cloudt et al. 2006; Nielsen and Nielsen 2009; Rothaermel and Boker 2008; Schilling and Phelps 2007). In addition, with the exception of empirical articles that use brief reviews in support of hypotheses development, there are no comprehensive review articles. Therefore, the current state of the literature offers opportunities for systematic reviews that can provide integrative foundations for future research.

Our paper involves a systematic review of articles from a set of more than 500 articles in marketing, management, and engineering literatures. Our systematic review is framed by five distinct steps. *First*, we conduct a thematic analysis of papers that make substantive use of the NPD alliances concept. Our thematic analysis closely follows the method described by Berg (1995) and Boyatzis (1998), and used by Lane, Koka, and Pathak (2006). Our systematic review reveals eight distinct themes: (1) NPD alliance trends, (2) NPD alliance types, (3) NPD alliance formation, (4) NPD alliance processes, (5) NPD alliance performance, (6) NPD alliance partner performance, (7) Antecedents of NPD alliance outcomes, and (8) Antecedents of NPD alliance partner outcomes. *Second*, based on these themes identified from the thematic analysis, we identify central issues that correspond to the distinct themes. *Third*, we explore, identify, and discuss theoretical foundations with reference to each of the themes. Our systematic review reveals that research on NPD alliances draws much of its theoretical foundations from dynamic capabilities theory, resource-based theory, organizational learning theory, knowledge-based theory, and absorptive capacity. Here, it is possible to develop integrative theoretical foundations for NPD alliance research. *Fourth*, we identify research gaps in each theme that can contribute to the explanatory potential and enhance the knowledge base of NPD alliance research. Here, among other things, we pay particular attention to different research methods used and explore their appropriateness for specific research questions addressed. As to methods, there seems to be a preference for quantitative research over qualitative research. Again, as noted earlier, there is scope for gaining rich insights through qualitative methods. Finally, integrating the results of steps 2, 3, and 4, we present a research agenda for NPD alliances. To conclude, we hope that our paper provides a strong foundation for NPD alliance researchers in developing NPD alliances theory that can have strong theoretical and managerial implications.

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# SKIN TONE IN ADVERTISING: AN EXPLORATORY STUDY OF THE FACTORS INFLUENCING ADVERTISING EFFECTIVENESS

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## ABSTRACT

Authors examined whether the skin tone of a model in advertising influences evaluation of the advertisement as well as evaluation and purchase intent of the brand. Instead of taking a dichotomous view of skin tone authors manipulated the skin tone of African-American models into three shades – light, medium, and dark. The experimental design called for advertisements that were created utilizing stock photography and digital manipulation. Models' skin tones were lightened and darkened based upon three Pantone color shades as recommended by Bond and Cash (1992). The ads were pretested in order to verify differences in skin tone and identification of manipulation. In order to address the nature of product usage (public vs. private), two fictional brands (Vaza clothing and Degrau food) were utilized. Data was collected in the university setting and undergraduate students served as subjects. Subjects were randomly exposed to one of the experimental ad and involvement scenarios. They were instructed to read the scenario, view the advertisement, and answer questions regarding their opinion of the ad and their viewing experience. A total of 589 subjects participated in the study (61 % female and 39 % male with a mean age of 22).

Although expectation was that subjects would evaluate light skin tone most favorably, results do not support this expectation. The lack of support in this case is quite inspiring since results imply that, within a broad based consumer sample, customers do not display any difference in ad evaluations regardless of model's skin tone. This has strong implications for marketers who can feel confident in utilizing a diversified model representation within their advertisements. Results indicate utilizing minority representations in advertising can be done without fear of a negative consumer response.

The findings show African-Americans' attitudes toward advertisements as lower than those of Caucasians. This result was against predictions and may be due to potential social desirability biases. More interestingly, when examined across races, African-Americans rated lighter skinned models as more appealing than darker skinned models, where Caucasians exhibited no differences in their opinions. This could be explained by the theory of hegemony since African-Americans may be tailoring their responses to match those of the majority population.

Investigating the role of *racial identity* and *skin tone importance* provide a clearer picture regarding the aforementioned results. The level of racial identity and placing high importance on skin tone were shown to positively influence attitudinal measures toward the brand and the ad. In addition, subjects who placed great importance on skin tone scored higher on attitudinal measures when the skin tone of the model was darker. These results indicate race itself is less salient than racial identity and the importance of skin tone to an individual when measuring ad evaluation. For the majority group, self-identifications become less important because they make up the primary group. There are few reasons for members of a majority group to take on racial issues and, as such, they do not identify race or skin tone as an important factor.

All three attitudinal measures were found to be more favorable for private consumption products than for public consumption products. This could be due to the fact that people might feel pressure to conform to norms of the majority when evaluating publicly used goods and they can be more "sincere" while evaluating privately used good. These "sincere" opinions are illustrated in the lack of finding main effect of model's skin tone on attitudinal measures.

Results from this study could have a profound influence on the ways advertisers view race and minority representation in advertisements. Results indicate marketers should concern themselves more with minority target markets and less with majority's (Caucasians') view of the ads. This study contributes to current literature since it is the first study to hold the advertisement constant while manipulating three skin-tones of the models. It also highlights the role of self-assessment (racial identity and skin tone importance) on ad evaluations. Perhaps most importantly, the results of this study could be very indicative of trends to come as America transforms into an even more diverse nation.

References Available on Request.

# INFLUENCING CONSUMER PERCEPTIONS OF A SOCIAL ISSUE: AN EXPERIMENT ON THE EFFECTS OF MESSAGE SIDEDNESS AND INWARD/OUTWARD FOCUS ON CONSUMER ATTITUDES TOWARD GENETICALLY MODIFIED FOODS.

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## ABSTRACT

Several consumer studies have confirmed negative views towards GM products, even though from a scientific point of view, negative aspects related to their consumption appear minimal if they exist at all. A key research question then is how can communication campaigns be developed to influence public opinion about GMF? This study uses Wansink and Kim's (2001) framework to examine how two message cues likely to influence cognitive elaboration, (i) message sidedness and (ii) inward vs. outward focus, affect perceptions of risks and benefits associated with GMFs and attitude towards the ad (Aad). Previous literature suggests that for recipients who are likely to be higher-level processors of a message, a two-sided refutational message will lead to higher supportive cognitive elaborations, and therefore enhance persuasion effects (Pechmann, 1992; Crowley and Hoyer, 1994). The message focus literature proposes that when an inward (depicting an individual) or outward (depicting a group or community) focused message matches a recipient's internal self or other orientation, both cognitive elaboration and persuasion effects will be impacted on positively (Cross and Madson, 1997, Markus and Kitayama, 1997).

Based on these previous findings, some interaction effects between message sidedness and inward vs. outward focus are hypothesised so that perceptions of benefits are raised (H1), perceptions of risk lowered (H2) and attitude toward the ad becomes increasingly positive when a message is both two-sided and there is congruency between inward vs. outward message focus and the recipient's self-other orientation (H3).

The study used an online between subjects factorial design with the variables manipulated at two levels, one or two-sided messages and inward or outward message focus. 40 participants for each of the conditions were recruited from a national sample of 4000 residents.

The effectiveness of the experimental manipulations were confirmed and ANCOVA performed to determine the significance of the interaction effects. For all three hypotheses, similar effects were found so that benefit perceptions were highest, risk perceptions lowest and attitude toward the ad the most positive when the message was both two-sided and had an outward focus.

These results provide some novel contributions in that they show message focus having a significant impact on the persuasiveness of two-sided appeals, with an outward focus providing more effective persuasion when combined with a two-sided message. The reasons for these effects are more difficult to understand as the expected differences in cognitive elaboration between the conditions were not observed and therefore increasing cognitive elaboration does not explain the interaction effect. Why this is the case is unclear as appropriate cognitive responses to the subject matter were generated, for example, expected differences in counter and supportive arguments between the initially opposed and the initially supportive were apparent. It is possible that these differences depend on a range of individual factors (such as initial attitudes and involvement) rather than on the specific message manipulations. Alternatively, the effects may be contextual, perhaps the existence of societal risks and benefits apparent within the GMF debate make an outwardly focused two-sided message more effective.

References Available on Request.

# THE IMPACT OF UNIQUE ATTRIBUTE INFORMATION ON THE EVALUATION OF BRANDED PRODUCTS

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## ABSTRACT

Consumers are exposed to a permanently increasing stream of product information. An important issue is, how missing attributes influence product perception. This research question has never been explored in combination with brand evaluation. The aim of our study was to explore how missing attribute information impacts the evaluation of branded products.

If attribute information is missing, the lack of sensitivity or “omission neglect” (Kardes and Sanbonmatsu 2003) can be explained by the fact that subjects derive all relevant information from the brand’s image (Anderson 2007; Esch 2008). For weak brands, such a process doesn’t exist and attribute information has a stronger impact on evaluation. According to the Elaboration Likelihood Model (ELM, Petty and Cacioppo 1981, 1986), messages are either centrally or peripherally elaborated. Whereas brands are processed as peripheral cues (Maheswaran et al. 1992), attributes are processed on a more intense central route of elaboration. The question of whether central or peripheral processing leads to better evaluations is subject of an ambivalent discussion (Haugtvedt et al. 1994; Petty and Wegener 1999; Sengupta, Goodstein and Boninger 1997). Coombs and Avrunin (1977) suggest that additional benefits lose their attractiveness with increasing quantity: “Good things satiate – bad things escalate” (Coombs and Avrunin 1977, p. 224). Strong brands should be already “positively loaded”. Weak brands should take more advantage of attributes missing for competitors since their initial benefit is lower (Chernev 2007; Nowlis and Simonson 1996). Therefore, we hypothesize that (H1) attitude towards a weak brand will be improved if it is presented with an attribute missing for a strong brand’s alternative, whereas there will be no such substantial attitude improvement for a strong brand presented with attributes missing for a weak brand’s alternative. Attributes can be unique if they only exist for one alternative. But uniqueness doesn’t automatically mean a benefit for the consumer. Although some findings suggest that unique attributes, even objectively trivial, can enhance attitude (Broniarczyk and Gershoff 2003; Brown and Carpenter 2000), such attributes should be irrelevant for customers. The positive impact of an irrelevant attribute is in contrast to the ELM thesis that relevance determines the mode of elaboration and thus attitude formation (Petty and Cacioppo 1986). Therefore, we assume that (H2) the mere attribute uniqueness does not enhance the attitude towards an alternative.

We tested these hypotheses in two experiments. In the first experiment, 125 university students were exposed to descriptions of two alternative branded products in each of the two product categories: fruit yogurts (low involvement) and digital cameras (high involvement). The descriptions consisted of logos of alternative brands followed by three filler attributes which were identical for each brand, and the target attribute which was missing for one brand. Brand strength, category involvement and relevance of attributes were evaluated in a pretest. After being exposed to the stimuli, participants evaluated their attitude towards each brand, followed by manipulation checks of independent variables. A significant main effect of brand strength and a significant interaction effect of brand strength and attribute relevance have been shown. The hypothesis 1 was confirmed. In both categories, weak brands were evaluated significantly better when presented with an attribute that was missing for the strong brand’s alternatives. The evaluation of the strong brands did not differ between conditions. The primary goal of the second experiment (n=130) was to test the impact of attribute uniqueness on the evaluation of brands. The method was similar to the first experiment. Again, a significant impact of brand strength, attribute relevance, and a significant brand strength  $\times$  attribute relevance interaction was revealed. The main finding was that unique but irrelevant attributes had no impact on attitude in any condition both for strong and weak brands, thus supporting the hypothesis 2.

When the alternatives are not clearly comparable due to the lack of relevant attributes, attribute information becomes more relevant. Weak brands can gain in attractiveness whereas strong brands are protected against missing attributes. The results also indicate that even for less involving product categories missing relevant attribute information leads to better evaluations of competitive products with these attributes being presented. However, it should be noted that we only considered product category involvement, which is an important limitation. The results indicate that attribute information can be an effective means to support weaker brands. Managers responsible for weaker or new brands can take advantage of attributes ignored by stronger competitors. Uniqueness itself does not provide any benefit to the consumers. This provides insights into past research results on trivial attributes. Information on irrelevant attributes, e.g., on product packaging, has no impact on evaluation and should be minimized. Future research should focus on the evaluation task.

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# MEASURING COLLECTIVE COGNITION IN ONLINE CONVERSATIONS

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## ABSTRACT

By starting conversations in online communities companies can harness the intellect of consumers in collective cognition: group problem solving and ideation. This study proposes a metric for measuring collective cognition through the collaborative value created. The metric is demonstrated by identifying conversational events associated with significant increases in value.

Marketing research recognized the existence of *collective cognition*, the thinking of a group, before it became a major byproduct of the interpersonal connectivity provided by the Internet. It was observed that consumers collaborated through word-of-mouth and engaged in sensemaking over the new products they encountered. Companies wanted to monitor and join in these deliberations as a means of gaining feedback and informing consumers more efficiently. Manual techniques of monitoring the press, reading letters from consumers, attending trade shows and convening focus groups were adequate to the task of processing the volume of information flow at that time. However, as online communities proliferated the volume of consumer-generated content expanded exponentially, creating a need for automated methods of monitoring consumer-generated content that act as an initial filter, directing human analysts only to the information most worthy of their costly attention. Marketing research practice is still in the early stages of developing and assessing the effectiveness of such automated techniques. This study seeks to add to the repertoire of available tools by proposing a means of quantitatively measuring the information content inside an online venue of consumer collaboration.

Most blogs permit readers to add comments to posts and thereby be a vehicle for *collective cognition*. Commenters cannot create new threads of discussion within blog entries. The blog is thus an ideal venue to initiate purpose-driven collective cognition. Fourteen diverse blogs covering the full spectrum of marketing practice are therefore used as the source of data to demonstrate the methodology proposed in this study. *Bag-of-words* modeling was used to translate text into a probability distribution by classifying words into thematic categories (i.e., bags) by looking them up in a *tag dictionary*, a collection of words that have been previously categorized. This study uses the Harvard-Lasswell IV (HL-4) dictionary, which categorizes 11,788 of the most-used words in the English language into 182 categories. After the words in a body of text have been grouped into categories, the probability of occurrence of each category is calculated by dividing the number of words in each category by the total number of words. This set of probabilities forms a probability distribution for a body of text. This probability distribution can be reduced to a single value  $H(X)$  denoted *information entropy*, or simply *entropy* (its expected information content), using Shannon's (1948) equation. The difference between the thematic probability distributions of two bodies of text can be measured by their *Kullback-Leibler divergence*, also called *information gain*.

It was observed that changes in *information entropy*, a measure of information content, across a large number of conversations overlaid upon each other reveals a *collaboration envelope*. This study proposes that the area of the collaboration envelope is an overall measure of the collective thinking of a community. There is a strong correlation between envelope area and the number of commenters. However, the area of envelopes was found to vary with information content in a manner that a mere count of commenters did not capture. This study argues that sessions of joint problem solving harness the need-for-cognition of the most interested consumers, boosting their ego by allowing them to express smart ideas. Readers are also inspired by building on one another's ideas. By observing the evolution of a community's information content, a host company can see which ideas activate the community into a mode of high cognitive production. Over time observation may perceive the cognitive box that defines the way consumers think about a company and its products. Companies can then inject new ideas into the online conversation to challenge consumers to associate new ideas and capabilities with the firm. The size of the collaborative envelope can then be monitored over time to see if it expands, signaling rejuvenated collaborative value generation.

References Available on Request.

# THE MODERATING ROLES OF PERCEIVED RISKS AND SOCIAL INFLUENCES WITH REGARD TO THE EFFECTS OF CONSUMERS' PERCEIVED VALUE AND ONLINE PURCHASING

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## ABSTRACT

This study confirms that consumers' beliefs and perceived value influence significant on their attitudes and behaviors toward online shopping. While perceived risk serves as a negative moderator that can inhibit the influences of consumers' perceived value on their attitude and approach behavior, social influence is regarded as a positive moderator.

## INTRODUCTION

The virtual shopping environment offers numerous conveniences, particularly with regard to time and space. However, online shopping is still regarded by many people as relatively risky. According to the Elaboration Likelihood Model (Petty and Cacioppo 1986), consumers tend to elaborate issue-related information based on their involvement with the focal issue. However, very few studies have evaluated how consumers process or elaborate persuasive messages in an online setting. Moreover, while risks influence online purchase intention through consumer attitudes, these risks may also have a moderating role in inhibiting the effects of perceived utilitarian values on both consumer attitudes and purchasing intention. In addition, social influence factors may serve as a catalyst that enhances the influence of perceived hedonic value on behavior approach toward online purchases. However, relatively very few attempts have been made to explore the moderating roles of perceived risk and social influence with regard to the effect of consumer perceived value on approach behavior in the online shopping environment. Based on the above discussion, the aims of this study are two-fold: First, it aims to understand the influences of consumers' beliefs toward website contents using the Elaboration Likelihood Model (with the central and peripheral routes), and consumers' perceived value on their attitudes toward websites and their related approach behavior. Secondly, the moderating effects of perceived risk and social influence are also evaluated.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Elaboration Likelihood Model and Approaching Behavior

Petty and Cacioppo (1981) propose an Elaboration Likelihood Model (ELM) and suggest that, depending on their degree of motivation and abilities to process information, two different routes to persuasion are possible, namely central and peripheral routes. With the peripheral route participants' attitudes are informed primarily by the use of simple cues or heuristics, while the central route represents a person's thoughtful, careful, and issue relevant consideration of the information (Rucker and Petty 2006). ELM can be a useful tool to understand the formation of consumers' online shopping behavior.

Perceived value is the consumer's overall assessment of the utility of something based on perceptions of what is received and given (Zeithaml 1988). Perceived shopping value can be operationalized as two dimensions: hedonic shopping value and utilitarian shopping value. Fiore and Kim (2007) argued that consumers who perceive higher levels of rational messages from a website tend to experience higher levels of cognitive response and perceive higher utilitarian value. They also found that consumers who perceive higher levels of hedonic and experiential messages from a website tend to have higher levels of affective responses and perceive higher levels of hedonic value. Based on the above discussion, this study presents the first two hypotheses. Hypothesis 1: Consumers who perceive higher levels of rational messages from a website will perceive higher utilitarian value with regard to the website. Hypothesis 2: Consumers who perceive higher levels of hedonic and experiential messages will perceive higher hedonic value with regard to the website.

Attitude is a multi-component construct comprised of affective and cognitive responses (Farley and Stasson 2003). Affect-based attitudes are emotional evaluations and are comprised of emotions and feelings (Agarwal and Malhotra 2005), while cognition-based attitudes are beliefs that consist of judgments and thoughts associated with the object of an attitude (Verplanken et al. 1998). Consumers who have positive attitudes toward a product are more likely to make a purchase. Furthermore, the findings of Park and Yang's (2006) empirical study in the mobile technology context also support the idea that there is a significant positive influence from both utilitarian and hedonic values on consumer attitudes toward such technology. Based on above statements, the following hypotheses are proposed. Hypothesis 3: Consumers who hold more

favorable opinions with higher beliefs under the central route with regard to a website will have higher cognition-based attitudes toward it. Hypothesis 4: Consumers who hold more favorable opinions with higher beliefs under the peripheral route with regard to a website will have higher affect-based attitudes toward it. Hypothesis 5: Consumers who perceive higher utilitarian value will have higher cognition-based attitudes toward a website. Hypothesis 6: Consumers who perceive higher hedonic value will have higher affect-based attitudes toward a website.

Approach behavior is defined as “a consumer’s willingness physically stay in an environment, to look around or explore the environment, to verbally express preference for the environment, and to approach, communicate, and perform specific tasks in an environment” (Moye and Giddings 2002, p263). Babin and Attaway (2000) suggest that both utilitarian shopping value and hedonic shopping value are associated with approach behaviors toward shopping. Consumers with higher levels of positive affect toward the object tend to have more favorable shopping values and choice intention. In addition, with regard to the value-attitude-behavior model, there is a strong relationship between values and choice criteria (i.e., a substitute of attitude) and a weak relationship between values and behavior variables (Park and Yang 2006). According to these notions, the following hypotheses are developed. Hypothesis 7: Consumers who perceive higher utilitarian values will have a higher level of behavior approach. Hypothesis 8: Consumers who perceive higher hedonic values will have a higher level of behavior approach. Hypothesis 9: Consumers who perceive higher cognition-based attitudes toward a website will have a higher level of behavior approach. Hypothesis 10: Consumers who perceive higher affect-based attitudes toward a website will have higher level of behavior approach.

### **Perceived Risk**

Perceived risk can be classified into functional risk (including performance, financial, and physical risk) and emotional risk (including psychological and social risk) (Chaudhuri 2000). Since this study focuses on the context of online shopping, perceived risk in this study is defined as a subjective assessment of the probability of incurring a loss or injury and an unfavorable perception from the self and others in the context of online shopping (Pires et al. 2004). When consumers perceive a higher level of risk for a specific behavior, they will search for more information in order to cope with their uncertainty (Chaudhuri 2000). Thus risk may also serve as a moderator. If consumers perceive online shopping as risky, and can not acquire useful information or benefit from the website, they are likely to have lower levels of attitude and behavior intention with regard to shopping online. Based on the above discussion, the following hypotheses are proposed. Hypothesis 11: The level of consumers’ perceived risk will moderate the influence of consumers’ perceived utilitarian values on their attitudes toward a website. Hypothesis 12: The level of consumers’ perceived risk will moderate the influence of consumers’ perceived utilitarian values on their approach behavior.

### **Social Influence**

This study adopts the viewpoint of Clark and Goldsmith (2006) and considers social influence as composed of both normative and informational influences, with both playing an important role in online purchasing behavior. Smith, Menon, and Sivakumar (2005) suggest that when consumers perceive the shopping value is primarily hedonic in nature, they are more likely to rely on the level of closeness they share with the people who are making the related recommendations. Therefore, social influence may serve as a catalyst that enhances the influences of perceived hedonic value on attitude and behavior approach toward online purchases. Based on the above discussion, the following hypotheses are proposed. Hypothesis 13: The level of social influence will moderate the influence of consumers’ perceived hedonic values on their attitudes toward a website. Hypothesis 14: The level of social influence will moderate the influence of consumers’ perceived hedonic values on their approach behavior.

## **RESEARCH DESIGN AND METHODOLOGY**

### **Construct Measurement and Questionnaire Design**

The measurement scales were developed based on a review of the previous studies and all the research variables were employed in their original or slightly modified forms. A scale purification process was conducted following Churchill (2002). The questionnaire items were assessed on a seven-point Likert scale. A preliminary version of this questionnaire was designed by the authors, and two panel discussions were conducted to discuss the appropriateness of the survey items, including the approaches used in asking questions. The questionnaire items were then revised based on the comments of these discussions. In addition, a pilot test was conducted using 46 EMBA students as the subjects, and some questionnaire items were further revised based upon the results of the pilot study before being put into the final form.

## Sampling Plan and Characteristics of Respondents

Online surveys were used with 223 valid responses. The subjects were first asked to review a number of website advertisements and then asked to answer a questionnaire related to the research constructs. Advertisements from thirty cosmetics websites and thirty electronics goods websites were used. The data were collected online by posting a message on a Bulletin Board System and ask individuals to complete a questionnaire. Data were collected over a four month period from the beginning of February to the end of May, 2009, including one pilot test and one final survey. For the final survey, a total of 246 questionnaires were collected, with 23 invalid responses, giving a total of 223 usable ones. The characteristics of the respondents were gathered with regard to gender, age, education, occupation and monthly income. More than 54.26 % of the respondents were male. Approximately 51.57 % of the respondents were between 21 and 30 years old, follow by 27.35% between 31 and 40 years old. Only 5.83 % of the respondents had less than a high school education. In addition, most of the respondents were employees working in the service industry (36.32%), students (25.56%) and manufacturers (21.52%). Finally, more than 64.58 % of the respondents' had incomes greater than NT\$ 25,001 (1US\$=33NT\$).

## RESULTS

### Factor Analysis and Reliability

To verify the dimensionality and reliability of the constructs, the purification processes and criteria as suggested by Hair et al. (2006) are adopted. The results show that factor loadings (0.643-0.925), item-to-total correlation (0.493-0.910) and Cronbach's alpha analysis (0.717-0.957) all fulfill the above criteria.

### The Structural Equation Model

To evaluate the overall applicability of the research model, a structural equation model (SEM) was adopted using 223 respondents as the subjects. The value of the chi-square/df was 1.185; thus, it met the criterion. In addition, GFI=0.904. AGFI=0.874. RMSEA=0.029, which indicate that the model has moderate fit. In order to test the hypothesized relationships among the research constructs, this study examined the estimated coefficients, signs, and  $p$ -values, as well as the  $t$ -values of their corresponding paths. As portrayed in Figure 1, it is shown that website information with central route content has a significant influence on perceived utilitarian value ( $\beta=0.56$ ,  $t=8.772$ ,  $p<0.05$ ) and cognitive-based attitude toward a website ( $\beta=0.83$ ,  $t=2.891$ ,  $p<0.05$ ). Whereas website information with peripheral content has a significant influence on perceived hedonic value ( $\beta=0.69$ ,  $t=11.814$ ,  $p<0.05$ ) and affect-based attitude toward the website ( $\beta=0.34$ ,  $t=3.705$ ,  $p<0.05$ ). In addition, the levels of consumers' perceived utilitarian value have significant effects on the levels of their cognitive-based attitude toward the website ( $\beta=0.31$ ,  $t=3.989$ ,  $p<0.05$ ) and behavior approach ( $\beta=0.17$ ,  $t=2.446$ ,  $p<0.05$ ). Furthermore, the levels of consumers' perceived hedonic value have significant influences on their affect-based attitude toward the website ( $\beta=0.40$ ,  $t=4.288$ ,  $p<0.05$ ) and behavior approach ( $\beta=0.35$ ,  $t=3.978$ ,  $p<0.05$ ). Finally, the levels of consumers' cognitive-based attitude toward a website ( $\beta=0.31$ ,  $t=4.316$ ,  $p<0.05$ ) and affect-based attitude ( $\beta=0.18$ ,  $t=2.208$ ,  $p<0.05$ ) both have significant influences on their behavior approach. Therefore, H1 to H10 are all supported.

### The Moderating Roles of Consumer's Perceived Risk and Social Influence

The results indicate that when consumers perceive a high level of risk, it does not have a significant influence on the effects that level of perceived utilitarian value on their cognitive-based attitude and behavior approach (CA=2.8030, BA=2.4794 for high risk-low utilitarian value, whereas CA=3.8385, BA=3.2419 for high risk-high utilitarian value). However, when the level of perceived risk is low, the level of perceived utilitarian value has a significant impact on the levels of cognitive-based attitude, affect-based attitude and behavior approach (CA=3.9426, BA=3.8381 for low risk-low utilitarian value; whereas CA=5.7574, BA=5.1178 for low risk-high utilitarian value) ( $F=306.365$ ,  $p=.000$  and  $F=302.155$ ,  $p=.000$ , respectively). Hence, H11 and H12 are both supported. To examine the moderating effects of social influences on consumers' affect-based attitude and behavior approach, indicate that when consumers' perceive a low level of social influence, the level of perceived hedonic value does not have a significant influence on the levels of affect-based attitude (AA=2.5526 BA=2.5703 for low social influence-low hedonic value; whereas AA=3.1964, BA=3.1811 for low social influence-high hedonic value). However, when the level of perceived social influence is high, the level of perceived hedonic value has a significant impact on the levels of affect-based attitude and behavior approach (AA=3.2000, BA=3.1247 for high social influence-low hedonic value; whereas AA=4.8839, BA=4.7376 for high social influence-high hedonic value) ( $F=187.937$ ,  $p=.000$  and  $F=247.749$ ,  $p=.000$ , respectively). H13 and H14 are thus supported.

## CONCLUSIONS AND SUGGESTIONS

Based on the results of this study, several conclusions can be made. First, website messages with central route content have a significant influence on perceived utilitarian value and cognitive-based attitude toward a website. In contrast, website message with peripheral content have a significant influence on perceived hedonic value and affect-based attitude toward the website. In addition, as suggested by Park and Yang (2006), the level of consumers' perceived utilitarian value has a significant influence on the level of cognitive-based attitude toward the website and the level of behavior approach. Furthermore, the level of consumers' perceived hedonic value has a significant influence on their affect-based attitude toward the website and behavior approach. The level of consumer's attitude toward website has a significant influence on their behavior approach. Second, consumers' beliefs toward rational (central route) messages tend to be highly related to both perceived utilitarian value and cognitive-based attitude toward a website. This implies that perceived utilitarian value may serve as a partial mediator that can augment the influence of belief on attitude in central route situations. On the other hand, consumers' beliefs toward hedonic and experiential messages tend to be highly related to both perceived hedonic value and affect-based attitude toward the website. This implies that perceived hedonic value may serve as a partial mediator that can augment the influence of consumers' beliefs on attitude in the peripheral route situations. Third, for the moderating effects of consumers' perceived risk on the influences of perceived utilitarian value on their cognitive-based attitude toward the website and approach behavior toward online shopping, the results indicate that perceived risk serves as a moderator that inhibits the influence of perceived utilitarian values on consumers' attitude and approach behavior. Finally, for the moderating effects of social influences on the influence of consumers' perceived hedonic value on affect-based attitude and behavior approach, as suggested by Raghunathan and Corfman (2006), the study results confirmed that consumers' perceived social influences from relevant others can improve their attitudes toward websites and approach behaviors toward online shopping.

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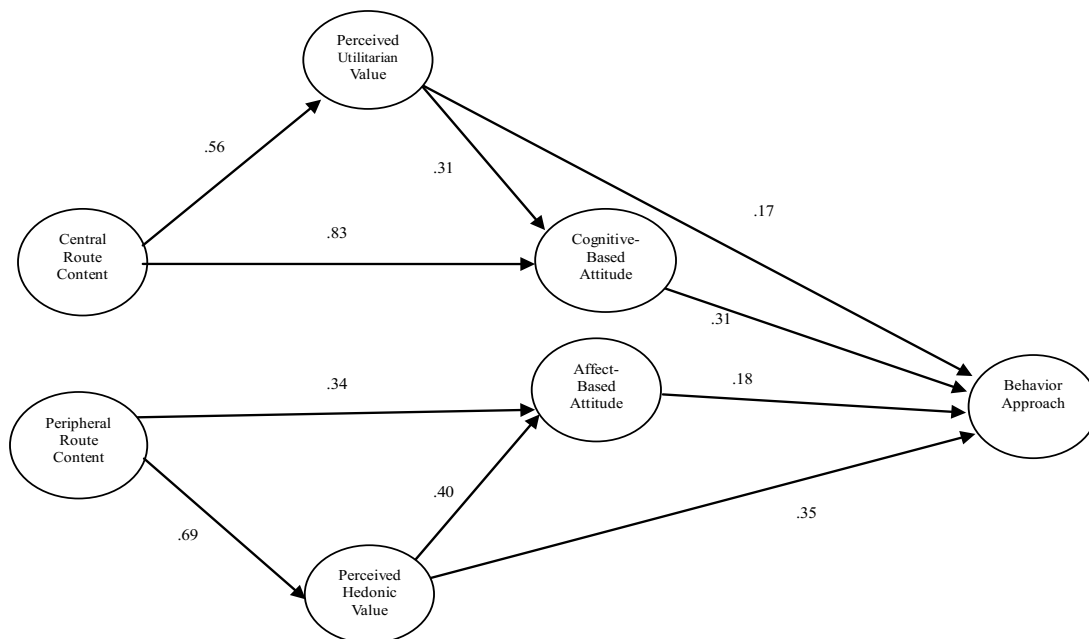
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**Figure 1 The LISREL Research Model**



## AN INVESTIGATION INTO THOSE WHO PASS ALONG VIRAL MARKETING MESSAGES

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### ABSTRACT

Viral marketing is a hot topic in the business world. Having a message transmitted from person to person similar to how a virus is transmitted from host to host at no additional cost to the originator is a very attractive idea to marketers. The coming of age of Internet technologies and social networking sites has created ideal conditions for the uptake of this phenomenon. It has been suggested that viral marketing is merely an Internet-age buzzword, an electronic version of word of mouth advertising. While word of mouth communication is well researched, research on viral marketing specifically is limited. Thus, this study addresses a literature gap by conducting an examination of viral marketing users and providing a profile of these individuals.

In defining viral marketing, Mills (2001) describes it as any marketing strategy that within its design promotes that everyone who encounters the message is encouraged to pass the message on to others. Put simply: viral marketing is a self replicating object that is passed from person to person, similar to how a virus spreads. A viral marketing message originates from a sponsor with an interest in ensuring the virus survives and this is what differentiates viral marketing from true word of mouth (Assael, Pope, Brennan, & Voges, 2007). Modzelewski (2000) expands on this point by describing how viral marketing differs from electronic word of mouth in that the value of the virus to the original individual is directly related to the number of others that it attracts. That is, the originator of each branch of the virus has a unique and vested interest in recruiting people to the network to keep the virus alive. It is not merely an online version of word of mouth.

However, the motivations for traditional word of mouth were found to be relevant to electronic word of mouth according to Hennig-Thurau, et al., (2004). Using an interpersonal communication scale it was discovered that the primary motives for emailing were found to be pleasure and affection (Phelps, et al., 2004). In a strictly viral marketing context, it has been suggested that an emotional connection to the message encourages individuals to pass along viral messages with surprise being a necessity for a successful viral campaign (Dobele, Lindgreen, Beverland, Vanhamme, & Wijk, 2007). Very little research has been conducted to examine the motivations, attitudes and behavior as well as the personality variables of people who become involved with viral marketing campaigns specifically.

A questionnaire containing general demographic questions, viral marketing specific questions and a number of personality scales was developed. Scales measuring Market Mavenship, New Brand Trial, Information-Seeking, Consumer Innovation, Opinion Leadership, Price Sensitivity, and Motivations for Communication were used. Data was collected through an online questionnaire. Participants were recruited through an appeal to take part in the study via popular online forums. A total of 1132 completed questionnaires were returned during the period the survey was live (approximately two weeks).

Using statistical testing we found that those who pass along viral marketing messages demonstrate a significantly higher likelihood to: display market mavenship behaviors, trial new brands, demonstrate higher information seeking, demonstrate higher innovation, be more price sensitive, and demonstrate higher opinion leadership scores than those who do not pass along viral marketing messages at a 95% ( $\alpha = 0.05$ ) confidence level. Motivations for communication show that pleasure is the most common motivation for passing along viral messages, followed by escape.

When analysing the demographic variables of those who pass along viral marketing messages they are largely white, male, between 18 and 23 years old, and engaged in college level study. Their behaviors online suggest that they are heavy users of the Internet, and perceive themselves to be 'experts' at the Internet, they also engage in a wide variety of online activities. With regard to their personality, those who pass along viral marketing messages are also more likely to be innovative and likely to trial new brands. Relating to this is their tendency to be information seeking. They can also be described as being market mavens, involved and knowledgeable in many aspects of the marketplace, with a joy in spreading their knowledge to others. They are also opinion leaders in that they perceive the knowledge they spread is highly regarded and often very influential to others. Their motivations for passing along viral marketing messages centre on the pleasure they receive from passing along these messages. They pass them along because it is fun, provides them with entertainment, and is exciting. They are also motivated to pass along viral marketing messages because it provides them with an escape.

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## **REWARDS, CAN THEY BE USED TO HELP THE COORDINATION OF SALES AND MARKETING ACTIVITIES?**

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### **ABSTRACT**

This paper considers the role that rewards play in improving sales and marketing coordination. The findings highlighted that organizations may use an aligned rewards to encourage greater collaboration between sales and marketing personnel, but that this needs receive support from senior managers through goal and activity alignment to be effective.

The proposition is that there may be benefits in terms of improved collaboration through motivating sales and marketing personnel by aligning rewards. The rewards offered to sales and marketing personnel are frequently independently structured and dependent on the achievement of different goals. However, Alldredge, Griffin and Kotcher (1999) established that in many organizations, sales and marketing are being pulled in two different directions by their reward systems. The disparity in reward systems of sales and marketing personnel is not restricted to the functional level. At senior management level, the Sales Manager/Director's rewards are likely to be linked to achieving overall sales targets, whilst the Marketing Manager/Director is rewarded on salary and a bonus based on overall business performance. Therefore, sales and marketing managers are likely to be rewarded against two different objectives, short term sales targets and longer term profit targets. Overall, sales personnel may be driven purely by performance objectives in the short-term, as they know that exceeding targets will result in rewards and that failure may result in sanctions being imposed (Hultink and Atuahene-Gima, 2000).

The aim of this study is to explore this topic through a quantitative survey to identify the types of rewards being offered to sales and marketing personnel. Additionally, five short case studies were used to help understand the role that rewards might play in improving integration of sales and marketing activities, and to identify the most effective reward system for sales and marketing personnel. The case studies indicated that there were two antecedents to collaboration between sales and marketing; senior management attitudes towards coordination and rewards. Many organizations are beginning to focus on aligning sales and marketing activities and based on research into improving internal collaboration. The findings from the survey demonstrate that the majority of sales and marketing managers had separate incentive schemes, with sales mainly receiving salaries with commission/bonuses based on achieving sales targets and marketing receiving salaries with bonuses based on achieving organizational targets. However, the research also indicated that there is quite a strong move away from this traditional reward structure, with 18% of Sales Managers receiving salaries or salaries with an organizational bonus, and 26% of Marketing Managers receiving bonuses based on achieving marketing or sales targets. This was supported by the findings from the case studies.

These results would indicate that there may be some linkages between aligning rewards and coordination of sales and marketing activities, but there must be other factors influencing collaboration. Although it is clear from previous literature that rewards should and do contribute to improvements in interdepartmental collaboration, our research shows it is not a decisive factor when considering sales and marketing collaboration. The case studies demonstrated that senior managers had greater influence on collaboration between sales and marketing than rewards, but that with their support rewards do influence interfunctional collaboration. The research concludes that sales and marketing personnel are mainly rewarded separately, but that there are some moves towards greater alignment of incentives. The case studies indicated that there are some advantages in considering rewards as part of management strategies to improve sales and marketing collaboration, but that management attitudes to coordination are more critical. The qualitative research found that organizations that are focused on improving the sales and marketing interface may use rewards successfully as part of their strategies, although aligned rewards alone are unlikely to be sufficient to improve collaboration between sales and marketing.

References Available on Request.

# DESIGNING SALES CONTESTS IN CALL CENTERS: UNDERSTAND TELEMARETERS' PREFERENCES AND RECOMMENDATIONS FOR COMPENSATION

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## ABSTRACT

Sales contests are widely used by firms to motivate employees, reduce absenteeism and limit staff turnover. The objective here is to determine the reward preferences of call center employees in terms both of the type of sales contests and of rewards. We conduct an experiment and use the conjoint analysis method to measure employee preferences.

## INTRODUCTION

Creating a compensation plan that motivates employees and increases sales and profitability is complicated to implement. This particularly true when it is a matter of motivating salespeople who sell by phone: a stressful occupation that combines achieving qualitative and quantitative objectives, a sometimes oppressive work ergonomics, the constant presence of the hierarchy, and uncertain career prospects. A human resources policy focused on motivation ("incentives") and the possibility of benefiting from training, job security, a rewarding wage and practices aimed at building trust, are supposed to influence employee commitment and attachment (Batt 2002), while improving performance and reducing turnover. This paper therefore has two objectives. The first is to understand telemarketers' preferences in regard to sales contests. The second objective is concerned with the type of compensation offered in the context of sales contests. The relative weight that different salespeople attach to these rewards has however been examined in two studies by Chonko et al. (1992) later replicated by Lopez et al. (2006). Nevertheless, to our knowledge, there is no existing study of the various compensation plans for telemarketers in the specific context of call centers.

### Types of sales contests and motivation

Questions of motivation, performance and objectives in call centers have been addressed a good many times with the emphasis on different factors, such as stress and optimism (Tuten and Neidermeyer 2004), the links between productivity and quality of service, and management and the sharing out of authority (Adria and Chowdhury 2004). Yet there are no empirical studies of telemarketers' preferences in regard to sales contests. There are a large number of characteristics that can be combined when a sales contest is organized (Murphy and Dacin 1998; Authors 2001). In order to select these characteristics, we carried out an in-depth exploratory study (day of observation, free interviews with telemarketers and supervisory staff). This exploratory stage enabled us to retain three variables used in the literature, namely the number of winners (low or medium), competition format (individual or team), and contest frequency (low or high). Lastly, a fourth variable, which to our knowledge has never been touched on in an academic context, is linked to the objective with which the contest is concerned: is this objective revealed to the contestants at the start of the contest or it revealed as the end?

The first point of disagreement concerns the contest objective, which refers to the current of research on monitoring the sales force (Anderson and Oliver 1987), even though this variable has to our knowledge never been considered in studies on sales contests. In call centers, practice shows that the objectives are not always determined upstream, in order that employees do not disregard their objectives outside of the competition. Indeed, many platforms organize contests without specifying the objective in advance. The employees only find out at the end of the operation which criteria will be used to assess them. Hence the research question:

*RQ 1: Do telemarketers prefer knowing what their objective is during a sales contest or not?*

In regard to the number of winners, the experts hold widely differing views. Hart et al. (1989) showed that salespeople perform better when the number of winners is small. However, a previous study by Moncrief et al. (1988) had mixed findings, in that although the majority of B-to-B salespeople said they preferred a limited number of winners (10% to 24% of contestants), B-to-C salespeople chose a much higher number of winners (50% to 99% of contestants). We thus inquired as to salespersons' preferences in relation to the number of winners:

*RQ 2: Do telemarketers prefer sales contests with a large or a moderate number of winners?*

In regard to collective or individual contest formats, Moncrief et al. (1988) revealed a preference among salespeople for individual contests. An individual competition also appears to be fairer for sales personnel who are rewarded on their basis of their own results. Nevertheless, other researchers (Murphy et al. 2004) and many practitioners who emphasize the importance of cooperation, advocate team or mixed format competitions. In response to the growth of teamwork, we also looked at perceptions of the team-based format.

*RQ 3: Do telemarketers prefer sales contests organized on an individual or a collective basis?*

Finally, in regard to contest frequency, the only study we are aware of indicates mixed findings: half of the people questioned said they liked having more contests, while half wanted them to be used more sparingly (Beltramini and Evans 1988). These authors conclude that companies should not use contests too often, in order to retain their exceptional character, and that they should not be seen as part of regular remuneration.

*RQ 4: Do telemarketers prefer sales contests with a low or a high frequency?*

## **Rewards and motivation**

The various forms of compensation constitute potential sources of satisfaction and of motivation. In their 1992 study, Chonko et al. make comparisons by peers between different types of compensations. Their central findings show that salespeople prefer salary increases to all other forms of compensation. A second study (Lopez et al. 2006) shows that increases in salary and in commission rates are salespeople's favored forms of compensation. The authors also show that 77% of their respondents prefer an increase in commission rates to an increase in salary. Caballero (1988) showed that salespeople preferred winning trips rather than bonuses or gifts of the same value, for trips are as much an extrinsic reward as an intrinsic one. The possibility of joining the group is an integral part of a trip and is the measure of its success (Hasting et al. 1988). Beltramini and Evans (1988) demonstrated the superiority of recognition over bonuses or trips in terms of attitude and satisfaction with regard to sales contests. Firms often use a combination of bonuses, gifts, gift-tokens and trips at different levels of the competition. But the question then still arises of knowing "what type of reward" really motivates salespeople during a contest. The way call centers are organized has been the subject of numerous studies. One of the most recent (Moss et al. 2008) shows that approaches solely based on salary increases meet with little success among call center employees and that career opportunities are considerably more appreciated. Career advances allow formal recognition by the organization as well as bringing enhanced status and responsibilities. As a result, the remuneration system has a very high impact on telemarketers' behavior and performance. We shall therefore attempt to answer three further research questions.

*RQ5: What are telemarketers' preferences in regard to the various remuneration options that can be deployed in a call center?*

*RQ6: What are telemarketers' preferences in regard to the various bonus and gift options in a contest?*

*RQ7: Do certain telemarketer profiles (primarily demographic characteristics) express preferences for particular types of reward or remuneration?*

## **RESEARCH METHODOLOGY**

To answer these questions, an experiment was carried out on telemarketers using the conjoint measurement analysis method. Murphy et al. (2004), in studies on sales contests, carried out two experiments on salespeople, followed by conjoint measurement analysis of their preferences in regard to this type of motivation operation. We drew our inspiration from contests that had already taken place at various call centers. Thus the objective may be either given or not known in advance; the number of winners may be either very limited or moderate (either the best salesperson or the ten best); the contest form may be either individual or collective; and the frequency may be high or low (several contests at the same time or not). The combination of these four characteristics, each with two modalities, leads to 16 scenarios. In order to make the experiment more realistic, we presented eight contest scenarios and asked respondents to rank them. In regard to the type of rewards, we adopted the original tool developed by Chonko et al. (1992), later deployed by Lopez et al. (2006). Following an in-depth study of sales contests and competitions in general, and in the specific context of these platforms, we retained "gift chosen by the organizer", "gift chosen by the telemarketer from a catalogue" and "gift-token". The study was carried out on a call center that both receives and makes calls. These platforms sell pharmaceutical products to pharmacies and financial products to private individuals. The total of 8 stimuli were evaluated by a sample of 214 telemarketers directly at their work platforms. 202 questionnaires turned out to be usable for the analysis. The sample was mixed and made up of 41% men and 59% women, with an average length of time in the job of 19 months. 52.6% were engaged only in making calls, 25% only in receiving calls and 22.4% both. The data collected was processed with the help of SPSS software with syntax macro control.

## RESULTS

Kendall's coefficient of concordance used to test the homogeneity of respondents' preference in regard to contests has a value of .92 (nearly 1). Hence the overall results are acceptable. Table 1, which presents the mean utilities and the importance of each attribute, highlights the significance of format in the choice of contest, ahead of objective, number of winner and frequency. The modalities having the highest mean utilities are respectively: non-defined objective, team format, low number of winners and high frequency, although this last result has a utility close to 0.

We have conducted a hierarchical cluster analysis based on the individual preferences. The Ward method and the Euclidian distance were used to elaborate those different groups. The results clearly indicate that three different groups can be identified. The characteristics of the different groups are the following ones:

The results for telemarketers' preferences in regard to rewards as well as their preferences for each type of reward are interesting. Thus, for example, 66% of the telemarketers in our sample state that they prefer a "salary increase" to "career opportunities". On the other hand, the declared intensity of those who prefer a salary increase (5.65) is higher than those who want career opportunities (5.11), which is a significant difference. We see that the telemarketers systematically prefer salary increases to all other proposals (career opportunities, recognition or monetary rewards). Career opportunities are in turn preferred (apart from a salary increase) to the other proposals, namely recognition or monetary rewards. Finally, monetary rewards are preferred to recognition policies. Hence the telemarketers preferences are first and foremost for salary increases and then for career opportunities. Now let us examine the intensity of these preferences. We thus note that these preferences are particularly marked for the combination "salary increase vs. recognition", for "career opportunity vs. recognition" and for "recognition vs. monetary rewards". The difference in intensity is lower (although significant at the 5% threshold) for the combination "salary increase vs. monetary rewards". Finally, there is no difference in intensity for the combinations "salary increase vs. monetary rewards" and "career opportunities vs. monetary rewards".

In regard to the characteristics of sales contests, we see that a gift-token is much more appreciated than a gift chosen by the organizer. Moreover, the quantification of this preference shows that respondents who say that they prefer a gift-token are very clear in their choice (6.21). In addition, telemarketers' preferences are stronger for gift-tokens than for a gift chosen from a catalogue. If we consider the intensity of preferences for each of these modalities, we have to admit that the gap is significant but lower (6.00 vs. 5.34). Finally, more telemarketers prefer a contest where winning allows them to choose a gift from a catalogue to one where the gift is chosen by the organizer. This preference is particularly clear and marked (5.82 vs. 4.76). Following the Lopez et al. (2006) methodology, we tried to establish whether certain demographic profiles were more able to explain particular choices. We carried out logistic regressions and for the two significant equations, only 5% of the variance is explained, indicating the very low explanatory power of the variables considered. Results show that respondents with 2 or 3 years higher education prefer salary increases to career opportunities. All the other relations are non-significant. Moreover, the older the respondents are the more they favor recognition in their job rather than a salary increase.

## DISCUSSION

This analysis of conjoint measurements thus enables the ideal contest for the telemarketers questioned to be established, namely a contest with a non-defined objective, organized in teams, with few winners and high frequency. Let us look at and discuss each of these characteristics. The non-defined objective possibly reduces the pressure associated with productivity demands and allows telemarketers to plan their day-to-day activity more calmly. This constitutes a major contribution from this study, since to our knowledge this characteristic has never been addressed in the academic literature. In agreement with the position taken by Hart et al. (1989), these results reveal a preference for contests with a small number of winners. Salespeople have a need for recognition, and all the more so if they are at beginning of their career (Murphy and Sohi 1995), when recognition can mean getting a permanent job. Contests can be viewed as a tool for selecting and recruiting salespeople. Winning then becomes crucial and may explain the preference for a closed budget in which the most successful contestants are clearly identified and can be hired. Competition format plays a major part in selecting contests as telemarketers prefer collective contests. Such operations favor mutual support, mutual aid and altruism among telemarketers, which are aspects of organizational collective behavior essential to the proper functioning of the company. Frequency (low or high) is not very important for telemarketers. This finding may be explained by the greater chance of winning a prize when there are more contests and the possibility of putting a lot of effort into contests they believe they can win.

In regard to the type of rewards, the results of this study are interesting on several accounts. Contrary to the recommendations of Moss et al. (2008), it seems that salary increases are telemarketers' preferred reward both in terms of frequency and

intensity, considerably ahead of career opportunities. This finding is especially significant for call center managers, who have difficulty in find career opportunities for all agents, due to the very flat and hierarchized pyramidal organization of call centers. This preference is underlined by the preference for gift-tokens, which can be freely cashed in, rather than gifts chosen by the organizer or selected from a catalogue. Another interesting result, which calls for further studies, is the link between age and the preference for recognition rather than salary increases. Although its explanatory power may be weak, it nonetheless suggests that other possible types of reward can be envisaged by call center managers for older groups. Finally, the question of the link between educational level and the preference for salary increases is a reminder that a higher educational level among telemarketers has not always, in the past, been accompanied by a higher starting salary. The routine nature of the job and the close supervision characteristic of call centers can seem inconsistent with their remuneration by telemarketers with two or three years higher education, who may have aspirations for greater responsibility and autonomy in particular.

## MAIN LIMITATIONS AND FUTURE RESEARCH

This study has a certain number of limitations, some of which suggest further lines of research. The size of the sample is one weakness. A study of telemarketers with a larger number of individuals would complement this experiment by confirming or disconfirming our initial results. With only four out of eight different contests tested, it would be interesting to enrich this study by extending the number of configurations, we could for example consider taking into account the duration of the contest or a mixed format or the type of objectives (other modalities). It would also be interesting to examine the budget (open or closed) and the prize structure. A study by Lim et al. (2009) shows that salespeople's reactions vary according to the number of winners, the type of competition and the value of the winnings at each result level. The term "call center" covers a wide range of situations both organizationally and in terms of their business. Moreover, in terms of the call centers' business, it would be productive to consider other characteristics of call centers – for example, the nature of the calls (incoming or outgoing), the type of marketing activity (filling orders, giving instructions, asking for commercial information and target descriptions, etc.), the business sector (B-to-B or B-to-C), and so on. Finally, taking account of an international context could also lead to interesting managerial implications. In their study of remuneration packages, Segalla et al. (2006) conclude that there are different preferences depending on the country of origin of salespeople and their managers. In a business sector where Taylorist methods persist having a wide view of the job and its conditions can lead to a better understanding of telemarketers' motivation processes and hence of their sources of satisfaction.

## CONCLUSION

After looking at the intersection of the literature on call centers and on sales contests, we carried out a large-scale experiment on 202 call center telemarketers. This study, which involved a conjoint analysis, allowed us to deal with four contest characteristics. These included, for the first time, the notion of "unknown objective", which to our knowledge has never previously been addressed in the literature. Our findings lead us to recommend contests with unknown objectives when the contest begins, and which take place on a team basis, have a small number of winners and are held frequently. These results have important implications and lessons for call center human resources departments.

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**Table 1 Utility of modalities and importance of attributes**

		Mean utilities	Importance (%)
Objective	Defined	-.49	27.76
	Non-defined	.49	
Number of winners	Low	.20	21.26
	Moderate	-.20	
Format	Individual	-.42	33.00
	Team	.42	
Frequency	Low	-.01	17.98
	High	.01	

**Table 2 Significant groups**

	Group 1	Group 2	Group 3
Size of group	48	68	67
Objective	(0,16) Non defined +	(- 0,16) Defined -	(-1,30) Defined ---
Frequency	Non significant	Non significant	Non significant
Number of winners	(-0,85) High --	(-0,09) Low	(0,15) Low
Format	(0,83) Collective ++	(-1,57) Individual ---	(- 0,15)Individual -
Profiles	Addicted to collective contests with high number of winners	Individualists with known objective	Moderate individualists with known objective and low number of winners



## PERCEPTIONS OF SALES PRESSURE: A QUALITATIVE STUDY

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### ABSTRACT

Analysis of open-ended consumer narratives reveals common themes related to the characteristics of the agent, target and situation that impact the persuasion episode. This effort will serve to increase our understanding of consumers' perceptions of sales pressure, and provide input for subsequent scale development and quantitative research.

Marketing researchers have long understood the salesperson's power to influence the consumer's decision of whether, what, and when to buy (Olshavsky 1973). Indeed, some have argued that the very act of closing the sale necessitates that the salesperson "exercise some degree of influence over the buyer" (Brown 1990, p. 18). The Persuasion Knowledge Model theorizes that the attempts of the salesperson (i.e., agent) to persuade the consumer (i.e., target) and the consumer's corresponding persuasion coping behaviors are critical in determining the outcome of the persuasion episode (Friestad and Wright 1994). Consistent with this theory, this study acknowledges that the buyer and seller both bring their own unique perceptions to the persuasion attempt; the interplay of these perceptions, along with situational variables, helps to determine the outcomes of the attempted influence.

Ideally, the objective of the salesperson should be to affect an outcome that is positive for both the seller and the buyer. However, a salesperson that employs selling pressure as part of his or her persuasion tactics risks changing the nature of the sales message from persuasive to coercive (Barron and Staten 1995). Although the short-term benefits of these "hard-sell" persuasion tactics may lead to quick sales for the seller, the results of employing pressure tactics can be injurious to the consumer as well as the salesperson and retailer (Chu, Gerstner, and Hess 1995).

Despite the general consensus that a high-pressure approach is bad for all involved parties, there is scant research on the factors that influence the customer's perceptions that pressure tactics are being employed to procure their patronage. As such, this study attempts to shed light on the matter. Using the Persuasion Knowledge Model as a theoretical context, the purpose of this qualitative stage of data collection is twofold. First, the authors' ongoing efforts to conceptualize, develop, and validate a measurement for consumer perceptions of sales pressure necessitate qualitative data from consumers. This data provides insights invaluable for the purpose of creating an initial pool of scale items. Second, this qualitative study will help to provide additional direction for future empirical research on sales pressure.

We define consumer perceptions of sales pressure as a consumer's view that he or she is being coerced by a sales agent to purchase a product, which results in a feeling of discomfort with the persuasion episode. Currently, there is no scale available to measure a consumer's perceptions of sales pressure. The data collected for this study will help to further conceptualize the construct, while simultaneously providing additional direction for item development for a consumer perceptions of sales pressure scale. It is important to keep in mind that it is the customer's perceptions that determine outcomes, not the salesperson's intent (Brown 1990; Friestad and Wright 1994). In other words, where the customer is concerned, perception is reality. Both the scale, when developed, and these insights will be invaluable for future quantitative studies on the subject. While many consumers do need an extra push to make decisions, the key may lie in determining just the right amount of pressure to apply to avoid crossing the fine line from persuasion to coercion. This study seeks to further our understanding of how and when that line is crossed with consumers. Armed with this understanding, retailers and their salespeople can seek to approach, but never cross this line, thus resulting in desirable outcomes such as purchases, repurchases, and positive word-of-mouth behavior.

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## EXAMINING THE RELATIONSHIP BETWEEN BRANDING A PLACE AND SUSTAINABLE DEVELOPMENT

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### ABSTRACT

There has been a steady increase in competition between places in terms of attracting tourists, businesses and investments, over the past few years (Kotler, *et.al.* 1993). This has made the marketing of places a key driver of the economic activities and a leading initiator of local development and regeneration. As a result, '*Place Marketing*' has become a regular and more intense practice over the last few decades as a result of the rapid increase in competition among places, cities, regions and nations around the world (Baker and Cameron, 2008). Moreover, place marketing is not only limited to increasing the tourist trade but also plays an important role in regional and urban development, place and/or country positioning in international relations and maintaining continued infrastructural and economic growth.

However, there is little academic research to support the practice. Indeed, '*Place Branding*' is seen as an emerging field (Hankinson, 2001, Kavaratzis, 2004), in which there is an apparent lack of empirical research (Caldwall and Freire, 2004) and little clarity or agreement about terminology and definitions (Anholt, 2004). According to Placebrands, (2006) place branding brings together a range of existing specialisms, in particular those of brand management and corporate branding, general management and marketing concepts, together with developmental policy, to create a new discipline with equal emphasis on visionary strategies and hands-on implementation. Moreover, whilst there has been some academic research into the branding of places as sustainable centers for business tourism (Hankinson, 2004), there has been a little focus on the place branding concept itself, and no research on investigating place brand and its relationship to the sustainable development.

Therefore, this research paper sets out to explore the construct of place branding and its influence on the continuous development and sustainable growth by reflecting on the aspects of traditional branding, product branding, corporate branding, place marketing and destination branding. This research will then consider the evolution and the liminalities of the place branding construct and will examine the role and importance of the various place-specific facets embedded in it. Thus, the main purpose of this paper is to provide new insights to the existing knowledge of place branding and its relationship with sustainability.

This research reviews the evolution, development and effectiveness of the place branding concept from the perspectives of regeneration, growth and sustainability. The main research focus is on establishing key facets responsible for driving the brand of a place and examining the relationship between them in terms of achieving sustainability. A place-specific branding campaign (using the Liverpool'08, European Capital of Culture status) was considered and data collected from the key stakeholders that included top-level representatives such as Chief Executives, Chairpersons, Directors and/or senior managers from 14 key authorities and organizations both from the public and private sectors, alongside civic leaders, residential associations and educational institutions responsible for creating and delivering the Liverpool place brand image. The findings of this research suggest that place branding plays an important role in the sustainable development of a place provided that the momentum of progress is maintained. In turn these sustainable developments help promote the place and thereby create stronger place brands.

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## HOW DO LIMITED EDITIONS WORK IN FMCG CONTEXT

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### ABSTRACT

Limited Editions are a widely used type of line extensions. An exceptional, limited available variant is added to the permanent product line offers. Whereas Limited Editions look back on a long tradition in high involvement categories, recently, they have been increasingly used in Fast-Moving-Consumer-Goods (FMCG) categories. For example, in the U.S. food and beverage sector the number of yearly Limited Edition launches increased from 2001 to 2004 by 87% (Banasiak 2005). In spite of their high practical relevance, no scientific discussion about the effects of Limited Editions on the consumers exists. Some authors have proposed possible effects, like positive feedback effect on parent brands, but their theoretical foundation and empirical discussion is lacking. The objective of this study was to theoretically explain and empirically test the essential variables and their interrelations characterizing the consumers' evaluation of Limited Editions.

There are two different approaches which can be used to explain the evaluation of Limited Editions. On the one hand, personality traits like exploration tendency can moderate the evaluation. Exploration tendency helps to regulate arousal and result from the motivation for stimulation seeking (Raju 1980). It was supposed that two different optimal stimulation levels exist (Hebb 1955; Maier, Vickers and Inman 2007). Exploration seekers show a high optimum, they search more likely for stimulation than exploration avoiders, who are characterised by a lower optimum level and a preference for familiar stimuli (Baumgartner and Steenkamp 1996). On the other hand, limited availability of a product produces a scarcity effect. This effect refers to a powerful persuasion principle. Because valuable objects are often scarce, consumers tend to perceive scarce objects as more attractive (Cialdini, 1993). There is a controversy between different psychological approaches to explain scarcity effects regarding the question whether scarcity can take effect automatically, without a deep elaboration, or a deeper processing is necessary (Lynn, 1992; Cialdini, 1993). Categorization theory considerations provide conclusions about reciprocal effects of limited editions towards the parent brand. This process includes the identification of an object as a member of an object class based on similarities (Rosch and Mervis 1975). Assimilation effects occur if a product is successfully identified as a member of a brand's category (Fiske and Neberg 1990). Characteristics of the product become an integral part of the brand's mental representation and lead to brand's image change (Loken and Roedder John 1993).

A series of three experiments was carried out to examine the following research questions: (1) In what way does the effect of product limitation, which is characteristic for Limited Editions, depend on the exploration tendency of the consumers? (2) In what way does the depth of processing influence the effect of a Limited Edition? (3) What kind of reciprocal effects on the parent brand launching a Limited Edition are expected? Three experiments were conducted in form of standardized interviews with a total of 511 subjects. They were exposed to product boards from the categories deep-frozen pizza, ice cream and biscuits. The evaluation of collected data took place through analyses of variance. Our experimental results give a deeper insight into the question how Limited Editions work in FMCG context. We have found that the effect of a product limitation is substantially moderated by the level of exploration seeking. For FMCG, consumers use a "scarce = novel" heuristic. Customers deduce the unique character of the product from its limited availability. However, the reinforcing effect of limitation on product attitude and trial interest arises only in case of exploration seekers, which are characterized by a pronounced need for stimulation through exceptional products. Further, the results confirmed the relevance of cognitive effort for the scarcity effect to take place in FMCG context. Only in case of deeper processing a limitation label led to a more positive attitude towards the product and trial interest. Moreover, reciprocal effects of a Limited Edition launch on the parent brand could be observed. Assimilation between Limited Edition and parent brand was evident. Launching a Limited Edition heightens the perceived creativity of the parent brand, independent of brand strength. A positive effect on the brand attitude was found only for a weak parent brand.

Several practical implications can be drawn. Before a company decides to use this strategy, exploration tendency of the target group should be examined. Furthermore, our results underline the impact of limited availability. To achieve a scarcity effect, consumers should recognize the limitation. Additionally, a deeper consideration of a Limited Edition by consumers positively impacts the evaluation. During and after launch, in-store merchandising can be carried out which help to attract consumers' attention. Finally, it has been found that the parent brand can profit from the reciprocal effects of a Limited Edition. This is an effective strategy for brands which aim to increase the perceived brand creativity.

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# HOW CONSUMER RELEVANCE CREATES BRAND VALUE

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## ABSTRACT

Brand value has recently been shown to be a specific instance of value co-creation in which consumers contribute to the brand through their consumption experience and social interactions. We offer a model of brand value co-creation based on an epidemiological theory of cultural transmission that explains how consumers contribute to brand value. We identify two important drivers of brand value, relevance and the causality of cognitive and social processes. The model enables us to propose specific managerial implications and opens up opportunities for future work on brand value and value co-creation.

## INTRODUCTION

Brand value has recently been discussed as a specific instance of co-created value to which consumers contribute through their consumption experiences and social interactions around the brand (Schau et al. 2009). We agree that an analysis of brand value must reflect both the firm's efforts and its consumers' experiences with the brand in line with the Service-Dominant Logic (Vargo & Lusch 2004). Admittedly, the academic literature we review has increasingly acknowledged a trend towards greater consumer control over brands. "Consumer activity" (Keller & Lehmann 2006) is discussed as an element of brand value, but the why and how of consumers' contributions to building brand value remain a largely unexplored area.

## PROPOSED MODEL

Our proposed model of how brand value is co-created is the application of an epidemiological theory of cultural transmission from the field of cognitive anthropology (Sperber 1996). We suggest that brand representations, consumers' representations of brand attributes, are instances of cultural material. As such, brand representations evolve towards greater relevance when they are processed and transmitted across populations and generations. The term relevance used here is to be understood specifically as referring to the cognitive notion of relevance (Sperber & Wilson, 1995) developed in Relevance Theory. A piece of information is relevant to an individual in a given context to the extent that it provides certain cognitive benefits for the cognitive cost of processing the information. As do other instances of cultural material, brand representations are transmitted through sequences of mental and public representations caused by cognitive and communicative processes whose primary adaptive function is to allow humans to efficiently transmit valuable knowledge to large numbers of individuals. Brand representations gain in relevance to consumers in two ways: form relevance makes brand representations easier to process, remember and communicate, while content relevance reflects consumers' representation of the brand's ability to fulfill their goals.

We argue that the increasing relevance of the brand and its representations to ever growing numbers of consumers as they experience and share them is indeed what constitutes the brand's increasing value. In the case of brands, mental representations are the brand associations in individual consumers' minds resulting from experiences with the brand at different touch points (Schmitt 1999), both firm-controlled (i.e., traditionally, the elements of the marketing mix) and consumer-generated (e.g., word of mouth, referent power etc). Acting under any number of motivations (functional, social, hedonic, etc), consumers then communicate through public representations of the brand, either explicitly (e.g., blog post) or implicitly (e.g., visible consumption), allowing these representations to then be reinterpreted by others in the next sequence of mental representations and so on. Each step of the way, the cognitive and communicative processes involved in producing and interpreting public representations from and into mental representations transform the representations towards greater relevance, a feature of these representations which is itself associated with the adaptive function of social and cultural transmission. Value is created for the consumers as a wide range of their goals and motivations are fulfilled through the individual, social and cultural facets of consumption, and for the firm by helping brand representations move along the relevance-enhancing transmission chain, promoting the brand and gaining relevance/value in the process. While marketers work hard to provide relevance through their products, increased relevance results spontaneously from the cognitive and communicative processes that are inherent to human sociality.

The model provides at least two important benefits for researchers: it integrates the mechanisms of brand value creation by consumers into a broader and widely accepted framework of social and cultural transmission, and allows us to characterize brand value in terms of a rigorous cognitive notion of relevance. Furthermore, the model allows us to position brand value

squarely in the heart of current research on value co-creation, particularly in the service-dominant logic (Vargo and Lusch 2004).

By recognizing the crucial role of consumers in crafting brand value, the model also offers interesting insights into phenomena of “brand hijacking” (Wipperfurth 2005) in which consumers redefine a brand to suit their own needs, sometimes with the approval of the brand owner, and often without it.

### **MANAGERIAL IMPLICATIONS, CONCLUSION AND NEXT STEPS**

In addition to offering a cognitive, social and cultural relevance-based characterization of brand value, we suggest specific managerial implications to enable firms to facilitate transmission of brand representations for greater relevance. We recommend that brand managers heed the following advice:

- (1) Let go of the erroneous belief that the brand is owned by its managers
- (2) Facilitate opportunities for consumers to communicate among themselves or with other stakeholders by opening up more channels of communication to meet the needs of consumers who want to spread their brand representations
- (3) Create a role for yourself as observer and fair partner in the co-creation process. Engage fairly with consumers through all available channels, whether you control them or not
- (4) Encourage an internal culture of brand value co-creation and facilitate the contributions of internal stakeholders in communications with consumers through all available channels
- (5) Analyze the factors that can “cause” consumers to communicate about your brand and optimize them by opening more channels of communication (e.g., mobile communications during consumption, reviews, news stories, blogs, branded events, etc)
- (6) Analyze the factors that contribute to form and content relevance of your brand as it evolves
- (7) Help create form relevance for brand representations by allowing recognition by consumers of credible sources, and open-ended contributions on brand-controlled channels
- (8) Help create content relevance by facilitating and openly rewarding consumer initiatives that take the brand in new directions
- (9) Monitor the spread of brand representations by compiling data on volume, frequency, recentness, breadth, number of contributors, and other measures of accessibility and penetration
- (10) Monitor measures of relevance such as the level of credibility of contributors, creative or transformative features, language, symbolism etc.

We have proposed a unifying framework for brand value co-creation, which sheds explanatory light on recent research on brand value by showing why and how individual consumers’ attitudes based on direct experience with and communication about the brand work together to create brand value. The epidemiological theory that provides the backbone of our framework clarifies the structure of the transmission mechanisms and explains why representations spread and how they are transformed as they do so. It also allows us to identify two important drivers of brand value, the causality that underlies the social chains of propagation of brand representations and the relevance towards which cognitive processes transform these representations. Our research therefore contributes significantly both to the two literature streams on brand value and value co-creation, and offers very concrete and actionable managerial implications.

The proposed model is the first attempt to apply recent work on cognitive science and cultural transmission to the study of brands and, more generally, to marketing theory. The main limitation is clearly the lack of empirical evidence. There is therefore a crucial need for further work to apply the model to specific data on brand value co-creation. The growing domain of social networking provides excellent opportunities for this research. It is also important to tie this model to other frameworks previously used in research on value co-creation and brands, such as social capital (Mathwick et al. 2008), collective action, innovation diffusion, social networks, communities of practice and others.

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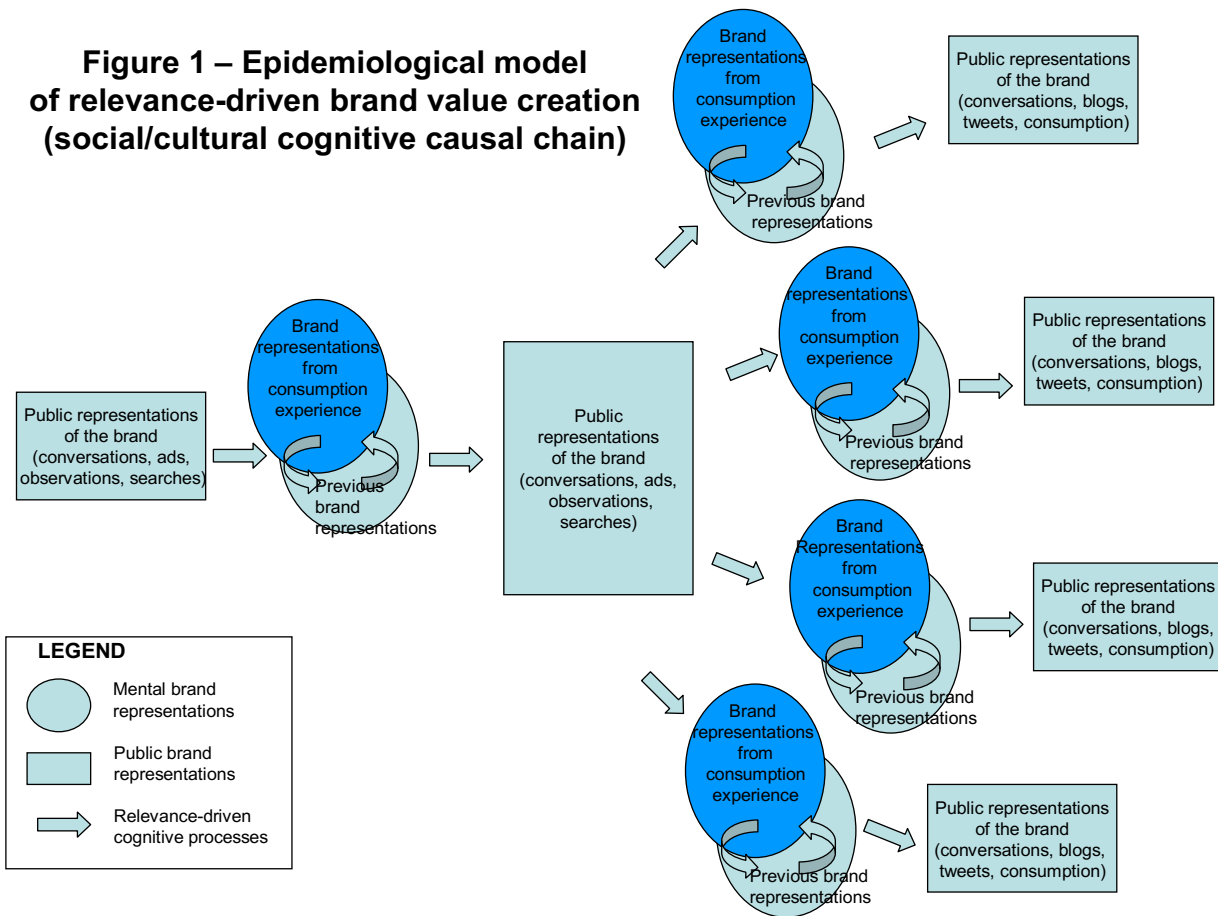
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**Figure 1 – Epidemiological model of relevance-driven brand value creation (social/cultural cognitive causal chain)**





## INTERNET-BASED SURVEYS: METHODOLOGICAL ISSUES

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### ABSTRACT

Web-based, or internet, surveys are widely used in marketing research, and their use continues to grow. The reasons for this are partly because they provide a number of technological features that are designed to reduce common sources of respondent error that can impact data quality, and partly because compared to traditional self-administered methods they offer advantages in speed, cost, and efficiency of data collection. This session deals with selected methodological issues concerning Web surveys.

The use of Internet surveys is increasing dramatically, partly due to the difficulties in accessing potential respondents through other survey vehicles. No other survey vehicle offers the speed and convenience of Internet survey research. Yet, the Internet survey process can be fraught with its own data quality issues casting possible doubt on data quality, which then raises serious questions to an Internet survey's admission into court. The first paper in our session, "Data Quality Evidence for Internet Survey Use in Intellectual Property Law," by Linda Golden and Scott M. Smith, offers ideas for researchers to use in improving data quality and, at the same time, makes suggestions for how the justice system might look at the quality of Internet survey evidence being presented in a legal action.

Over the past decades, governments, businesses, universities, and other social entities increasingly have relied on survey research to provide information for policy development, business decisions, social research, performance monitoring, and other functions. Over that period, survey research itself has been the topic of a robust research program. The program has focused primarily on techniques for improving response rates. Little reported work provides a framework for structuring prior methodological and theoretical research. The second paper, "Using a Theory of Survey Response Behavior to Design Internet Surveys," by James Wiley and Vallen Han, proposes a model for structuring methodological and theoretical research on Internet-based surveys. The model is tested for four different theories of response behavior.

A widely, and increasingly, used technique in Internet-based surveys is "forced answering," (FA) which requires respondents to enter an "appropriate" response before they are allowed to proceed to the next survey question. While item omissions are virtually eliminated, using FA might cause respondents to opt-out entirely or break-off early in the survey, which would increase non-response error. It has been suggested that one way around this is to provide a "prefer not to answer" (PNA) option if FA is used, which would allow respondents to continue without providing a response to each question. Recent research suggests that forced answering does not lower completion rates, whether or not PNA is used. Since this research dealt with a topic that was relatively innocuous, different results might be obtained in surveys that deal with more sensitive topics. But, the level of perceived sensitivity of a topic to respondents may vary across cultures. The final paper in our session, "Variations in Sensitivity of Topics Among Nations: Implications for Internet-Based Surveys," by Gerald Albaum and Catherine Roster, examines perceived sensitivity and importance to respondents of 15 topics in several countries as a preliminary step in assessing the potential impact of topic sensitivity on the use of forced answering and the "prefer not to answer" response option in Internet-based surveys.

## **BALANCED INNOVATIONS IN NEW PRODUCT DEVELOPMENT: SUNNY FACES, SUNNY TECHNOLOGY**

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### **ABSTRACT**

This session deals with innovative strategies in new product development. The first paper presents a program of research on strategies for utilizing anthropomorphization in creating acceptance of uncertain products, such as innovative high-technology products. The results show increased acceptance of anthropomorphized products, such as ones with sunny faces, that are high in uncertainty. The second paper examines product innovation in the solar energy industry and similar high-technology industries. Effectuation theory is developed as a viable contributor to improved product innovation. New products are often developed and introduced into the market in the absence of predetermined ends through a combination of means that firms happen to have on hand, but a more effective strategy could be achieved by selecting amongst alternative end states and allowing firms to become active participants in shaping the structure of the solar energy industry and in determining the value of the resources they command. The third paper presents research on integrating three contributors to new-product innovation in high technology industries such as residential solar panels: stage-gate appropriateness, visualization (a cousin of anthropomorphization), and self determination. When combined effectively, these three strategies can enhance new product development.

# **THE IMPACT OF HALAL ENDORSEMENTS ON PURCHASE INTENT OF NON-MUSLIM CONSUMERS**

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## **ABSTRACT**

In multi-cultural environments, product endorsements addressing minority groups may not be appreciated by the majority of consumers. This renders such endorsements potentially controversial. We analyze a specific religious endorsement, namely the Muslim Halal endorsement, and use an experimental setting to gauge the reaction of Christian consumers to such an endorsement. The paper is theoretically anchored in the social psychology literature on in-groups and out-groups and provides empirical evidence on the affect of Halal endorsements on the purchase intent of Christian consumers. Our findings show that, with some products, Halal endorsements may lead to a decrease in purchase intent among non-Muslims. A brief discussion of the practical and theoretical implications and suggestions for future research avenues are provided.

References Available on Request.

## CROSS-BORDER SHOPPING: MEXICAN SHOPPERS IN THE US AND AMERICAN SHOPPERS IN MEXICO

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### ABSTRACT

In modern society markets play an important, if not the most important, role. Markets became criteria for economic success, and consumption became a way of demonstrating status; that is, the level of consumption achieved became the measure of the quality of life (Slater and Tonkiss 2001). Firat and Dholakia (1998) observed what they termed “consumption ethic” to denote how consumers judge “their own and other’s degree of success on the basis of their ability to consume” (p. 46). Markets became inescapable, and today we can hardly imagine life without markets and consumption. Market ideology and consumer culture have diffused throughout and dominate the world thanks to (capitalist) globalization (Sklair, 2005).

In the modern world, economic power encompasses the power to influence and to decide what is right or wrong. Consequently, modernity causes the rise of nation-states that divide nations based on political decisions of the elite. Invisible lines, called borders, were drawn and differences among countries were specified based on their economic power. The economically strongest countries became “developed” countries and the rest of the world was divided into “developing” and “third world” or “underdeveloped” countries. In border regions, specifically between developed and less developed countries, cross border activities became very important in every day life. The “better life” in developed countries persuaded many in less developed countries to cross the border and experience “the other” side. On the other hand, developed countries and their multinational corporations were attracted to less developed countries due to several economical reasons such as cheap labor force, less environmental restrictions.

This study sheds light on the deep-seated reasons underlying cross-border shopping around the U.S.-Mexico border, specifically in the Rio Grande Valley (RGV). The South Texas border is overwhelmed with paradoxes. It represents the soil of the most powerful country in the world, and at the same time, it qualifies as the second poorest region in that country. Moreover, the region borders with Mexico, which, according to economical standards, is a “developing” country. Nevertheless, La Plaza Mall, the largest shopping center in the region, has much higher sales per square foot than the US average (Guo et al., 2006).

Previous studies in this area (Wilson, 1995; Wang, 2004; Dmitrijevic and Vida, 2004; Ghaddar and Brown, 2005; Guo et al 2006) have not tried to unravel deeper meanings of cross-border shopping, and they have mostly used quantitative methods to examine this phenomenon. Utilizing a qualitative approach, this study explores the deeper and richer meanings of cross-border shopping present on the borderline. In-depth interviews were conducted with RGV residents. They were recruited through undergraduate student connections and fliers.

We find Mexican shoppers to be well acculturated with the American consumption culture and to know when and how to shop. They are well aware of specific promotional days such as Black Friday or the post-Christmas sale. At first glance, one is tempted to assume both American and Mexican nationals engage in cross-border shopping for utilitarian purposes. However, our results show that people, especially older generations, love to cross-border shop because it connects them with their roots and their relatives. The findings do corroborate the utilitarian and hedonic shopping values discussed in previous research. Shoppers from developing countries are motivated and influenced by the messages they receive from the mass media of developed countries. They trust retailers and feel safer on the other side. They feel that they have to “adjust” their manners and behaviors upon crossing in order to be compatible with the new “order.” An analysis of shoppers from developed countries, however, suggests that they are not driven by the force of consumption culture. Rather, they practice cross border shopping because it makes their survival easier and because they want to reconnect with their roots. To them, crossing is experiencing a new culture and escaping from their own “materialistic” culture.

References Available on Request.

## **EXPLORING THE QUALITY OF LIFE AND LUXURY GOODS CONSUMPTION FROM A MIDDLE EASTERN PERSPECTIVE**

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### **ABSTRACT**

This study investigates the influence of demographic characteristics on the life domain (being, belonging, and becoming) of Qatari consumers, which in turn influence their quantity and quality of life, and eventually on their interest in purchasing designer and luxury products and services. Results of a questionnaire survey involving 176 respondents have found that: (1) the indicator variables contributing to the overall measurement of the manifest or composite variables are valid measures of the underlying constructs of being, belonging and becoming, quantity of life, quality of life an interest (2) there were strong support for the positive main effects of the demographic variables on being, belonging, becoming, happiness, spiritual, shopping, quantity of life and quality of life, (3) physical being, psychological being and shopping had significant positive impact on materialism, while growth becoming had a significant negative impact on materialism indicating that the respondents were more concerned about improving their physical health rather than material things in their lives, and (4) that there were significant positive impacts of materialism and wishing on interest while the former has a stronger effect on interest than wishing indicating that Qatari nationals were more attracted by prestigious and well-known brands. A number of implications of the findings to practice are also given.

References Available on Request.

## THE ACADEMIC CAREER STAGES IN 2010: INSIGHTS AND OBSERVATIONS

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### ABSTRACT

This session proposes a discussion of the career stages for marketing educators, focusing on how recent changes in the environment may impact issues and challenges in each phase. A faculty panel will provide insights based on their experiences, observations, and predictions for the future.

Much attention has been given to ensure that doctoral students are prepared for their first academic position. In 1998, Conant, Smart, and Redkar surveyed new assistant professors to determine if they felt prepared for their first position. Two major recommendations of the study were to foster a greater number of publishing opportunities and offer formal teacher training programs. Doctoral programs responded by improving both of these areas. Many dissertations are designed and written as separate papers instead of one long dissertation. Doctoral students are provided instruction in teaching methods and more opportunities to teach. In addition, marketing conferences have added career guidance topics for doctoral student symposiums. But have we done enough to prepare students for their first academic position?

Beyond the first year, more issues arise and more opportunities and decisions are presented to marketing educators. Are we as faculty prepared for post-tenure -- the challenges and the opportunities? What do faculty do beyond the core teaching, research, and service? Consulting, writing research grants, and serving as an expert witness are a few alternatives identified by Rapert, Kurtz, and Smith (2002). Have the current economic conditions changed the way we view current positions and future employment? How do we avoid the "plateau" and maintain passion for our work? Finishing a dissertation brings a sense of relief, but the first year as a faculty member quickly accelerates with new experiences and new surroundings. This phase of the career is focused on gaining a footing in new territory by understanding institutional and departmental culture, finding a voice as a teacher and researcher and getting off on the right foot to all that you hope to be in your new position.

The years leading to tenure are stressful as well as rewarding. The new assistant must work to maintain their old networks and create new relationships within the discipline as well as defining who he or she wish to be. Avoiding the politics and focusing on teaching and research excellence is a priority.

Achieving tenure is a milestone; however, many times the service expectations increase both in the college and university. Consulting and executive education opportunities may begin, allowing for additional compensation and professional development. The associate professor must balance these new duties and opportunities with research to insure promotion to full professor. Because associate professors typically have a good quality research record, the opportunity to change universities may occur. Tenure, financial implications, and the personal impact on the associate professor and his or her family makes this decision challenging.

There are a number of factors that gradually, yet decisively, change after promotion to full professor. After this promotion in rank, some faculty start to plateau or decline in productivity, while others are actively engaged in the profession until it is time to retire. There are new challenges and opportunities in research, teaching, and service.

During the academic career, administrative appointments may become available. Understanding the challenges of management and the impact on his or her research, teaching, and flexibility is important. Accepting an administrative position at the current school changes the relationships with peers and as a professor moves to the associate dean or dean role, there is limited time to stay current with the "home" discipline. However, there is opportunity to expand professional networks and take on more responsibility at the national level.

Professors are unique in that they may continue to be involved in teaching and learning long after typical retirement age. The decision to continue may not be related to financial reasons. Professors may simply enjoy what they are doing. This only becomes problematic when there is failure to maintain currency in the field, relevant research, and service to the department. Teaching part-time and maintaining an office on campus are ways to ease into retirement.

## **MAKING THE TRANSITION FROM STUDENT TO SALESPERSON: A ROLE IDENTITY APPROACH**

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### **ABSTRACT**

By proposing a role identity approach to studying student-to-salesperson transition (STST), we suggest that an individual's work role identity plays two roles in understanding the outcomes of STSTs: as a direct predictor of STST success and as a mediator of distal factors on STST success in influencing STST success.

References Available on Request.

## **CHARACTERISTICS THAT ENHANCE TRAINING EFFECTIVENESS IN IMPLEMENTING TECHNOLOGICAL CHANGE IN SALES STRATEGY**

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### **ABSTRACT**

Organizations are increasingly emphasizing online sales channels (i.e., Internet sales) over traditional offline sales channels (i.e., salespeople). This research examines how training influences a salesperson's ability to manage (and hence implement) such a technological change in the firm's sales strategy. Drawing upon 37 field interviews, three dimensions of training relevant to change implementation are identified: timeliness, formality, and voluntariness. Data from a survey of 828 salespeople suggests that timeliness and formality of training have a positive effect on the perceived effectiveness of training in a change implementation context. Voluntariness was not found to be significantly related to perceived effectiveness of training. Training effectiveness in turn has a positive influence on the salesperson's perceived ability to manage the change. Furthermore, perceived effectiveness mediates the effects of training timeliness and formality on the salesperson's perceived ability to manage the change. Implications for the design of sales force automation and change implementation training programs are discussed.

References Available on Request.



# IMPACT OF GOAL ORIENTATION ON SALESPEOPLE'S ADAPTIVE SELLING: THE MEDIATING EFFECT OF PERCEIVED SALES FORCE OBSOLESCENCE

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## ABSTRACT

Adaptive selling is widely deemed as an essential factor for successful sales. In the literature, adaptive selling is defined as salespeople's effort of "altering of sales behaviors during a customer interaction or across customer interactions based on perceived information about the nature of the selling situation" (Weitz, Sujan, and Sujan, 1986). Initial work on adaptive selling focused on developing and refining valid psychometric instruments of salespeople propensity to practice adaptive selling (e.g., Spiro and Weitz, 1990; Robinson et al., 2002). Much recent work has largely devoted to study the antecedents of adaptive selling, i.e., factors that are inductive, facilitate, and lead to more adaptive selling behavior (e.g., Boorum, Goolsby and Ramsey, 1998; Jaramillo et al., 2007; Levy and Arun, 1994; Park and Deitz, 2006; Park and Holloway, 2003; Porter, Wiener and Frankwick, 2003).

Goal orientation as a motivation factor is a significant consideration at boosting salespeople's adaptive selling. Salespeople vary with respect to their goal orientations (i.e., goal preferences in achievement situations). Two major types goal orientations identified in the goal literature are the proving goal orientation and the avoiding goal orientation (Elliot and Harackiewicz, 1996; VandeWalle, 1997; VandeWalle et al., 1999). Individuals with a learning goal orientation endeavor to develop competence by acquiring new skills and mastering new situations; whereas individuals with a proving goal orientation try to prove their competence by demonstrating the skills they possess to impress others and gain favorable judgments. Sales research has explored the relationship between salespeople's learning goal orientation and adaptive selling, yet very limited research attention has been devoted to study the role of salespeople's proving goal orientation. We studied both factors and found salespeople's learning goal orientation was positively related to their adaptive selling, whereas proving goal orientation was negatively related to salespeople's adaptive selling.

To date, little research has been conducted to examine the underlying mechanisms or processes through which salespeople's goal orientation can increase or decrease the level of adaptive selling. We proposed and showed that the impact of salespeople's goal orientation on adaptive selling was partially mediated by their perceived sales force obsolescence, which is the degree to which a salesperson believes his/her knowledge, skills, and abilities are outdated and inadequate to meet the requirements of a sales job (Jones, Chonko and Roberts, 2004). In addition, we found salespeople's learning goal orientation was negatively related to their perceived sales force obsolescence, whereas salespeople's proving goal orientation was positively related to their perceived sales force obsolescence.

We conducted our research in China and studied one hundred and ninety Chinese sales force in an insurance industry. Much of prior research on adaptive selling and goal orientation has been conducted in Western cultures and the robustness of the research findings is unclear in across culture contexts. Our research adds to our understanding of adaptive selling practices in non-Western cultures. Park and Deitz (2006) have pointed out that much needs to be learned about the extent to which salesperson adaptive selling is expected in across culture contexts. Also, as frequently cited in the literature, the Chinese culture is characterized with a collectivism, in which culture members value social relationship, status, and social approval (Markus and Kitayama, 1991). Thus, the Chinese sales force provides us a fruitful context to study the role of salespeople's proving goal orientation on adaptive selling.

References Available on Request.

# WHEN THE GOING GETS TOUGH, THE TOUGH GET DYNAMIC: HOW KEY ACCOUNT MANAGERS USE ADAPTIVE BEHAVIOR IN THE MANAGEMENT OF CONFLICTS

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## ABSTRACT

Key account managers have to manage a range of interpersonal relationships inside their organization, sometimes leading to conflict. This research investigates the complex behavioural sequences they adopt. We find that conflict incidents do not occur in isolation and that a combination of behaviours is used to manage them.

## INTRODUCTION

With a greater emphasis on competition and technological change in all markets, companies are increasingly attempting to gain a competitive advantage by forming closer longer lasting relationships with key customers, referred to as key account management or KAM (Millman & Wilson, 1995). The key account manager is the sales manager responsible for managing large, strategically important customers and representing the full capabilities of their organization. One area of recent research into personal selling has considered the internal dimension of the salesperson's role, the way in which they navigate through the numerous, complex, intraorganizational relationships and how this affects their performance (Plouffe & Barclay, 2006). Through this navigation and in order to meet the customer's needs, the internal selling role requires the key account manager to represent their customers' needs while negotiating for a wide variety of resources and services throughout a diverse portfolio of interpersonal interactions and social business networks, in many cases having to operate as part of a large customer-focused team (Lambe & Spekman, 1997). Therefore, internally the key account manager is likely to encounter a wide range of conflict episodes that need to be resolved in order to meet their customer's demands and maintain effective long term relationships. Any conflicts have to be managed in the best interests of the key account manager's organization while also attempting to meet the customer's needs, thus maintaining the external perception of maintained customer orientation stressing the importance of understanding the behaviors and strategies for handling that conflict in order to gain the best possible outcome. The traditional view tends to treat episodes of conflict as a discrete events occurring in an otherwise co-operative environment, and the resulting management behaviors have tended to reflect the two-dimensional duel concern theory (Thomas, 1976). In contrast, this research draws on the psychology literature and investigates conflict in an alternative paradigm, as an inherent condition of social interaction (Pondy, 1992). We find that, rather than adopting a single conflict management style, key account managers are able to use a combination of management behaviors which can be modified throughout and across conflict episodes.

## KAM & CONFLICT TYPES

Intra-organizational, interpersonal conflict has been defined in a number of ways which can be summarized as the process which begins when one individual or group feels negatively affected by another individual or group, where the two parties have aspirations that cannot be achieved simultaneously. Occurring within teams or groups, this interpersonal conflict has been defined as an individual's perceptions of incompatibilities, differences in views or interpersonal incompatibility (Jehn, 1995). This form of conflict is generally viewed negatively and highly adversarial. It can exist between two individuals or multi parties, and between an individual and another individual representing a group. When an individual or group feels negatively affected by another individual or group, the conflict consists of a perception of barriers to achieving one's goals (Van de Vliert, Nauta, Euwema & Janssen, 1997). For key account managers, this can be any number of circumstances within the organization which prevent them from meeting the customers' needs.

Interpersonal conflict has been subdivided into two widely accepted types: *relationship* conflict and *task* conflict. Relationship conflict arises between the actors through their subjective emotional positions, whereas task conflict relates primarily to the more objective tasks or issues involved. A series of studies has confirmed this duality between relationship and task (e.g. Jehn, 1995; Weitz & Bradford, 1999). However, other streams of research in the late 1990s further complicated conflict typology by suggesting alternatives. Amason *et al.* (1995) redefined conflict types as 'affective' and 'cognitive' (affective referring to relationships and cognitive to tasks), and in 1997 Van de Vliert *et al.*, further redefined these types as 'task' and 'person' conflict, with Bradford and Weitz (2009) subsequently adopting the affective type in place of relationship. Moreover, many researchers have identified a third type of conflict which relates to the environment in which managers operate being described as situational conflict or process conflict (Jehn and Chatman, 2000). Jehn and Chatman

(2000) take this further and suggest any conflict episode will have a unique composition displaying components of the different types.

## CONFLICT MANAGEMENT

Conflict management can be defined as the actions in which a person typically engages, in response to perceived interpersonal conflict, in order to achieve a desired goal (Thomas, 1976). Previous research has indicated that it is the way in which conflict episodes are addressed which determines the outcome. However, there is disagreement between researchers about the degree to which managers can and do adopt different conflict management behaviors. Previous research has considered three different approaches: the 'one best way' perspective (Sternberg & Soriano, 1984) the contingency or situational perspective (Thomas, 1992; Nicotera, 1993) and the complexity or conglomerated perspective (Van de Vliert *et al.*, 1997; Euwema, Van de Vliert and Bakker, 2003).

Arguably the simplest perspective on conflict management behavior is the 'one best way' perspective (Sternberg & Soriano, 1984), which argues that individuals should adopt a preferred collaborative behavioral predisposition to the way in which they handle conflict in order to achieve the best possible outcome. In adopting this approach, the most constructive solution is considered to be collaboration, since collaboration is always positively interdependent – it has a joint best outcome, often described as 'win/win' (Van de Vliert *et al.*, 1997). However, the 'one best way' perspective also suggests that a more aggressive, competitive, negatively interdependent approach (in fact, any conflict management approach other than collaboration) results in suboptimal outcomes but the 'one best way' perspective fails to explain how managers are able to collaborate if they have a different behavioral predisposition, nor does it provide evidence that collaboration always produces the best outcome (Thomas, 1992).

In contrast the contingency perspective maintains that the optimal conflict management behavior depends on the specific conflict situation, and that what is appropriate in one situation may not be appropriate in another (Thomas, 1992). The implications oppose the 'one best way' perspective, suggesting that individuals should select the conflict management behavior that is most likely to produce the desired outcome. Thus, conflict management behaviors are regarded as a matter of choice rather than innate predispositions, and the outcome is dependent on the selection of the most appropriate mode of behavior. Until recently, conflict research has been heavily influenced by the 'one best way' and contingency perspectives, focusing on the effectiveness of any one single mode of conflict management behavior (primarily collaboration) during a single conflict episode (Sternberg & Soriano, 1984). However, neither approach makes allowance for the passage of time, for changes occurring within a micro environment during any interaction, of multiple conflict episodes occurring simultaneously, or of changing behavior during an interaction based on perceptions of the outcome if a particular behavior is adopted. The 'one best way' and contingency perspectives do not offer a real-world view in which managers both can and do change their behaviors, perhaps trying different approaches to break a deadlock or to improve their bargaining position, taking into account changing circumstances and the subsequent influence upon the actions of individuals involved (Van de Vliert *et al.*, 1997). In order to cover these issues a more complex view of conflict management behavior is required.

The complexity perspective on conflict management adopts an approach which deals with the varied conditions that could influence behavioral choice and outcomes. From this perspective, conflicts are dynamic and multi-dimensional. In such circumstances, the best behavioral style in dealing with any one conflict episode may vary during, or between, conflict episodes (Medina, Dorado and de Cisneros, 2004; Nicotera, 1993; Van de Vliert *et al.*, 1997). Whereas the contingency perspective views conflict as a one-off episode requiring a particular approach, the complexity perspective considers that the best approach might change dynamically during a conflict episode. If conflict does not occur discretely and individually (Pondy, 1992), existing approaches may not describe the world as managers actually experience it. Recent work by Van de Vliert *et al.*, (1997) and Medina *et al.*, (2004) has expanded current theory through consideration of the complexity perspective of conflict management. In the complexity perspective, using a mixture of accommodating, avoiding, competing, compromising and collaborating behaviors throughout the conflict episode is considered to be the rule rather than the exception (Van de Vliert *et al.*, 1997).

## METHOD

This research used critical incident technique (Flanagan, 1954), in which rich subjective accounts of internal conflicts and the behaviors used to manage these conflicts were gathered through semi-structured interviews. The respondents in the research made their own judgments on what constituted internal conflict and what skills were used to manage that conflict. Following Flanagan (1954), each respondent was asked to recollect, in their own words, two types of incidents; those which were

effectively resolved or mitigated, and those which were ineffectively resolved or agitated. The organizations studied in this research were all blue chip fast-moving consumer goods (FMCG) organizations in the food, drink and consumer goods market supplying both UK and U.S. major grocery multiple, wholesale and convenience retailers. 29 key account managers across seven international organizations agreed to take part, describing a total of 112 incidents of intra-organizational, interpersonal conflict. The data analysis method used open, axial and selective coding based upon the key aspects of organizational conflict management theory and followed an interpretive framework (Spiggle, 1994). The transcripts were coded bottom up and the concepts categorized into related groups (Spiggle, 1994).

## FINDINGS

The results show that key account managers frequently have to handle more than one conflict incident at any one time and that the duration and intensity of any conflict experienced can vary. Moreover, this research expands the complexity perspective of conflict within the organization and how it is managed, empirically establishing the theory of multiple, simultaneous conflict episodes, and that conflict from the key account management perspective is a constant feature of organizational life (Speakman, 2009). The majority of the previous research into conflict and its management within the organization has treated conflict as a series of discrete isolated incidents, focusing on the characteristics of the conflict episode and how it is managed (Pondy, 1992). However, the results show that, from the key account managers' perspective, conflict was something they were dealing with all of the time; it was a constant feature of their organizational life, an inherent condition of their function within the organization and so omnipresent within the organization that, as Van De Vliert, *et al.*, (1997) argue, conflict is almost taken for granted:

*"I've lost count, ..., in terms of conflicts I've probably had six or seven in one go..."*  
*"Could be, you know, could be ten in a day."*

Throughout the interview process, the key account managers involved were able to identify and describe many incidents of conflict. For 27 of the 29 participants, multiple incidents of conflict did occur at any one time, although they varied in their intensity and duration. Twenty-four of the 29 respondents described conflict as something they are continually dealing with within their own organizations:

*"Internal conflict is something that I would say that I'm pretty constantly trying to deal with."*

Only five of the key account managers interviewed saw conflict as isolated incidents within the organization. Of the five responses, two relate back to the duration and intensity of conflict; i.e., they saw the bigger incidents as isolated occurrences but saw smaller minor conflicts as a regular occurrence. Although key account managers were able to clearly state that they dealt frequently with multiple incidents of conflict, they also felt that some incidents were perhaps too trivial to be called conflicts. The responses indicate the conflicts encountered have different degrees of intensity:

*"I class as a big conflict... one I've described or explained or the supply chain one I've explained, obviously those, in their moment, are really big conflicts, big business impact. There would have been other stuff going on beneath that, much smaller issues, smaller conflicts but I wouldn't have necessarily seen them as conflict."*

This response again shows a perceived incident of conflict from the key account management perspective to be complex and composed of multiple components, the big, important issues being made up of smaller, less important issues. The big issues are scarcer while the minor issues make up the multiple conflicts; the minor issues can be dealt with quickly with less concern while the big issues present the real barriers to achieving the sales objectives:

*"Various degrees of conflict happen every day, and you just deal with it and move on. Conflict about a secretary ringing up and saying you haven't put your work plan for this week, that's not conflict that's a misunderstanding that you can deal with very quickly."*

In addition to the different intensity of conflicts experienced, the key account managers also went on to describe the duration of the different conflicts encountered:

*"Potentially you're handling two or three conflicts at a time because not, they're not always a short-term fix, some of them are longer-term that, that can't be sorted out straight away. I think it's an evolving piece. Sometimes you've got conflict that cannot be sorted out straight away."*

The minor issues are prioritized and handled quickly and do not last as long as the major issues which may require more attention:

“...because I prioritize them and what I do is pick up ones that I know I can fix in an instant, so get those out the way and then once it needs a little bit of work I start, start working on them and then review it and come back to it.”

All of the key account managers interviewed were able to describe different conflict situations with very different characteristics. This research therefore shows that the participating key account managers perceived multiple sources of conflict during any one specific incident and had a perception of the potential consequences of the incident they were handling. In handling these multiple, simultaneous conflict episodes the key account manager adapted to each unique set of circumstances and chose a set of behaviors which they felt would result in the best possible outcome. Twenty-one of the respondents referred to a competitive behavioral choice in 35 incidents with over half having a perceived positive outcome. Thus this research shows that the key account managers perceived conflict in a complex manner, and that their behavior choice was influenced by their perception of the conflict characteristics. This was demonstrated clearly where the behavioral choice was avoidance or accommodating, behavioral choices made when dealing with conflicts which were perceived to be affective. Here the perceived outcome was definitely negative:

“I was almost passive and, you know, backing off a little bit thinking I don't really want to have these conversations and you know just trying to hide I guess.”

The avoiding and compromising strategies left the key account manager at a disadvantage, in that the issues were resolved but resulted in the perception of a negative outcome. Therefore this research challenges both the ‘one best way’ and contingency perspectives, in that the individuals involved selected a conflict management behavior which did not produce the best possible outcome and did not suit the particular set of circumstances. For the key account managers in this research, conflict management behaviors were regarded as a matter of choice rather than innate (as in the ‘one best way’ view), or dependent on a specific set of circumstances and a resulting positive outcome.

## DISCUSSION

Previous research has suggested that it is the way in which conflict episodes are addressed which determines the outcome, however, there is disagreement between researchers as to the degree to which managers can and do adapt, using different conflict management behaviors in different situations (Van de Vliert *et al.*, 1997). This research finds that all of the participating key account managers described collaborative behaviors as their first choice, although the actual adopted behavior described was not always collaboration, nor did the collaborative behaviors always result in a positive outcome. In fact, where collaboration was described by the participants, more than a quarter of these collaborations were perceived to have had a negative outcome. In this respect, therefore, we challenge the ‘one best way’ perspective which suggests that a any conflict management approach, other than collaborative, results in suboptimal outcomes (Janssen *et al.*, 1999). In fact, the participating key account managers frequently adopted a more competitive behavior to force the desired outcome. Moreover, the ‘one best way’ and contingency perspectives fail to take into account the changing circumstances in the micro environment and the subsequent influence this may have upon the actions of the individuals involved in any subsequent conflict episodes. This research shows that the key account managers did adapt to certain situations and that they were able to use multiple conflict management behaviors during and across conflict episodes. In fact, our research found that, in half of the cases where agitation was perceived to be the likely outcome, using a combination of competing and collaborating resulted in a change in outcome. Competing was perceived to be the correct complementary behavior, validating the previous research by Van de Vliert *et al.*, (1999). In contrast, avoidance and accommodation had a largely negative outcome. Thus, this research adds new theoretical insights to the conglomerated complexity perspective in that the key account managers were able to adopt a number of conflict management behaviors throughout the duration of several of the experienced incidents of conflict. Moreover this research extends the conglomerated complexity perspective and provides empirical evidence in support of a new sequential contingency perspective (Speakman, 2009). This perspective moves beyond the traditional two-dimensional dual concern theory for dealing with conflict, showing that the key account manager uses a wide and continually changing range of behaviors to attain the best possible outcome. Future research could develop the concept further and consider possible influencing factors relating to the relationship and individual characteristics.

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## SERVICE QUALITY ON INTERNET BANKING

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### ABSTRACT

This study was conducted to understand factors that would increase Internet banking usage. It was proposed that service quality, and convenience would increase satisfaction, which would then increase usage from organizational level. However from individual level, Internet self-efficacy and usage motives are the main factors necessary to increase usage.

### INTRODUCTION

Today, with the rapid growth of information technologies and the Internet, the environment of business is changing. Alternative channels offer more convenient and affordable services to consumers. Financial institutions embraced and adopted these alternative channels like Automated Teller Machines (ATM), Internet, telephone, and mobile phone applications to their systems (Beerli, Martin and Quintana 2004; Lassar, Manolis and Lassar 2005; Wang et al. 2003; Pikkaenen et al. 2004). There is a wide agreement that electronic banking channels with their more customized and less costly features will have a significant impact on the future of financial institutions (Daniel 1999; Karjaluto, Mattila and Pento 2002).

However, the adoption of Internet banking might not be easy for all the bank customers. Since Internet banking involves non-human interactions between customers and online bank information systems (Jun and Cai 2001) to use Internet banking, customers has to have a clear understanding of financial services and the technology integration (Eriksson, Kerem and Nilsson 2005).

In this study, Internet banking has been investigated in Turkey which has been cited as an emerging market with its growing sectors, over the period 2005 and 2008 (Aktan, Teker and Ersoy 2009). It is proposed and empirically tested that the Internet banking usage will increase when customers perceive themselves proficient to use Internet and have some motives that drive them. In addition to these individual level factors, if banks offer ease of navigation, which is the leading factor of Internet service quality, it would lead to satisfaction. On the organizational level, this will increase Internet banking channel usage eventually. As internet self-efficacy and Internet banking usage motives increases at the individual level, the probability of consumers to realize the ease of navigation offered by the bank will also increase.

### Conceptual Framework and Hypotheses Development

Many banks started to offer Internet banking services during the 1980s and 1990s but due to the limited number of computer literate customers and lack of wide range of Internet connection it did not gain popularity (Unnithan and Swatman 2001). Although these numbers increased overtime, still Internet-based transactions are complex and intimidating to many customers (Parasuraman, Zeithaml and Malhotra 2005). To improve the effective and efficient use of information technology by end-users, researchers have studied a variety of social and cognitive constructs (Torkzadeh, Koufteros and Pflughoeft 2003). Based on the social cognitive theory developed by Bandura (1986), it is postulated that computer self-efficacy affects an individual's computer anxiety, which in turn, influences information technology usage (Wang et al. 2003). In line with this it is proposed that higher the bank customers' Internet-self efficacy higher the Internet banking usage will be.

Internet banking requires a behavioral and a habitual change, a switch from "going to a branch and getting the banking service from bank personnel" to "doing one's own banking transaction through self-served online medium". Therefore, customers need some motives that would drive them to take this behavioral / habitual change. Research has shown perceived usefulness has a strong influence over the customer's buying intentions (Anandarajan, Igbaria and Anakwe, 2000; Eriksson, Kerem and Nilsson 2005).

In line with this, what makes the Internet banking useful in the eyes of the customers? Since customers are becoming busier and seeking to carry out transactions at a time of their convenience (Karjaluto, Mattila and Pento 2002) time and location convenience is the main motive that drives customers to use Internet banking (Gerrard and Cunningham 2003; Pikkarainen et

al. 2004; Unnithan and Swatman 2001; Lassar, Manolis and Lassar 2005; Liao and Cheung 2002). One another reason why customers use Internet banking is to receive higher financial benefits (Broderick and Vachirapornpuk 2002) and banks are providing favorable pricing of bank products served on Internet to increase usage frequency.

Traditionally banking was considered as high contact industry and personal relations between customers and employees were emphasized in studies (Parasuraman, Zeithaml, and Malhotra 2005). However, with the lack of direct human interaction in new delivery channel, customers' role and responsibility as co-producers of service has increased tremendously. Instead of banks controlling the relationship with the customer, today customers have more control of their banking needs via interaction with website. With no opportunity for human contact, feelings of irritation and frustration can built up (Broderick and Vachirapornpuk 2002). Therefore, customers who seek face-to-face encounter will be less motivated to use Internet banking. As Internet banking is an exchange situation that lacks physical presence of the branch and face-to-face interaction over the counter, credibility becomes another concern (Liao and Cheung 2002). In such a unique environment, customers' perceptions of credibility regarding security (the protection of users from the risk of fraud and financial loss) and privacy (the protection of personal information) issues have been found to be of key importance on attitude toward use of Internet banking (Parasuraman, Zeithaml and Malhotra 2005; Mukherjee and Nath 2003; Wang et al. 2003).

In light of the above discussion, it is proposed that Internet banking usage motives affect the frequency of Internet banking usage and as the need for personal contact and expert assistance increases the less frequently the Internet banking will be used. When the perceived credibility is low again there will be less Internet banking usage. However, if the consumer is ready to trade off personal contact for other attributes like lower prices and greater convenience the amount of Internet banking will increase.

Customer satisfaction should be attained to increase customer retention to manage a profitable Internet banking service. Previous studies reveal that customer satisfaction is positively related to service quality (Parasuraman et al. 1988; Cronin and Taylor 1992; Levesque and McDougall 1996) and customer satisfaction stimulates the future buying intention (Anderson and Sullivan 1993; Winstanley 1997). Merely service quality dimensions differ between traditional and Internet banking. Internet banking has its own unique aspects. Web site features such as speed to download, content and design, interactivity, navigation and security are the most significant factors in measuring service quality and customer satisfaction (Broderick and Vachirapornpuk 2002; Jun and Cai 2001; Pikkariainen, et al. 2006). A previous study has also verified that ease of navigation was the only significant factor contributing to customer satisfaction and loyalty in Internet banking (Uslu, Yurtkoru and Sipahi 2006). Thus, in this research ease of navigation is the only dimension of Internet banking service quality. It is hypothesized that Internet banking usage frequency will be increased by customer satisfaction, which is ensured by ease of navigation.

## RESEARCH METHOD

### Sampling and Data Collection

Data for the study were collected from Internet banking users. Thousand questionnaires were distributed to bank customers in Istanbul. A sample of 682 respondents were obtained with a 68 % return rate. The sample consisted of 276 women and 401 men. Age of the sample ranged between 19 to 70 with a mean of 30.7 and a standard deviation of 10.53, respondents were highly educated.

### Measures

The items used to measure the constructs included in the model were composed of four multi-item scales. First scale measured the Internet banking usage motives with 16 items were developed by the authors. To measure ease of navigation Uslu, Yurtkoru, and Sipahi's (2006), E-BankS-QUAL electronic banking service quality questionnaire's ease of navigation dimension was used. Internet self-efficacy was measured by three items taken from surfing/browsing dimension of Torkezadeh and Van Dyke's (2001) computer efficacy construct and Internet banking satisfaction was measured with four items: "I am satisfied with my bank's Internet banking service", "My bank's Internet banking service always meets my expectations", "My bank's Internet banking service quality is excellent", and "According to my past experience, I am satisfied with my bank's Internet banking service". All scales used were measured with a six-point interval scale, where respondents were asked to express how much they agree with the items ranging from 1=strongly disagree to 6= strongly agree. Last, Internet banking usage frequency was measured with one item asking the respondents how frequently they used the Internet banking on a six-point scale 1=hardly ever to 6=all the time.



## ANALYSES

To determine the dimensions of Internet banking usage motives an exploratory factor analysis (EFA) with Principle Component Factoring and Varimax Rotations was conducted. Sixteen items converged into four factors with 69.93 % explained variance. Factors were named as “convenience”, “credibility”, “economic benefit”, and “human interaction”. Reliabilities for factors were 0.92, 0.81, 0.81, and 0.75 respectively. To validate the factors proposed by EFA and investigate the dimension structure more deeply a confirmatory factor analysis (CFA) was conducted using AMOS 7.0 program (See Table 1 and Figure 2). All factor loadings were relatively high and significant, providing evidence for convergent validity. The various fit indices for the CFA suggested good fit to the data ( $\chi^2$  (98, N=682)=406.84,  $p=0.00$ , Adjusted Goodness of Fit Index (AGFI)=.90, Comparative Fit Index (CFI)=.95, Normed Fit Index(NFI)=.93, Tucker-Lewis Index (TLI)=.93, Root Mean Square Error Approximation (RMSEA)=.07). Construct reliabilities of .93, .81, .81, and .76 indicated high internal consistency of the dimensions. Average variance extracted (AVE) values were all above .50 threshold. To assess the discriminant validity of the scales we first checked the Fornell and Larcker (1981) criterion and then we constrained parameter estimate for the two constructs to unity and compared with factor model where parameter is freely estimated (Anderson and Gerbing 1988). For each pair the constrained CFA produced an increase in the chi-square statistic ( $\Delta\chi^2$  with 1 df) that was significant at  $p<.01$ . Based on reliability, convergent, and discriminant validity results, four-factor Internet banking usage motives scale satisfied psychometric property requirements.

To assess the reliability and validity of the measures, CFA was applied to all multi-item scales including the Internet usage motives scale developed for this study. The results indicated an acceptable fit ( $\chi^2$  (413, N=682) =1233.47,  $p=0.00$ , AGFI=.87, CFI=.94, NFI=.91, TLI=.93, RMSEA=.05). We then employed the previously mentioned procedures to check for convergent validity and discriminant validity. Findings supported both the convergent and discriminant validity consequently the distinctness of the constructs. All factor loadings were relatively high and significant; AVEs ranged between .54 to .78; Cronbach’s alphas and composite reliabilities ranged between .75 to .93.

Since the objective of this study was to identify dimensions that increased Internet banking usage, a structural model was tested using AMOS 7.0. The result of the path analysis showed a good fit of the model ( $\chi^2$  (449)=1357.43,  $p=0.00$ ; AGFI=.87, CFI=.94, NFI=.91, RFI=.90, TLI=.93, RMSEA=.06). As a result of the path analysis it was found Internet banking usage was explained by convenience, human interaction, economic benefit dimensions of Internet usage motives and satisfaction ( $\beta_{\text{convenience}}=0.25$ ,  $p$  value = 0.00;  $\beta_{\text{human interaction}}=-0.27$ ,  $p$  value = 0.00;  $\beta_{\text{economic benefit}}=0.08$ ,  $p$  value = 0.00;  $\beta_{\text{satisfaction}}=0.12$ ,  $p$  value = 0.01). Credibility and Internet self-efficacy had no significant effect on Internet banking usage. Convenience has a strong affect on ease of navigation ( $\beta_{\text{convenience}}=0.73$ ,  $p$  value = 0.00), which in return effects satisfaction ( $\gamma_{\text{ease of navigation}}= 0.89$ ,  $p$  value = 0.00) that has significant impact on usage frequency ( $\beta_{\text{satisfaction}}=0.12$ ,  $p$  value = 0.01). Consequently, it has an indirect yet too weak an effect on Internet banking usage (.08=.73\*.89\*.12) which, can be disregarded. As proposed ease of navigation had high positive influence on customer satisfaction and explained 89 % of its variance, but contrary to our expectations Internet self-efficacy did not have significant impact neither on usage frequency nor on ease of navigation.

## CONCLUSION AND DISCUSSION

Today browser-based finance world need to keep current customers and attract potential ones with web-empowered features. As an added value to customer service Internet banking usage is widely increasing. This paper has suggested a scale for measurement of usage motives of Internet banking. The 16 item, four-dimension Internet banking usage motive questionnaire was found out to be reliable and valid. The four dimensions were named “convenience”, “economic benefit”, “human interaction need”, and “credibility”. Internet self-efficacy, usage motives, ease of navigation (indirectly) and satisfaction were proposed as factors that would increase the Internet banking usage frequency and empirically tested. Results of the model test revealed that usage motives of the customers have effect on the Internet banking usage frequency as expected. When customers perceive Internet banking more convenient and economic, they use Internet banking services more. Nevertheless, higher the human interaction need of customers, the less frequently they use Internet banking. These findings are in line with Internet banking adoption literature (Pikkarainen et al. 2004; Lassar, Manolis and Lassar 2005; Liao and Cheung, 2002). Contrary to expectations, credibility is the only dimension that did not affect Internet banking usage. One of the most important dimensions of Internet usage motives, convenience had high impact on ease of navigation. As customers perceived Internet banking more convenient, they also perceived ease of navigation higher. Satisfaction influenced by ease of navigation was one of the determinants of Internet banking usage as proposed. However, when compared human interaction

need had the highest contribution to usage frequency, which was followed by convenience. Even though financial institutions should continue to manage high customer satisfaction when it comes to Internet banking usage frequency, care should be given to find out ways to manage to lessen feelings of irritation and frustration caused by lack of human contact (Broderick and Vachirapornpuk 2002). This face-to-face encounter need can be also due to customers ignorance of financial services. To be able to conduct all kinds of financial transactions online, customers should be convinced that they can accurately handle those transactions. Another result worth discussing is that our proposal of “higher the bank customers’ Internet-self efficacy higher the Internet banking usage will be” was not supported although technology and Internet banking adoption research had found self-efficacy as an important factor determining intention to use. One reason can be that Internet-self efficacy may have impact during decision process, but become irrelevant after customer has adopted the Internet banking. Since our sample consisted of Internet banking customers, they may have fulfilled minimum requirement of Internet self-efficacy also the sample was highly educated. Another assumption of this finding can be the result of how we have measured usage frequency. In this research we did not take into consideration types of banking services customers get, but asked their overall usage frequency. As the Internet self-efficacy increases customers may get into more advanced financial transactions than merely viewing account balances and transaction histories. This can be interesting to search in the future. Internet self-efficacy did not have significant impact on Internet banking usage frequency and ease of navigation yet it had significant relations with usage motives. As customers perceived themselves with high Internet self-efficacy, they also perceived Internet banking more convenient, economic, and credible and they had less human interaction needs. One limitation to this study maybe we included only ease of navigation in the model and excluded other dimensions of Internet banking service quality yet, the ease of navigation explained the 89 % of variance in satisfaction therefore using only this dimension was parsimonious in this case. But testing the model including other dimensions would increase the reliability of the model in the future. Finally, our sample size was adequate, but research was conducted only in Istanbul to Turkish customers, which limits generalizability of findings. Additional data would facilitate the generalization of our results and applications in different cultures can give more insight on how to increase Internet banking usage and an opportunity to make comparisons in different populations.

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# CONSUMER BOYCOTTS THROUGH THE INTERNET

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## ABSTRACT

This study uses the market model to examine the use of the Internet as a vehicle for organizing consumer boycotts. It concludes on the basis of the results that unlike the print medium, the Internet is not an effective means for organizing consumer boycotts.

## INTRODUCTION

Does the medium matter? This is an unsolved question that relates to boycotts that rely on the effectiveness of the communication medium for success. The Internet and its associated tools such as e-mail, face-book, and the twitter have become a common means to communicate. They are also being used increasingly as means to organize community groups or mobilize community action, however, the effectiveness of these means compared to the traditional means such as print, radio and the TV has not been investigated. An answer to the question on effectiveness of the medium as it relates to boycotts is important given its power to groups such labor unions and the like. The objective of this study therefore is to examine the market's response to boycotts organized through the Internet.

Boycotts have attracted the interests of scholars from different disciplines (see Friedman 1991, Koku et al 1997, Klein et al 2004, Frank et al 1982 and Klein et al 2003). Even though they require group efforts, they are different from embargoes because they are not state sponsored (Garrett 1987). They are also different from industrial actions (work-stoppage) which are often union-sponsored, thus the response to calls for boycott has become an intriguing issue. Why should people heed calls for a boycott, or if people do heed such calls also questions that became legitimate areas of inquiry.

## LITERATURE REVIEW

Researchers have not been able to establish a single cause of boycotts, nevertheless there is evidence that call for boycotts has increased in recent years (see Savan 1989, Friedman 1991). Some scholars attribute this phenomenon to consumerism (John and Klein, 2003), however, others think that new technological inventions such as the Internet have made issuing calls for boycott easier and cheaper, hence their proliferation.

Because the Internet offers several advantages over previously existing means of organizing boycotts, it is not surprising that several scholars (Kozinets and Handelman 1998, Sen, Gurhan-Canli, and Morwitz 2001) have examined the Internet as means of organizing boycotts. However, no study has yet examined the success of the Internet as a vehicle for organizing boycotts. This study fills the existing knowledge gap by evaluating the success of the Internet as a boycott tool. Researchers of boycotts have examined it from different viewpoints. Fuches, Markley and Davis (2008) examined consumers call for people not to patronize targeted firms as an anti-consumption behavior. These researchers argue that customers call to others not to patronize a targeted firm stems from self-serving motives to "teach the service provider a lesson".

Yuksel and Mryteza (2009) studied consumer boycotts through experimental manipulations and examined the relative effectiveness, particularly public relations strategies, which targeted firms could use to combat boycotts that are politically motivated. The researchers concluded that presenting unrelated positive information about the targeted firm is effective in reducing the negative effect of a boycott.

Garrett (1987) proposed that the effectiveness of boycotts be measured by the extent to which the boycotts' goals have been achieved. He suggested three areas in which boycotts could induce change; namely economic pressure (boycotts could exert economic pressure on targeted a firm), image pressure (boycotts could be used to create negative image for the targeted firm), and policy commitment (boycotts could make the targeted firm to re-examine its policies).

## HYPOTHESIS

There is still no consensus among scholars on how to evaluate the success of a boycott. We, however, argue that aside from the targeted firm's acceptance of boycotters' demands, evaluating the financial loss suffered by the targeted firm is an objective way of evaluating the success of a boycott. Extending this argument further, we posit that evaluating the financial loss suffered by targeted firms from boycotts organized through the Internet offers us a means to evaluate the effectiveness of the Internet as a tool for organizing boycotts. Thus we use the stock market's reaction as the measure.

In using the Internet to organize a boycott, a dissatisfied consumer or consumers appeal to other consumers to withhold their purchases from the targeted firm. However, there are number of "hurdles" that using the Internet to organize a boycott has to overcome. First, the organizer's story for which the boycott is being called must be credible or believable. Secondly, a significant number of people must withhold their purchases in order for the targeted firm to take notice. Furthermore, these consumers must all withhold their purchase around the same time.

Because consumers are widely dispersed over a wide geographic area and access the Internet at different times it is very difficult for them to really act in concert, hence despite the wide reach of the Internet, it will be an ineffective tool for organizing boycotts that are intended to inflict economic hardships on the targeted firm. Hence we hypothesized that boycotts organized by individuals using the Internet are ineffective in inflicting economic damage on targeted firms.

## DATA AND METHODOLOGY

We collected data on boycotts between 2004 and 2008 on the Internet using search engines and got 63 useable events which we analyzed using the event study technique (Brown and Warner 1985).

## ANALYSIS AND RESULTS

The results show that the cumulative abnormal returns on day  $t_0$ , that is the day that the boycott web site was launched was 0.00918 which was not significantly different from 0 with a z-value of 1.0087. Furthermore, abnormal returns during the next 20 days of launching the web site also do not show any significant difference either. The results show that the market does not react significantly to boycotts launched by consumers using the Internet. This finding supports our hypothesis.

## CONCLUSION AND MANAGERIAL IMPLICATIONS

Even though it does appear from the results of this study that the Internet is not an effective a tool for organizing boycotts, management of firms targeted via the Internet cannot sit unconcerned. The reputation of the company could be marred, hence an aggressive posture must be adopted to combat these boycott calls.

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# REMOTE SERVICE DELIVERY AND RELATIONSHIP MANAGEMENT: RESULTS OF A QUALITATIVE STUDY IN A B2B-SETTING

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## ABSTRACT

During the last decade, services industries were subject to considerable changes with regard to the way that services are provided and delivered (Meuter et al. 2000; Meuter et al. 2005; Zeithaml and Bitner 2003; Dabholkar 1994). Modern information technologies alter not only the nature of services and their delivery process (Bitner, Brown and Meuter 2000) but also the interaction at the interface between service provider and customer (Colby and Parasuraman 2003; Bhappu and Schultze 2006). (Self-) service technologies in B2C-settings have received considerable research interest over the last years (e.g. Dabholkar 1996; Dabholkar and Bagozzi 2002; Baholkar et al. 2003; Weijters et al. 2007; Shamdasani et al. 2008). By contrast, little empirical research has been done to examine more complex and technology demanding remote services that are used and delivered in B2B-settings (Wunderlich and von Wangenheim 2007). Motivated by this existing gap our research focuses on the exploration of remote service adoption in B2B-settings.

In contrast to B2C self-service technologies that “*are technological interfaces that enable the customer to produce a service independent of direct service employee involvement*” (Meuter et al. 2000 p.50), B2B remote services are provided in an interactive technology-mediated production process, exclusively allowing the service provider to access and modify the service object over long distances (Schumann et al. 2007). They are characterized by the spatial independence of their service delivery, following, that during and after the production of services no direct provider-customer contact is envisioned since this is relocated to the remote maintenance’s technological level (Bitner et al. 2000). Particularly in high technology industries such as IT, medical healthcare and engineering, remote services are established instruments and are often used for remote repair and remote diagnosis and maintenance (Biehl et al. 2004).

Limited personal communication and face-to-face-interaction is challenging service provider and customer with special regard to business relationship marketing. The investigation of how customers perceive and evaluate remote services and how the transformation from close personal contact to technology-mediated interaction will affect the relationship between service provider and customer is relevant for academicians and practitioners.

To answer these questions we have chosen an exploratory research design to investigate customer’s attitudes, beliefs, understandings, emotions and perceptions towards the service-technology in a clinical setting where medical systems are remotely connected with the service provider. We conducted 25 personal in-depth interviews with radiology staff and technical engineers of hospitals in USA, Sweden, and Germany. The data material is analyzed with the GABEK method (holistic processing of linguistic complexity). The basis assumption of Gabek built on Hubermann and Miles’ four components description (data collection, data reduction, data display and conclusion) of qualitative data analysis (Miles and Hubermann 1994). The aim of GABEK is „*to obtain a holistic integrated view of individual aspects of the particular investigated ‘situation’ (e.g. opinions and attitudes)*” (Buber and Kraler 2000, p. 112). The convincing strengths of GABEK are the strict rule-based coding process, the closeness to the original data, respondent’s language and transparency during the complete analysis process therefore ensure reliability and validity (Buber and Kraler 2000).

Results indicate that the overall attitude towards the remote service technology is described negatively by the respondent’s. Even though remote services offer higher uptime for the medical equipment and quick help when problems occur and are even able to diagnose problems before they come up (proactive monitoring), customers express some concerns regarding the technology. Results show that higher risk and security concerns, separation of the customer during the service provision, lower benefit perception, absent evidence of services, loss of process control and missing personalization are factors that influence the remote service perception and adoption. Additionally the lack of personal contact and social exchange complicate the trust building as a crucial factor for stable remote service relationships.

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## NEGLECTED SUCCESS FACTORS OF TV-SPONSORSHIP

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### ABSTRACT

As in the last decade TV commercials have become less effective and viewers more and more eager to avoid them, below-the-line communication is becoming increasingly important within the communications mix of many companies. Techniques like sponsorship attract the attention of marketing practice more than ever. TV-Sponsorship is a special promotional tactic that shows the advertising message not within a cut-in commercial break, but at the beginning or the end of a movie or television broadcast. As it guarantees a visible flash of the sponsor's brand at the outset of the current program, the focus lies predominantly on the communicative effect of placing the sponsor's brand in connection with a certain content (Harvey 2001). The spreading of TV-Sponsorship in entertainment programs has raised the interest of advertisers to verify the effectiveness of this instrument. A comprehensive research of antecedents and consequences has not taken place so far; present studies merely focus on sport or cultural event sponsorship. In order to fill this research gap, the aim of this study is to assess the effectiveness of specific execution antecedents of TV-Sponsorship in terms of resulting sponsor's brand attitude and purchase intentions.

To create a better understanding of this marketing instrument a core model of TV-Sponsorship effectiveness was developed based on various hypotheses concerning potential antecedents of sponsor's brand attitude and purchase intentions. The postulated hypotheses highlight two different aspects of efficacy influence. The theoretical aspect examines the application of the Attitude towards the Ad-Model (McKenzie and Lutz 1989) to TV-Sponsorship. The cause and effect chain between attitude towards advertising in general and the attitude towards and purchase intention of the sponsor's brand will be closely assessed. The practical aspect concentrates on factors that are relevant for marketing managers in regard to choosing the right program to sponsor. The focus lies on the image congruency between the movie and the sponsor's brand and between the sponsor's brand and the main character as well as on the mood evoked by the movie. Structural equation modeling is used to assess the significance and the effect size of each postulated antecedent. Data of 362 study participants were collected using an online setting. Test persons were asked to choose one of two movies (Basic Instinct, Pretty Woman) and then exposed to the official movie trailer. After having to answer some questions concerning the trailer evoked mood, a short scene including the TV-Sponsorship was shown to the test persons. The experiment closed with a questionnaire concerning the effects caused by the stimuli.

The results of the study support the postulated core model and show that sponsorship significantly influences desirable dispositions of the purchase behavior. Recommendations that might be drawn from the results help to design TV-Sponsorship more efficiently. The findings imply that it is essential to exclusively sponsor television broadcasts with corresponding images in order to increase the credibility and to improve the acceptability of the sponsor's message. Inappropriate TV-Sponsorship will be perceived as an attempt of promotional influence by the recipient and will reduce positive effects of the sponsorship or even lead to a negative attitude towards the sponsor's brand. In addition to that, it is important to assure a high degree of congruity between the main characters' image and the sponsor's brand. Generally only television broadcasts with positive mood effects should be sponsored. Due to that matter the sponsorship of live broadcasts of sport events or shows is risky because of its unpredictable mood causing content that depends on the performance of the characters favoured by the viewer. To summarize, the study not only proofs the effectiveness of sponsorships but also provides practical advice for marketing management.

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## THE CELEBRITY ‘SPOKESORGANIZATION’

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### ABSTRACT

This research examines the use of endorsement in B2B advertising. Endorsement involves the *backing, support* or *approval* from a third party, a spokesperson. In consumer markets that spokesperson is typically a celebrity and is used because the very nature of his/her public recognition can make a message more convincing, attract attention and achieve high recall rates. Endorsement is used in B2B advertisements but rather than using a well known film or sports star, the B2B marketer might feature an organization. After all, if an individual can enjoy high public recognition, why not organizations? The term offered here to encapsulate the concept is the ‘spokesorganization’ and defined as: “an organization used to endorse the products, services or activities of another organization (the host) to the mutual benefit of both organizations.”

Endorsement theory is based on three main models, namely ‘source credibility/attractiveness,’ ‘product match-up’ and ‘meaning transfer’. The *source credibility* model is based on the assumption that the effectiveness of an advertising message depends on the level of expertise and trustworthiness of an endorser, whilst the *source attractiveness* model requires that message effectiveness is determined by the similarity between the endorser and target audience. *Product match-up* theory argues that there should be consistency/fit between the selected endorser and the product contained in an advertising message. The *meaning transfer* model proposes that the meaning contained in any advertising message is culturally-bound, in that the endorser brings symbolic meaning to the endorsement process which is subsequently transferred to the product.

These models were used to guide an exploratory investigation, drawing from the experience of key informants from firms involved in major global business markets. Findings from this initial research suggest that primary factors motivating spokesorganization endorsement (either as the advertiser or the endorser) include the opportunity to create more awareness, to enhance a firm’s international profile and to be connected with other leading and in some cases more “exciting” brands. Although some companies undertake annual brand tracking based on awareness, consideration, preference and recall, for others what is equally important is the more subjective and reinforcing effect that such advertising cooperation can have on the relationship between the host (advertising) company and spokesorganization.

In comparing the findings with the existing models, it was found that whilst the *meaning transfer* model played a role, it was not a significant one. Hosts are not especially interested in transferring the quasi business-socio meanings of spokesorganizations to themselves except where they hope to add the ‘sparkle dimension’ of something like a trendy fashion brand to their activities. Instead the dyadic domain of the spokesorganization-host communication appears to largely rest with *source credibility/attractiveness model* as long as attractiveness, expertise and power are interpreted more widely, such that the spokesorganization benefits from the attributes of the good or service featured for the host. This broadens the scope of how the *source model* might apply to the B2B market by enabling the incorporation of spokesorganizations that mirror the image and/or selected attributes of the host being endorsed. When interpreted in this way, the *source model* applies to the use of spokesorganizations.

Except that there is a twist. Whereas in the consumer marketplace the flow is from the expertise/trustworthiness of the celebrity—in the B2B setting the role of the spokesorganization is of recipient. The flow is reversed with the banners of attractiveness and/or expertise and/or power resting with the host as the problem-solver. The communication features the selected attributes of the host which are then endorsed by the spokesorganization that may or may not mirror the image. The mirroring of the image is less important than the demonstration of the attributes of the host’s service or good. Reconstructing the *source model* to apply to the B2B market leads logically to some form of *product match-up* model which may be reinterpreted in the B2B market as ‘solution match-up.’ Put simply, the host provides a solution that is demonstrated by the spokesorganization. During the process there will be some associative interchange between the host and the spokesorganization which may be symmetrical or asymmetrical depending on the power of either organization.

References Available on Request.

# GLOBAL VS. LOCAL BRAND POSITIONING STRATEGIES: THE MODERATING EFFECT OF BELIEF IN GLOBAL CITIZENSHIP

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## ABSTRACT

To assist brand managers seeking to strengthen their brand's equity in a competitive global marketplace, Alden, Steenkamp, and Batra (1999) conceptualized and tested a brand positioning strategy which they labeled "global consumer culture positioning" (GCCP) as contrasted with local consumer culture positioning strategy (LCCP). A GCCP strategy is defined as "one that identifies the brand as a symbol of a given global culture" and represented by "advertising featuring the idea that consumers all over the world consume a particular brand" (Alden et al., p. 77). On the other hand, a LCCP strategy is defined as "a strategy that associates the brand with local cultural meanings, reflects the local culture's norms and identities, is portrayed as consumed by local people in the national culture, and/or is depicted as locally produced for local people" (Alden et al., p. 77). The authors suggested that these positioning strategies are intended to influence brand value in an increasingly globalized market.

However, the potential impact of such consumer culture positioning strategies on brand performance would depend on consumers' reactions to such strategies. In addition, the effectiveness of such brand positioning strategies is believed to be driven by individual consumer differences (Alden et al. 1999; Batra et al, 2000). As such, using an experimental method in the U.S. we investigate if the use of GCCP in comparison to LCCP in print advertisement stimuli positively influences consumers' evaluations of a fictitious, unknown brand. In addition, we examine the moderating influence of "belief in global citizenship" (BGC) on the effectiveness of GCCP strategy (Strizhakova, Coulter, and Price, 2008). Two versions of a print advertisement were manipulated to create two different brand positioning strategies for a fictitious and unknown brand of digital camera. The two ads were identical except for three parts of the ad in which we changed the ad copy and the images displayed to generate the two positioning conditions. Accordingly, we have a single factor design with two levels: global positioning and local positioning. Study participants (n = 106) were randomly assigned to one of the two experimental conditions.

Our results support the effectiveness of such strategies' as demonstrated by overall improvement in subjects' evaluations (i.e., brand attitude and purchase intentions) of the fictitious brand when GCCP is used relative to when LCCP is used. In addition, we measured subjects' BGC and based on a median split of this variable, we were able to categorize the respondents into two groups, one characterized by high BGC, and the other low in BGC. We then introduced this variable as second factor and fitted a 2 (positioning strategy: GCCP or LCCP) x 2 (belief in global citizenship: low or high) model to examine the moderating influence of belief in global citizenship on brand positioning strategies. Our results show a moderation effect for subject's level of belief in global citizenship on the two dependent variables such that consumers who have higher levels of belief in global citizenship were more positive about 'global' brand positioning relative to 'local' positioning.

The results here validate Alden et al. (1999) in general by substantiating global and local consumer culture as viable brand positioning options. Specifically, it posits the GCCP option as having the most consumer receptivity and appeal. Support is provided to Sandler and Shani's (1992) study that brand strategy needs to be global, not local. This study provides valuable managerial insights into the potential value of GCCP strategy and offer specific strategic positioning guides to brand managers competing in the global marketplace. Our findings imply that marketing managers should use global branding strategies particularly when dealing with consumers that have high levels of belief in global citizenship. Identifying consumers who identify themselves with a global identity shared with like-minded people can be achieved through international segmentation strategies. Finally, some limitations, and directions for future research are suggested.

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## A PORTFOLIO APPROACH TO SPONSORSHIP ALLIANCES: CHALLENGING UNILATERAL BRAND SPILLOVER EFFECTS

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### ABSTRACT

Despite the global economic slowdown and an increased scrutiny of marketing expenditures, corporate spending on commercial sponsorship in North America increased by 11.4 percent in 2008 to US\$16.6 billion (IEG 2009). The sponsorship relationship has traditionally been defined as “the provision of assistance either financial or in-kind to an activity by a commercial organization for the purpose of achieving commercial objectives” (Meenaghan 1983:9); accordingly, the majority of studies examining such arrangements have come from the perspective of the sponsoring firm. Typically, research has attempted to identify the impact this relationship has on the sponsor’s brand image (e.g. Cornwell and Maignan 1998; Gwinner and Eaton 1999) and little research effort has been committed to examining the influence a sponsorship alliance has on the sponsored enterprise (Ruth and Simonin 2003). The objective of this study was to investigate the effects sponsoring corporate brands have on the sponsored enterprise. Based on associative network theory it was hypothesized that consumer perceptions of a sponsored enterprise’s brand-quality would be positively associated with the brand-quality perceptions of the firms that sponsor the enterprise. Further, based on the Elaboration Likelihood Model (ELM) it was hypothesized that a consumer’s involvement in the sponsored enterprise’s domain would positively moderate this relationship.

To test these hypotheses, the authors created fictitious advertisements that highlighted the relationship between a sponsored enterprise (The National Hockey League [NHL]) and its corporate sponsors. The composition of consumer brands included in the enterprise’s sponsorship portfolio was manipulated across subjects within four product categories in order to facilitate variations in subjects’ perceptions of the portfolio’s brand-quality and minimize potential interactions within any single combination (Cornwell 2008). One hundred and seventy-one (171) undergraduate students participated in the study in exchange for extra credit. Each subject was shown three versions of an advertisement in which the relationship between the NHL and its corporate sponsors was highlighted in varying layouts; an individual respondent viewed the same portfolio of sponsors in all three ad variations. After viewing each advertisement (and following a distracter task), subjects provided their brand impressions of the sponsors and sport enterprise identified in the advertisements. Finally, respondents answered a series of questions designed to measure their involvement in the ice hockey domain.

After the historically validated measures were assessed for reliability and averaged, hierarchical regression analysis was used to test the hypotheses. The dependant variable in the analysis was brand-quality impressions of the NHL; the independent variables included the subjects’ brand-quality impressions of the sponsors, the subjects’ involvement in the ice hockey domain, and the interaction between these two measures. The results of the regression analysis showed a significant main-effect relationship between the brand-quality of the sponsorship portfolio and the perceived brand-quality of the sport enterprise ( $\beta = 0.277$ ,  $P < 0.01$ ). The second step of the hierarchical regression analysis yielded a significant parameter estimate for the interaction term ( $\beta = .184$ ,  $p < 0.01$ ), suggesting that involvement positively moderates the relationship.

The results of the analysis provide support for the hypothesized reverse effect of sponsorship. When confronted with a portfolio of sponsors perceived to be high in brand-quality, respondents rated the brand-quality of the sponsored sport league higher than when the league was sponsored by a portfolio of brands considered to be lower in brand-quality. This finding is significant because it implies sponsoring firms can shape perceptions of the enterprises they sponsor. This provides evidence that sponsoring firms have more to offer sponsored entities than just a provision of financial or tangible in-kind assistance. As a result, potential sponsors with considerable brand-equity may hold increased leverage in negotiating sponsorship alliances.

Although scholars have largely ignored the potential for reverse effects in sponsorship alliances (Ruth and Simonin 2003), this study provides evidence that managers of sponsored enterprises should be concerned with the reputations of the firms that comprise their sponsorship portfolio. The first contact a consumer may have with an unfamiliar sponsored organization may be through a leveraging advertisement produced by a sponsoring firm. If the individual has negative attitudes toward the sponsors of this unfamiliar enterprise, this research suggests these negative associations may shape the consumer’s opinion of the sponsored enterprise. Future research must continue to question the assumption of unidirectional brand effects from sponsored enterprise to sponsoring firm.

References Available on Request.

# **CELEBRITY BRANDED PRODUCTS: AN EXPLORATORY INVESTIGATION INTO CONSUMER PURCHASE MOTIVATION AND GENERAL ATTITUDES TOWARD THE BRAND**

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## **ABSTRACT**

This paper investigates why individuals purchase celebrity branded products (CBPs). Qualitative depth interviews reveal that CBPs may aid individuals in developing their self-identities and may provide a way for the celebrity's human brand to extend from the celebrity into tangible products which can be consumed by the celebrity's fans.

A celebrity branded product (CBP) is a product sold by a celebrity, under his/her own name or brand, with no other known brand associated with the product. CBPs represent a large and growing portion of retail sales. For instance, celebrity wines and spirits sales grew 19% over 2007 (Progressive Grocer March 2008) and celebrity scents made \$170 million in 2008 (Muther 2009). Interestingly, CBPs have succeeded and thrived even when other non-celebrity products in the same product categories have failed. Perfumes have declined 10% this year, however, Britney Spears's perfume sales were up 13% this June (Connelly 2009). O, Oprah Winfrey's magazine, has been successful even as many long-standing magazines such as House and Garden are shutting down. Overall, CBPs have proliferated in the past three decades, yet little is known about the influence these products have on consumers, the celebrities who sell them, or the marketplace overall. Also interesting is the increase in the use of celebrity products for several retailers' competitive strategies. For example, Macy's department stores have used CBPs as the focus of their merchandise strategy and their promotional campaign for the past several years. The company features celebrity products prominently in their stores and features the celebrities whose products they carry in their television commercials. K-Mart recent announced that they have ended their contract with Martha Stewart, who sold her Everyday line of home products exclusively at the retailer, leaving many to wonder what the effect on K-Mart's profitability will be (The New York Times 2009).

Qualitative depth interviews were conducted with fourteen individuals in order to investigate the purchase and usage drivers of CBPs along with individuals' general attitudes toward these products. Following research on para-social interaction (Giles and Maltby 2004; Giles 2002; Boon and Lomore 2001), human brands (Thomson 2006), brand extensions (Park, Millberg, and Lawson 1991; Aaker and Keller 1990), self-identity formation (Escalas and Bettman 2005; Batra, Myers, Aaker 1996; Belk 1988), and the theory of meaning transfer (McCracken 1989, 1986), we propose that individuals may use CBPs as a way to form their self-identities and to express this identity to others and that CBPs may act as a form of human brand extension for celebrities.

The depth interviews showed several interesting things. First, most individuals interviewed could remember purchasing or using CBPs in the past, providing evidence that they are important in the marketplace. Second, several individuals who had purchased or used CBPs also held negative general feelings of CBPs and the celebrities who make them. Therefore, if the individual likes the celebrity, s/he may purchase the celebrity's products, but if an individual does not like the celebrity, s/he are unlikely to purchase their products. Third, many individuals admitted that they do use the celebrity as a guide when making the purchase decision, such as choosing gifts because they knew the recipient liked the celebrity, being drawn to the product because it was associated with a celebrity they liked, and purchasing a product because they thought the celebrity would be an expert in the product category. This indicates that individuals may use celebrities as a reference group when making their purchase decision, use celebrities to form their own identity, and use CBPs to express their identity to others. The depth interviews also indicate that if the product is consistent with the celebrity's image or transfers the celebrity's image from their primary occupation to the CBP, individuals may be more likely to purchase the product, providing support for the notion that CBPs may act as a form of brand extension for the celebrity.

References Available on Request.

## CONVERSATION BEYOND THE CLASSROOM: SOCIAL MEDIA AND MARKETING EDUCATION

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### ABSTRACT

Social media seems to be affecting every component of day-to-day life. Many of us spend time connecting with friends and family members using social networks, sharing photos, videos, and stories via content networks, playing online games and inhabiting virtual worlds. Organizations are incorporating social media elements into their campaigns and designing products geared toward enhancing our social media experiences. Whether it is our churches, gyms, or dinner clubs, we can “follow” or “friend” virtually every aspect of our lives. Given the ubiquity of social media and the high rate of social media utilization among college students, it’s not surprising then that educators are turning to social media as a platform and tool for meeting educational objectives.

There are many benefits to social media in education. It enhances accessibility, extends the classroom beyond physical meeting times and places, serves as an engagement device, provides concept application opportunities for students, and more. Yet, for many professors, who may admittedly be social immigrants, social media is not intuitively comfortable. It does not smell of chalk or dry erase markers, and there is no sound of chairs scraping along the floor as students file in and take their seats. There is no podium with which to illustrate a role of authority in the room. The scripts vary, the technology changes frequently, and the norms of content creation and delivery are different. Indeed, professors face cultural and technological challenges when they choose to embrace social media for education.

Today’s college/university students today have spent less than 5,000 hours reading, over 10,000 hours playing video games and 20,000 hours watching television. Students’ access to and use of computer technology has reached staggering new heights and these technologies are being incorporated into even earlier levels of a student’s education. These students, raised in an era of interactivity, have come to expect interactive elements like those which can be provided via social media in their educational experiences.

The purpose of this special session, therefore, is to provide a primer on the pedagogical uses of social media. The session will encompass an overview, plus two featured tools: Second Life and Facebook. In the introduction portion of the session, participants will learn the benefits of social media for marketing education and the variety of social media forms available. What forms of social media may be applicable as educational tools? How can they be used? Specific coverage will be provided on social networks (e.g., Facebook), blogs and microblogs (e.g., Twitter, Tumblr), collaborative problem-solving and research tools including wikis, social news sites (e.g., Digg), and social bookmarking (e.g., delicious), virtual worlds (e.g., Second Life), and games. Brief examples will be shown.

Web 2.0 technologies have the potential to provide an increase in the communication “with” students, rather than simply “to” students, a more collaborative process that students are familiar with in today’s social network and YouTube world. In the second segment, the session will provide insight into the integration of Web 2.0 technologies and virtual world environments like ‘Second Life’ into marketing programs at both the undergraduate and graduate level. Using instructor experiences as well as blog and video interview data from 3 years of students who were involved in ‘Second Life’ elements as part of their Internet Marketing courses, suggestions for others looking to enhance their educational delivery by incorporating virtual worlds are provided.

Lastly, the third segment of this session will explain how Facebook can be utilized in the marketing classroom. It explores Facebook’s educational benefits and addresses the primary criticisms waged against it. In addition, it proposes four different levels of Facebook integration at an instructor’s disposal: profile page, creating a course group, creating a fan page, and Facebook applications. The discussion will also include a number of best practice policies created after years of Facebook educational implementation. Specific suggestions on marketing experiential class activities will be provided.

# **CONSUMERS' KNOWLEDGE OF ALCOHOL CONSUMPTION AND ITS IMPLICATIONS ON PUBLIC POLICY**

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## **ABSTRACT**

A gap exists between government guidelines and consumers' knowledge relating to alcohol. This study investigated whether an online survey providing correct answers could increase knowledge and thus assist consumers to make informed decisions. Results suggest an online alcohol knowledge test can improve alcohol knowledge. Implications for public policy are outlined.

References Available on Request.

# **TELEOLOGY FROM COMPLEXITY SCIENCES IN BUSINESS ETHICS: FORMATIVE, RATIONALIST OR TRANSFORMATIVE?**

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## **ABSTRACT**

Organizations have to take account of their responsibilities to society and the society has to accept its responsibilities for setting the standards against which the behaviours of organizations and the practices of business ethics are made through their directions outlined, decisions taken and guidelines provided to managers and employees.

Generally speaking, unethical behaviours and practices may be the outcome of conscious actions, but they may also be subconscious. We will discuss reasons for both possibilities of unethical behaviours and practices by organizations, their managers and employees. It is derived from, limited to and based upon 'teleological approaches' as defined by Stacey, Griffin and Shaw, 2000 to describe and explain the phenomenon of human actions in organizations, which will be positioned and introduced in the context of business ethics.

In other words, we intend to shed some light on organizations' behaviours and practices of business ethics in the marketplace and the surrounding society by the aid of complexity sciences. For this purpose, the discussion will be based upon the causal frameworks of teleology introduced by Stacey, Griffin and Shaw (2000). We also introduce a set of adapted models to complement their causal frameworks, which are believed collectively, to provide a seed and highlight the core essence of organizations' behaviours and practices of business ethics in the marketplace and the surrounding society from the perspective of complexity sciences and inherent 'teleological' approaches as defined by Stacey et al (2000).

One may argue that an organisation's behaviours and practices of business ethics in the marketplace and the surrounding society are dependent upon processes of co-creation patterns, which are non-controllable. They are processes of continuous interactions, where organizations, managers and employees influence others and at the same time they are influenced by others. These are not processes of 'top-down' or 'bottom-up' approaches to directions, decisions and guidelines, but processes of gesture and response where meaning or sense-making emerge in co-creation between the organization, its managers and employees with the marketplace and the surrounding society.

An essential subject for further research is how to deal with the durability and variability of organizations' behaviours and practices of business ethics in the marketplace and the surrounding society. Are they formative, rationalist and or transformative? The key may be an enhanced emphasis in research on longitudinal aspects of business ethics that may explore them over time and as contexts evolve.

References Available on Request.

## **CPSC, PRODUCT-HARM CRISIS, AND PRODUCT RECALLS: AN EXPLORATORY STUDY**

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### **ABSTRACT**

The purpose of this study is to investigate and analyze product-harm crisis and product recalls in the US toy industry. Toys are one of the most widely available and oldest consumer products in the world. The global toy industry is a \$50 billion market and has transformed itself from a small-scale industry into a well established network of technologically efficient supply chains. Product-harm crisis and product recalls are common occurrences in marketing as well as public policy and corporate social responsibility (CSR) areas. By using longitudinal data from the US Consumer Product Safety Commission (CPSC), the work applies content analysis to compare and contrast toy recalls, hazards, and country of origin issues in various categories of the industry. The agency monitors over 15,000 types of consumer products sold in the US market. The toy industry is no exception and the CPSC has recalled millions of toys in various sub-categories. The study investigates 721 toy recalls in the US market between 1974 and 2008 that constitute over 270 million recalled toys. Major findings of this work reveal that most of the recalled toys were manufactured in China although a wide variety of toy brands were designed in the US. Five major hazards of toy recalls include choking, lead poisoning, aspiration, fire/burn and other injuries. The paper also provides meaningful implications and future research directions of this debate that at present is in dire need of additional research and investigations. The topic is equally important in the areas of public policy and marketing ethics. The findings of this study validate that manufacturers as well as companies designing toys are responsible for defective products. Toy manufacturers, suppliers, and retailers need to pay attention to the toy industry that at present is complex because of large-scale outsourcing, questionable quality standards, and diverse supply chains.

References Available on Request.



# **THE EFFECTS OF EXTRINSIC CUES AND PRODUCT INVOLVEMENT TOWARD WILLINGNESS TO BUY NON-DECEPTIVE COUNTERFEIT BRANDED PRODUCTS: THE CASE STUDY OF INDONESIAN CONSUMERS**

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## **ABSTRACT**

The current study investigates Indonesian consumers' willingness to buy counterfeit products. Two predictors have been utilised in this regard are product involvement and extrinsic cues (brand, store, and price). The sample of the study is post-graduate students in the field of business and management. The research found that hypothesis 1 has been clarified as being different by product, depending upon whether the category is categorised HPI (High Product Involvement) or LPI (Low Product Involvement). Other findings, the study confirmed that single direct effects of brand and retailers' reputation significantly influenced consumers' responses about willingness to buy a counterfeit product, no matter the product category. However, the discounted price did not significantly influence the willingness to buy a counterfeit branded product no matter their product category. Thus, consumers' responses to hypothesis 2 and hypothesis 3 were fully supported, but not fully supported for hypothesis 4.

## **INTRODUCTION**

In general, 'infringement' of products can be defined as: 'The deliberate attempt to deceive consumers by copying and marketing goods bearing well known trademarks, generally together with packaging and product configuration. So that the counterfeit product seem to be made by a reputable manufacturer when they are, in fact, inferior copies (Lynch 2002). Previous research has identified six categories of product infringements: counterfeiting, piracy, imitation, and grey market (Lai & Zaichkowsky 1999), custom-made copies (Phau et al. 2001) and softlifting (Shore et al. 2001). The two most common forms of IPR (Intellectual Property Rights) infringement are counterfeiting and piracy. The difference between counterfeiting and piracy is that with piracy consumers knowingly buy pirated goods while with counterfeiting, consumers are deceived into thinking that the product they buy is genuine (McDonald & Roberts 1994). In some studies, however, the term counterfeit and piracy are used interchangeably. The term counterfeit as used in this paper refers to the infringement of trademarks. More specifically, it refers to the illegal use of trademarks for producing fake products. Although this infringement may deceive consumers into believing that they are buying genuine products, this current study purposely made the subjects aware that they are buying counterfeit products.

## **REVIEW OF RELATED LITERATURE**

Consumers are the actual force behind this counterfeiting trade (Chan et al. 1998; Cordell et al. 1996). Consumer demand becomes the counterpart to illegal acts on the part of the makers and sellers. Their low ethical standards may be the key variable that breeds unethical behaviour (Chan et al. 1998). However, their involvement may be either as victim or as willing collaborator. The greater part of such purchasing activities consists of non-deceptive counterfeiting; in which consumers knowingly choose to buy counterfeit products (Wee et al. 1996). Behaviour leading to the consumption of counterfeit products directly contributes to legitimate manufacturers' loss of reputation, loss of profits and loss of job. Lai & Zaichkowsky (1999) have conducted an exploratory study on willingness to buy brands which imitate the look of multinational brands in Chinese societies (China Mainland, Hong Kong, and Taiwan), they argue that Asian people who are the majority population in the world, support this activity. Asian people generally have low expectations of branded products, because they tend to blindly believe that foreign brands are best, and they do not distinguish among different brands.

From the view of demand-side issues, there are few empirical studies that have focused on consumer's intention to purchase in counterfeiting activities (Bloch et al. 1993; Cordell et al. 1996; Wee et al. 1996; Tom et al. 1998; Field 2000; and Ang et al. 2001). Tom et al. (1998) have reported on three studies in assessing pre-purchase, purchase, and post-purchase factors. Wee et al. (1995) examined the effects of non-price determinants on a consumer's intention to purchase counterfeit products. Meanwhile, Bloch et al. (1993) presented survey participants with three shirts identified as a genuine, a counterfeit, and private label brand then recorded the participant's evaluations of the shirts and their purchase intention result. Cordell et al. (1996) examined counterfeit product purchase intentions based on effects of lawfulness, extrinsic cues, risk aversion, and performance expectations. Field (2000) further examined the consumer demand side issue of product counterfeiting in an attempt to identify differences between those consumers who would and would not purchase counterfeit products.

Meanwhile, Ang et al. (2001) focused on consumers' motivation for buying counterfeit goods. Based on the limited studies previously, Field (2000, p. 11) notes that 'the demand side literature to date provide insight to consumer behaviour and counterfeit product purchases but lacks a strong theoretical foundation. Furthermore rigorous testing through replications and extensions has not occurred. Therefore, further research investigating counterfeit demand side is warranted'. For this reason, this paper focus on the demand-side issues of counterfeiting by extending the issues examined in previous studies, particularly the issues of effects of extrinsic cues and product involvement.

Cordell et al. (1996)'s study examined the effect of risk aversion for extrinsic cues (i.e. brand, retailer, and price) as the determinants of purchase intention of counterfeit products. The current study extended this issue by exploring the effect of product involvement for those extrinsic cues as the determinants of willingness to buy counterfeit products. This factor is important since previous studies were not concerned with the issue of involvement (Bloch et al. 1993; Wee et al. 1996; Cordell et al. 1996; Tom et al. 1998). Although Field (2000) examined product involvement by exploring product involvement as an exogenous variable, he did not consider the effect of this variable for extrinsic cues. Therefore, the inclusion of the effect of product involvement for brand, retailer, and price on consumers' willingness to buy counterfeit products would be a significant contribution of this study.

## **DETERMINANTS OF WILLINGNESS TO PURCHASE**

With reference to the objectives of this study outlined previously, the following discussion will specify the research hypotheses in terms of the following constructs: product involvement and extrinsic cues.

### **Product Involvement**

Product involvement influences the extent of the decision-making process. The level of product involvement affects the process of a consumer's decision making (Miquel & Caplliere 2002). Higher levels of involvement should lead to better comprehension of the information presented concerning a product, and allow consumers to draw more detailed conclusions about the product information (Celsi & Olson 1988; and Hitchon & Thorson 1995). Therefore, the level of involvement will affect the degree of comprehension in decisions concerning high involvement, the consumer will more closely attend to the information provided (Baker et al. 2002).

In addition, highly involved individuals are expected to use more choice criteria (Quester & Smart 1998), to search for information on a wider range of product attributes, and to process information in greater detail (Zaickhoswky 1985; and Edgett & Cullen 1992). Conversely, consumers with low involvement would not conduct an extensive search for information, make few comparisons among product attributes, perceive that brands within a given product class were homogeneous, and show little brand preference (Zaickhowsky 1985). Therefore, it seems logical that product involvement has favourable effects on evaluation of product attribute cues toward such willingness.

In Field's findings (2000), when consumers were asked whether they buy genuine or counterfeit products, the consumers highly involved with the product category tended to buy the genuine one; but if the genuine product was not examined, consumers tended to buy counterfeit products from the highly involved product category. Therefore, for the present research hypothesis 1 is formulated as follows:

*H1: Consumers' willingness to buy non-deceptive counterfeit branded products with high product involvement will be significantly different from consumers' willingness to buy non-deceptive counterfeit branded products with low product involvement.*

### **Extrinsic Cues**

Extrinsic and intrinsic cues are an important means for consumers to make purchase decisions. Research findings suggest that consumers tend to use both extrinsic and intrinsic cues concurrently when evaluating product quality (Szybillo & Jacoby 1974; and Richardson et al. 1994), thereby affecting the purchase intentions of consumers (Forsythe et al. 1999); and Rao & Monroe 1989). However, consumers are generally more familiar with extrinsic cues than intrinsic cues, and thus tend to rely more heavily on them when evaluating products (Olshavaky 1985; and Lee & Lou 1995/1996). In the case of buying counterfeit products, Higgins & Rubin (1986) and Field (2000) found that consumers tend to disregard intrinsic cues such as warranties before making a decision to purchase since the warranty provided is worthless and unexercisable.

## **Brand**

Either brand loyalty or purchase of a famous maker brand can act to reduce overall consumer perceived risk. This has been demonstrated with common products (Akaah & Korgaonkar 1988; Hawes & Lumpkin 1986), as well as from products such as automobiles (Havlena & deSarbo 1991). In most purchase situations, brand loyalty or the purchase of a famous maker brand was found to be the most helpful strategy in preventing money loss from product purchases (Roselius 1971). In this regard, utilization of the brand cue has been shown to reduce perceived performance risks in the case of grocery items (Dunn et al. 1986).

In addition, consumers consider that brand image, product reputation, company reputation and brand equity are directly related to the appearance of the brand name on a product, particularly with a famous branded product, because this kind of product is closely associated with a consumer's social status (Hughes 1996, Eastman et al. 1999). Meanwhile, involvement also has a role in the commitment to a particular brand within a product class. 'The more focal a product class is to an individual's ego, the stronger the psychological attachment he/she will exhibit to a particular brand within that product class. Conversely, 'the more peripheral a product class is to the individual's ego, the lower the attachment to the brand' (Quester & Lim 2003, p. 23). Therefore, it is reasonable that consumers with low involvement would be unable to distinguish the genuine product from the counterfeit products.

In fact, mostly physical qualities of the counterfeit products have been suspected as having lower qualities than the genuine products (Cordell et al. 1996). On the other hand, a person with high involvement would be able to distinguish the genuine product from the counterfeit products. Therefore, in concert with Zaichowsky's (1985) and Quester & Lim's (2003) studies, the proposed study formulates the following hypothesis:

*H2: Consumers' willingness to buy a non-deceptive counterfeit branded product will be significantly more influenced by branding for a counterfeit with high product involvement than for a counterfeit with low product involvement.*

## **Retailer**

Store name is an external cue that influences perceptions of product quality and value, and hence willingness to buy (Dodds et al. 1991). Retailer reputation operates to relieve generic perceived risk (Hawes & Lumpkin 1986) as well as fear of money loss (Roselius 1971). In addition, a prestige store evokes greater confidence in making purchases that are high in social risk (Dawson 1988).

The prestige retailer is expected to stand behind the product it sells, and it serves as the consumer's first line of resource for dealing with product dissatisfaction (Cordell et al. 1996). In Bamossy and Scammon's (1985) study, seven time as many customers complained to the retailer than to the manufacturer when they suspected they had bought a counterfeit. Ninety percent of those complainants received refund from the retailers.

Cordell et al. (1996, p. 44) notes that 'should the consumer consider purchasing a suspected fake, an assumed return privilege is always desirable'. However, the privilege to exercise the implied warranty would carry higher value when high product involvement is applied in such a product. Therefore, the hypothesis is formulated as follows:

*H3: Consumers' willingness to buy a non-deceptive counterfeit branded product will be significantly more influenced by retailers' reputation for a counterfeit with high product involvement than for a counterfeit with low product involvement.*

## **Price**

In economic theory, price is viewed as having a negative influence on choice as higher prices tend to have a negative impact on a consumers budget. But, from a behavioral perspective, price may also be perceived as a product quality cue (Monroe & Krishnan 1985). Therefore, price may be viewed as an indicator of scarcity, or as quality cue, or both (Rao & Monroe 1989). The use of price as an indicator of quality reflects the belief that price is set by the competitive interplay of the forces supply and demand (Scitovsky 1945).

A higher price may be an indicator of more expensive input in terms of factors of production, thus suggesting a higher quality end product (Rao & Monroe 1989). However, consumers differ in their beliefs about the association between the price and quality variables (Roedder-John et al. 1986). Studies have indicated that the use of price as a quality indicator differs by product category (Zeithaml 1988). Most positive links have been found in durable rather than in non durable or consumable

products (Peterson & Wilson 1985). In addition, greater price variations within the product class tend to encourage consumers to use price as a quality indicator (Zeithaml 1988).

When consumers buy products, their attitudes toward the product may differ from their attitudes toward other products, depending on the category of the product (Field 2000). In the case of counterfeit products, counterfeits that do not intend to deceive the purchaser are positioned on the basis of having a price that is a fraction of the genuine article. Consumers use price as an indicator of product quality (Lee & Lou 1995/1996), thus lower prices are frequently associated with lower quality (Olson 1977). It is reasonable because the counterfeit products will be suspected since most of the product will not outperform the quality of the genuine, and the counterfeits were still unknown (Cordell et al. 1996). Meanwhile, the level of product involvement also affects the process of a consumer's decision making (Miquel et al. 2002). The more important a product is to a shopper, the more information the shopper will need prior to purchase. (Hitchon & Thorson 1995). Therefore, the hypothesis is formulated as follows:

*H4: Consumers' willingness to buy a non-deceptive counterfeit branded product will be significantly more influenced by price concession for a counterfeit with low product involvement than for a counterfeit with high product involvement.*

## METHODOLOGY

The following section explained data collection and sample of respondents as well as stimuli for experimental design that has been used in this research.

### Data collection and sample of respondents

Post-graduate business student were used as the sample for the study. The assumption for choosing these samples was based on expectation that post-graduate students were emotionally mature, independently responsible of any consequences when they decide to buy counterfeit products (Cordell et al 1996; and Field 2000), and they are familiar with famous branded products. Apart from that, students are considered heavy users of counterfeit goods, even though they are not necessarily representative for prospective buyers of counterfeit goods in general (Leisen & Neil 2001; and Cordell et al. 1996). Since the population of respondents was homogenous, the sample was derived by using simple random sampling. In this way, every element in the population has a chance of being selected (Sekaran 2000). There were 600 questionnaires sent to respondents. The final useable sample consisted of 407 respondents (68% effective response rate).

Demographically, 407 participants whose responses can be further processed, there were male 256 (62%) and female 151 (37.1%). The dominant age group of the participants was 40 year olds or younger (41.3 %). Among this group, males are in the majority at 30.2%. Approximately 62.4 % were married with the remainder (37.6%) being single. All the participants have permanent job positions. Of the participants, 39.6% have position as senior officials, with the next most prolific being a group of managers (18.9%). A small percentage of the respondents hold positions of president, director or board of director members namely 4.7 % or 19 participants. The cohort's work experience is varied, most of them, 81.3%, having worked for 15 years or less. Of the participants who have longer working experience, from 16 to 25 years or more, their percentage is small, 19.4%.

Additionally, participants receive a variety of income levels, even though most of the cohort claim work experience of up to 15 years: however some of them have an income level greater than some who have been working for longer still. The highest income of 41.8 % of participants is more than 54 million rupiah, with only 17.8 % of participants receiving the standard income for executive officers, 24 million rupiah. The remainder of participants, 41.3 %, receive a lesser income between 24 million rupiah and 54 million rupiah. The facts about income level are interesting, even if they only reinforce popular sentiment that there is little relationship between work experience and the level of annual salary. The income level seems related to the size type of the participants' company, e.g., banking, government Civil Servant and large manufacturing industries. A companys' span of operations such as national, international or multinational in operations is also significant.

### Stimuli

Similar to the studies conducted by Cordell et al. (1996) and Leisen & Nill (2001), the respondents were given a scenario that informed them about the buying situation. The dimension of measurement was perceived willingness to buy non-deceptive counterfeit branded products. This represented the dependant variable. The design used a seven point Likert scale with 1 being 'strongly unlikely' and seven being 'strongly likely' (Cordell et al. 1996). The respondents were told that although the product gives every appearance of being genuine articles, they were counterfeit products. Each respondent was provided

catalogue type descriptions of the selected branded products and their counterfeits. Each respondent remain in the same treatment cell for the product evaluations. The product Study included 2 product categories, and each category consisted of two branded products. The selected products satisfied three criteria. They were common and famous branded product (Cordell et al. 1996), used by both sexes, and clearly differentiated by product involvement. The experiments were directly administered to the subjects.

Following to the previous research was conducted by Cordell et al. (1996), product descriptions in each product category was manipulated in three factorial designs: 2 (brands) x 2 (retailers) x 2 (prices), resulting in eight question variations. The two treatment levels for brands were famous brands and fictitious brands for each product category. The samples of famous branded products used in this investigation are Rolex wristwatches and RayBan sunglasses. Rolex wristwatch and RayBan sunglasses have been selected because they possess a high brand name recognition, and are often the target of brand counterfeits (Leisen & Nill (2001). The wristwatch represents a high involvement product with the sunglasses representing the low involvement product. These involvement categories were previously investigated by Field (2000). However, the current study re-tested the product involvement categories using Zaichkowsky's involvement measurement. The results concur with those found by Field. Rolex and RayBan fit into the high and low involvement categories. The mean response of respondents toward both Rolex and RayBan provided significant differences (5.57 and 3.75 respectively). Using the mean split of unobserved responses, the Rolex wristwatch fit into the high involvement category, and RayBan sunglasses in the low involvement category. To insure that the two predictors are not measuring the same construct, a paired-samples correlation and t-test procedure was conducted resulting in values of  $r = 0.21$ , ( $t = 18.14$ ,  $df = 141$ ,  $p = .00$ ). This indicates that the measures of high and low product involvement are appreciably different constructs. Meanwhile, the fictitious brands, Ronwood wristwatch and Cartisa sunglasses, has been tested for which respondents were unable to attach any goodwill. A question toward product quality of Ronwood and Cartisa showed false-positively responses. Seven point scales were bound by 'strongly disagree at one and strongly agree at seven'. Response of the participants ( $n=142$ ) gave 'slightly strong agree' toward quality reputation either of these brands. Mean response of both products showed 4.30 and 4.40 respectively.

The two treatment level of retailers is a prestige department store and flea market vendors. Using seven point Likert scales, tested toward famous flea market vendors has been done. Different participants Response toward two famous plazas, Indonesia Plaza and Mangga Dua Plaza as the famous flea market have been confirmed. Mean response of the participants showed 'fairly strong disagree' for Plaza Indonesia as mean = 3.79. Whereas Mangga dua Plaza received 'quite strong agree' since its mean response showed 6.10. The two treatment level of prices also has been used, one-eighth and one-sixteenth of normal retail prices that would apply to the genuine quality brands. The normal price of genuine Rolex and Ronwood in the experiment was Rp 65.000.000,- (USD \$ 6,500.-) and Rp 32.500.000,- (USD 3,250.-) respectively. Meanwhile, the pricing of sunglasses for genuine Ray Ban was Rp 1.500.000,- (USD \$150.-) and genuine Cartisa was Rp 750.000,- (USD \$75.-) These pricing points were chosen as representative of actual market prices for deeply discounted goods of counterfeits

An example of the scenario in the experiment for buying counterfeit Rolex as follow:

*Imagine you are going to buy a branded wristwatch. Say that you want to buy a **Rolex** wristwatch, a famous brand in the world. As known, the product is made of gold and crafted by a truly professional designer. Thus, it is a very beautiful and appealing wristwatch. However, the seller shows you a counterfeit **Rolex**. The counterfeit product looks like the genuine **Rolex** in all aspects. Since it is a counterfeit, the brand name and logo have been used without the permission of the authorized **Rolex** Company. Suppose that you are interested in this counterfeit Rolex, how likely is it that you would buy the product if the product is only available in Mangga Dua Plaza, and the seller offers you a very deeply discounted price, one-sixteenth of the normal genuine price Rp 65.000.000?*

## STATISTICAL ANALYSIS AND DISCUSSION

### Testing willingness to buy measure for Product Involvement Categories

The t-test statistic was employed to measure the difference between the means of willingness to buy a counterfeit, branded product of HPI (Rolex) or  $Y_{HI}$ , and of willingness to buy a counterfeit branded product of LPI (Rayban) or  $Y_{LPI}$ . The mean of  $Y_{HPI} = 5.0717$  ( $SD = 0.88600$ ) was greater than the mean for the  $Y_{LPI}$  (RayBan) = 4.8341 ( $SD = 0.83462$ ). A paired sample t-test resulted in a significant difference ( $t = 4.072$ ,  $df = 406$ ,  $p = .00$ ). To confirm that these estimators were not measuring the same construct, a paired sample correlation was conducted. At  $r = 0.169$  ( $p = 0.00$ ), the relationship was not significant at 0.01 level, with only 2.8% of the variance in one variable explained by the other. So the estimator measures considerably different constructs, and consequently hypothesis 1(H1) is supported.

## Testing the effects of consumer evaluation of a product's extrinsic cues

Montgomery (2001) notes that analysis of variance (ANOVA), may be used to confirm the magnitude of main and interaction effects. Using ANOVA, the full model for counterfeit, branded products of HPI and LPI were tested. Using a confidence level of 0.05, the result of  $R^2 = 0.795$ , indicating that almost 80% of the variance in willingness to buy a counterfeit product for HPI is explained by predictor variables. The level of adjusted  $R^2 = 0.686$  still strongly verifies the part of the variance, revealing significant all main effects and all interaction effects. However, The Levene's test of homogeneity of variance significantly rejected the null hypothesis since this test used an F value =3.063 & p value = 0.00. The use of Levene's test assesses whether the population variance for the group is significantly different from each individual part of the group. The null hypothesis states that the population variances are equal (Carver & Nash 2000), but the test result concluded that the data violated the homogeneity of variance assumption. Nevertheless, Gozali (2005) argued that if Levene's test was significant or the null hypothesis was rejected, ANOVA was still able to be used assuming the same sample size. Since the present data used the same sample size across all treatment combinations of willingness to buy a counterfeit branded product for HPI, the ANOVA test was still considered appropriate (Gozali 2005).

Full model of willingness to buy a counterfeit branded product for high product involvement ( $Y_{HI}$ )

$$Y_{HI} = 3.249693 + 0.01812 X_1 + 0.023034 X_2 - 0.04822 X_3 - 0.81112 X_{12} - 0.00215 X_{13} - 0.00584 X_{23} + 0.014435 X_{123}$$

(0.00)      (0.00)      (0.00)      (0.00)      (0.00)      (0.00)      (0.003)      (0.096)

Meanwhile, the full model of a counterfeit, branded product for LPI found  $R^2 = 0.711$ , significant at 0.05. This result illustrates that a strong portion of the variance in willingness to buy a counterfeit of LPI is explained by the predictor variables. However, the medium amount of adjusted  $R^2 = 0.503$  is obtained by removing the non-significant main term and two interaction terms from the model. The reduced model is now complete without the main effect of the brand ( $p = 0.07$ ), the interaction effect of retailer of price ( $p = 0.113$ ), and the interaction effect of brand, retailer and price ( $p = 32.9$ ). However, the adjusted  $R^2 = 0.503$  for the reduced model has changed only slightly from the  $R^2$  for the full model. Clearly, removing the non-significant terms from the full model has produced a final model that is likely to function more effectively as a predictor of new data (Montgomery 2001). However, Levene's test of homogeneity of variance showed results significant enough for the null hypothesis to be rejected since Levene's test was at F value =2.080; p value = 0.00. The test result allows the conclusion that the data violated the homogeneity of variance assumption. Nevertheless, since the present data used the same sample size across all treatment combinations of willingness to buy a counterfeit, branded, product of LPI, the ANOVA tests were still sufficiently significant to be utilised (Gozali 2005).

Full model of willingness to buy a counterfeit branded product for low product involvement ( $Y_{LI}$ )

$$Y_{LI} = 3.400799 + 0.004607 X_1 + 0.024263 X_2 - 0.06173 X_3 - 0.8406 X_{12} + 0.028563 X_{13} + 0.007678 X_{23} + 0.004607 X_{123}$$

(0.00)      (0.070)      (0.00)      (0.030)      (0.021)      (0.012)      (0.113)      (0.329)

The research was expected to find that brand would be important determinants when counterfeit products of HPI are bought; whereas retailers' reputation and discounted price would be significant determinant when counterfeit products of HPI as well as of LPI are bought. Consequently, the research should expect that brand variable should significantly influence purchase of a Rolex wristwatch; but, retailers' reputation and discounted price variables should have considerable influence on purchase of Rolex wristwatches as well as RayBan sunglasses.

Concerning the results of coefficient of regression analysis, brand was of significant influence for HPI, but not for LPI in consumers' willingness to buy non-deceptive counterfeit branded products. Their coefficients showed 0.018 ( $p = 0.00$ ) and 0.004 ( $p = 0.07$ ) respectively. Meanwhile, retailer's reputation influence on for HPI as well as for LPI was very close to being equal as their coefficients showed 0.023 and 0.024 ( $p = 0.00$ ) when compared. Interestingly, discounted price influenced willingness to buy a counterfeit branded product of HPI showing its coefficient at 0.048 ( $p = 0.00$ ) considerably more than the coefficient for LPI at 0.062 ( $p = 0.03$ ). However, these findings indicated that no matter the product category of HPI or LPI, discounted price did not significantly influence a consumers' willingness to buy a counterfeit product since the coefficients revealed a negative effect for willingness to buy. Therefore, these findings supported hypotheses 2 and hypotheses 3, but did not support hypotheses 4.

## CONCLUSION AND LIMITATION

A review of the related literature on counterfeit products has specified the influence of extrinsic cues and product involvement on willingness to buy counterfeit products. However, the results of the statistical analysis in this research were inconsistent with the hypothesised choice determinants and consumers' responses. Hypothesis 1 was supported because it has been clarified as being different by product, depending upon whether the category is categorised HPI or LPI. Findings based on the data from the 407 respondents who submitted complete responses confirmed that, regardless of discounted price, single direct effects of brand and retailers' reputation significantly influenced consumers' responses about willingness to buy a counterfeit product, no matter the product category. Likewise, the discounted price did not significantly influence the willingness to buy a counterfeit, branded product no matter their product category. Thus, consumers' responses to Hypothesis 2 and Hypothesis 3 were fully supported, but not fully supported for Hypothesis 4. All findings were significant at the <0.10 level.

Research in demand investigation of counterfeit branded product or trademark infringements are still limited, and are lacks a strong theoretical foundation (Field 2000). Therefore, further research investigating counterfeit demand side is warranted. For this reason, rigorous testing through replications and extensions need to be examined for future research, for instance, the influence of product knowledge and ethical ideology on purchase intention of counterfeit products.

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# INVESTIGATION OF ANTECEDENTS OF PURCHASE INTENTION TOWARD COUNTERFEITS – IMPLICATIONS FROM CULTURALLY DIVERSE COUNTRIES

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## ABSTRACT

The sale of counterfeit products made up to seven percent of the world trade volume that amounts to an increase of 10,000 percent in the last two decades (IACC 2009). Since firms manage their brands across many markets, marketers should understand which are the relevant antecedents that impact illicit consumer behavior and how these antecedents vary across countries. Even counterfeiting is a cross-national phenomenon, its antecedents have rarely been investigated cross-nationally. Brand manufactures of illegally copied brands sustain damage: the brand's equity is jeopardized and the consumer's demand is diverted into gray markets (Green and Smith 2002). Nevertheless, Nia and Zaichkowsky (2000) note that consumers' majority "did not believe that counterfeits decrease the demand for original luxury brand name products" (Nia and Zaichkowsky 2000, 494). Commuri (2009) states that the impact of counterfeiting on consumers of genius goods (originals) is little-noticed. Thus, a further investigation of counterfeits' impact on originals is needed. In their literature review Eisend and Schuchert-Güler (2006) note person-related antecedents such as demographics, product-related antecedents such as price, social as well as cultural context, and purchase situation that drive the purchase of counterfeits. They emphasize a more solid theoretical grounding for further studies and call for cross-cultural investigations to illuminate potential differences among the antecedents (Eisend and Schuchert-Güler 2006). The purpose of the following study is to examine antecedents of purchase intention toward counterfeits (PItC) and its influence on consumers' willingness to pay for the original (WtPO).

Following the theory of planned behavior (Ajzen 1991), we first hypothesize the impact of subjective norm and perceived behavior control, and second hypothesize the impact of further antecedents such as integrity and fairness on purchase intention toward counterfeits (PItC). We refer to Helson's (1964) adoption-level theory linking PItC to willingness to pay for the original (WtPO). According to that theory, exposures to former perceived stimuli serve as a reference by which later perceived stimuli are judged. As noted by Cordell, Wongtada, and Kieschnick (1996) counterfeits are sold to a lower price, thus we hypothesize a negative impact of PItC on WtPO. Moreover, we suggest that culture, economic development, and trademark legislation serve as context factors. Thus, consumer behavior in the counterfeit context and its antecedents' impacts are proposed to vary across countries.

Our sample included 700 face-to-face consumer interviews in China, Romania, and Germany which differ in their economic development, culture and trademark legislation. In addition to validity and reliability assessment, we also assure partial scalar invariance of the measurement to compare country samples (Steenkamp and Baumgartner 1998). Since we operationalized PItC as a formative measurement to include the main product categories that are counterfeited, we applied the partial least squares approach. The structural model was estimated for each country and differences in path coefficients were tested for significance (Keil et al. 2000).

Applying the theory of planned behavior (Ajzen 1991) we examine the antecedents' impact on PItC and reveal that country specifics matter when investigating consumers' illicit behavior. In China, where Confucianism is practiced, fairness to the genius brand does not lower PItC, whereas in Western countries it does. The Asian understanding of copying and its honor to the master differ from Western beliefs and have its roots in the Confucianism.

Integrity has no significant/a low negative impact on PItC for developing countries such as China and Romania, where the trademark law is rather lately established and its implementation is rather occasionally. Since law and norms are related, a cross-national legal alignment is of rising importance.

Subjective norm promotes counterfeiting behavior and has a higher impact on PItC for collectivistic countries such as China and Romania than for individualistic countries. Following the adaptation-level theory (Helson 1964), we show that the availability of typically low priced counterfeits lower the reference price for genius brands in the consumer's mind. Especially in Romania, brand manufactures seem to be jeopardized by the visibility of counterfeits.

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# WHAT FACTORS INFLUENCE CONSUMERS TO BUY OR RENT DVDS? THE ROLE OF CONSUMER PERCEPTIONS AND IMPLICATIONS TO MOVIE STUDIOS

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## ABSTRACT

In recent years, an increasing number of studies have investigated problems and issues surrounding the motion pictures and movie theaters. However, research on DVDs has been limited when DVD sales and rentals are more important for the movie studios than the box-office ticket sales for the revenue potential. The objective of the study is to identify the factors that are associated with the consumer decisions of purchasing and renting DVDs and to examine the relationship between the two decisions. A survey is administered to the college students about the behavior and perceptions about movies, DVD purchase, and DVD rental and the hypotheses that address the influencing factors are tested.

### Theater Visits:

H1a: The more often the young adult consumers go to movie theaters, the more likely to buy DVDs.

H1b: The more often the young adult consumers go to movie theaters, the more likely to rent DVDs.

### Expected Number of DVD Viewings:

H2a: The larger number of times the young adult consumers would watch the same movie, the more likely to buy DVDs.

H2b: The larger number of times the young adult consumers would watch the same movie, the less likely to rent DVDs.

### Consumer Perceptions about DVD:

H3a: The higher price the young adult consumers would charge the DVD they own if they were to sell, the more likely to buy DVDs.

H3b: The higher price the young adult consumers would charge the DVD they own if they were to sell, the less likely to rent DVDs.

H4a: The more similar pleasure level the young adult consumers would perceive from a second viewing to the first viewing of the DVD, the more likely to buy DVDs.

H4b: The more similar pleasure level the young adult consumers would perceive from a second viewing to the first viewing of the DVD, the less likely to rent DVDs.

H5a: The more satisfied the young adult consumers are with the video quality, disc condition, and packaging of the rented DVDs, the less likely to buy DVDs.

H5b: The more satisfied the young adult consumers are with the video quality, disc condition, and packaging of the rented DVDs, the more likely to rent DVDs.

H6a: The higher transaction costs the young adult consumers would perceive with renting DVDs, the more likely to buy DVDs.

H6b: The higher transaction costs the young adult consumers would perceive with renting DVDs, the less likely to rent DVDs.

### Relationship between the DVD Purchase and Rental Decisions:

H7: The DVD purchase decision is negatively related to the DVD rental decision.

We find that the young adult consumers who go to the movie theaters frequently are more likely to rent the DVD. The people who view the movie frequently after purchase and whose perceived pleasure level is still high with second viewing are more likely to purchase the DVD. The perceived transaction costs associated with renting DVDs are found to discourage the people from renting DVDs. Finally, the DVD purchase and rental decisions are found to be negatively related. We discuss the managerial implications to the movie studios and the contributions to the related literature.

References Available on Request.

## **CRAZY LITTLE THING CALLED LOVE: A CONSUMER-RETAILER RELATIONSHIP**

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### **ABSTRACT**

Consumers frequently use the word love to describe their feelings about objects, possessions, brands, and activities. Academic literature has explored various consumer relationships with brands and objects; however, enduring emotions towards a specific retailer have not been explored. This study extends previous findings to qualitatively examine consumer-retailer love and its relationship with a consumer's self-concept and identity development. Nostalgia and comfort with the retailer are two of the main factors that lead to retailer love. Informants find congruity between their own self-concept and the loved-retailer's personality. Consumers believe that the retailer they love can help them achieve their aspirations. This consumer-retailer love should lead to profitability for the retailer and improved self-concept for the consumer.

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## CONCEPTUALISING CUSTOMER-PERCEIVED VALUE IN THE ONLINE CONTEXT

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### ABSTRACT

This study explores and tests a holistic model of customer-perceived value in a B2C e-commerce setting. The developed model extends the value literature by integrating a range of key variables into a single theoretical framework. The findings suggest that Taiwanese consumers place greater importance on the sacrifice associated with purchasing tourism products than they do on the price, quality and satisfaction elements.

This paper proposes and tests a model of customer-perceived value using consumer data from the market for online tourism products in Taiwan. The study takes a holistic view of customer-perceived value, synthesising research from the disciplines of axiology, economics, psychology and marketing. There are two major goals: (i) to conceptualise the customer-perceived value model; and (ii) to test whether this model is a formative second-order, reflective first-order model of customer-perceived value. Even though the existing marketing literature regards factors such as price, quality, value, sacrifice and satisfaction as higher-order constructs (Brady and Cronin 2001), very few customer-perceived value models have been conceptualised in this manner (see Fassnacht and Koese 2007).

The model was tested in a retail setting using a sample of real consumers who were in the process of searching for a tourism product. The model presented in this research confirms that price, quality, sacrifice and satisfaction are the key antecedents of customer-perceived value. The proposed customer-perceived value model explains greater variance in the value construct than other models from the literature, indicating strong analytical support for the framework.

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# PERCEIVED CREDIBILITY OF ONLINE CONSUMER REVIEWS: AN INVESTIGATION ACROSS THREE SERVICE CATEGORIES

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## ABSTRACT

Online consumer reviews, a popular form of eWOM, have attracted increasing amounts of interest from both academics and practitioners (Ba and Pavlou 2002; Dholakia et al. 2004; Dellaracos 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 becomes 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.

The results show that messenger factors such as self-disclosure (socio-demographic information), perceived expertise as well as reputation have greater effect on perceived credibility when compared to message factors such as depth of information and rating valence (+ve or -ve). These results lend credence to the fact that consumers form impressions of others even with relatively limited non-verbal and social cues available in the online environment. This result is in contrast to some of the recent studies that investigated online reviews. Interestingly, the results show that negatively valenced reviews are perceived to more credible than either extremely positive or moderate reviews. This strongly supports the notion of negativity bias. This bias is enhanced especially in the presence of a large amount of positive information (which is typically the case in online review sites). Further, the effect of the factors when compared across the 3 service categories showed variation with respect to only reviewer expertise and word count. Reviewer expertise was valued much more in experiential services than search and credence based services. The implications of these results for both services research as well as practice are discussed in detail.

References Available on Request.

## **BRANDS AS HYPER-ORGANIC BEINGS – INTRODUCING A SOCIOLOGICAL *GESTALT* TO BRAND METAPHOR DISCOURSE**

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### **ABSTRACT**

The absence of a widely accepted definition of the term ‘brand’ is seriously hindering the future development of research in this area (e.g. Balmer 2001; Barnett et al. 2006; Brown et al. 2006; Dobni and Zinkhan 1990; Giesler and Venkatesh 2005; Jevons and Gabbott 2008). It is also impeding the future development of marketing and brand management practice (e.g. Abratt 1989; Ambler 2000; Burmann and Riley 2008; de Chernatony and Dall’Olmo Riley 1998a, 1998b). Metaphors are helpful for expressing ideas about brands and therefore advancing our understanding of them.(de Chernatony and Dall’Olmo Riley 1997, 1998b). Yet, research on brand metaphors (Davies and Chun 2003; Fournier 1998; Hanby 1999; Stern 2006) is still very limited.

The purpose of this paper is to expand the repertoire of brand metaphors identified in previous research, in order to advance understanding of brands. Therefore, this study investigates brand metaphors, particularly as used by a group of German Gestalt sociologists. These sociologists, whilst having published extensively on the subject of brands, have remained largely outside the international brand metaphor and brand definition debate due to a lack of publication in the English language.

A systematic metaphor analysis was conducted, based principally on methods developed by Schmitt (2005; see also Andriessen and Gubbins 2006; Davies and Chun 2003). This analysis of Gestalt sociological key publications on the topic of brands (Brandmeyer and Deichsel 1991; Deichsel 2006; Otte 1993) identifies a range of brand metaphors that can be clustered around the root metaphor: ‘brands as hyper-organic beings’ [Marken als hyper-organische Lebewesen].

Two conclusions can be drawn from the results of the research conducted: the analysed metaphors (1) expand the repertoire of brand metaphors identified in previous research and (2) help marketing practitioners and academics to better understand brands as a sociological phenomenon. This is beneficial as it becomes easier to comprehend that a brand is constantly evolving, being kept alive through brand meanings and manifestations, co-created and/or co-destroyed by a multitude of internal and external brand stakeholders as part of the ‘hyper-organic being’. This kind of holistic approach to brand thinking fits in with the service-dominant notion of customer co-production and co-creation (Lusch and Vargo 2006; Vargo and Lusch 2004), and calls for the development of a more integrated perspective on brands – one which includes the individual as well as sociological aspects of the brand phenomenon (Mühlbacher and Hemetsberger 2008).

References Available on Request.

## **BRAND ORIENTATION: ANTECEDENTS AND CONSEQUENCES**

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### **ABSTRACT**

In our increasingly complex world, marketers are struggling to find new conceptual bases on which to design and deliver their marketing programs. According to Kotler, there are two answers to the marketing challenge facing today's companies. One is to know your customers better and to get closer to them. The other is to differentiate your offering through your branding work so that the offering stands out as relevant and superior in value to a clear target market.

Branding is much more than attaching a name to an offering. It is about making a certain promise to customers about delivering a fulfilling experience and a level of performance. Therefore, branding requires that everyone in the supply chain works to carry out that promise. The brand becomes the whole platform for planning, designing and delivering superior value to the company's target customers. In this context, the organizational perspective of brand identity management, recently termed "Brand Orientation", is more than crucial.

Despite massive attention being paid to brand management the last two decades, few brand management concepts explicitly explain how the value of the brand arises. Much research tends to treat the question of how brands are perceived, providing a descriptive typology of the role brands play in consumer purchase decisions, but focuses little on how organizations work internally to develop a valuable brand. Essentially all the theoretical approaches in one way or another look through the basic brand aspects such as brand image, brand identity, brand equity etc. and interpret branding effects in terms of consumer knowledge about the brand and how that knowledge affects consumer behavior.

A number of important attempts to determine the most appropriate way of building strong brands has been made. However, although attention is paid to the brand capability dimensions of brand – owning firms, no specific emphasis is given to the internal (organizational) processes that are necessary in order to create, maintain and enhance successful brands over time.

The first to propose the term "brand orientation" was Urde, who defined it as "an approach in which the processes of the organization revolve around the creation, development and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands". In recognizing the need to use brands as a basis for competitive advantage, organizations are reaching beyond the traditional market orientation framework and are developing a brand orientation. In this context, other academics worked also on brand orientation. Bridson and Mavondo defined it as "the degree to which organizational practices are oriented towards building brand capabilities through interaction with their target customers in order to insulate the organization from competitors and achieve superior organizational performance". Bridson and Evans proposed that "brand orientation represents the functional or business-unit focus on brand strategies that support strong customer and stakeholder relationships, regardless of the brand being at the corporate or product level".

However, most of these research efforts to date have primarily been descriptive in nature, based on qualitative means of survey such as case studies. More precisely, a close examination of the literature reveals a lack of clear definition through discovery-oriented approach, very little careful attention to management issues and virtually no empirically tested theory. Further, the literature pays little attention to the factors that facilitate or hamper the implementation of branding and to the explanatory power of brand orientation in relation to organizational performance.

This study aims at furthering the interest that has appeared the last years around brand orientation by providing a foundation for the systematic development of a theory of brand orientation and empirically testing that theory. In particular, the present study seeks to provide a clear definition of the term "brand orientation" by combining the existing literature on branding and the results of a field-interview research, identify some of its most critical antecedents, rigorously develop a measurement scale of brand orientation, explore the link between a brand orientation and business performance and empirically validate the proposed relationships with empirical data. Research findings will hopefully be useful to managers for undertaking change efforts directed at building successful brand-oriented organizations.

References Available on Request.



## **IN-FORMING THE IPHONE: SEQUENCE AND FREQUENCY OF TECHNOLOGICAL TRANSMUTATIONS AS REFLECTED IN THE COLLECTIVE MEDIA**

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### **ABSTRACT**

In the marketing and IT literature technology is studied in terms of how they change consumers: making their lives easier, more productive, more enjoyable – or otherwise. Rarely do these studies look at the other side of the human-technology interaction: how users change technologies. Moreover if consumers changed technologies in the past it was in the privacy of their own homes – now thanks to the internet this can be very public, and have major implications for other consumers and the producing company. In this paper we look at how consumers changed the iPhone – both in terms of its application and function. We apply Berthon et al.'s (2007) conceptual framework to trace the public transmutions of the iPhone – before and after its introduction to the market. Our source of data is YouTube, and specifically consumer generated videos. This paper is set out as follows. First we review the literatures on human-technology interaction and the rise of public user-generated content. Second we outline our methodology to trace the sequence and frequency of consumer transmutions of the iPhone. Third we present our findings which suggest that the frequency of different types of transformation differ significantly before and after the product's introduction. Finally we outline limitations and ideas for future research. Overall the paper contributes to both marketing and IS literatures by providing a case study on how users change technology in the public sphere.

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# SUCCESS IN MULTICHANNEL RETAILING USING THE INTERNET: AN EXPLORATORY ANALYSIS

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## ABSTRACT

More retailers are now incorporating the Internet as a channel to their existing operations and becoming multichannel retailers. However, not all multichannel retailers are successful in their attempts and even some otherwise successful traditional retailers have failed to capitalize on the Internet as a retail channel.

The purpose of this article is to explore how and why some multichannel retailers success in online channel, expand and generalize the factors contribute to the online channel success in multichannel retailing based on detailed observation from the representative firms. A case study methodology enables focusing on distinct examples of multichannel retailing success, with a view to finding insights that can be later tested through other methodologies.

For our analysis, we selected three large retailers -- Wal-mart, J.C.Penney, and Land's End. These three companies were leaders in different retail channels before they adopted the online channel. Wal-mart was a brick-and-mortar store, J.C.Penney was successful in brick-and-mortar and catalog operations, and L.L.Bean was primarily a catalog marketer. These retailers represent good examples of movement to multichannel Internet retailing from different initial experiences.

In our analysis of these companies, we describe the three firms in terms of their online sales revenue as a proportion of their total revenues, the rank of the online sales in the retailers, the development of their online channel, analysis of the online channel strategy they adopt, and identify some key factors leading to their relative success in incorporating the online channel in their retail operations.

Based on a case study examination of a few prominent retailers, we found that diverse and personalized products and service provided online, various integration strategies, and Web 2.0 technology application are the key success factors for multichannel retailing using the Internet.

For retailers, our analysis yields some insights. First, retailers should consider expanding their products or service categories. Moreover, they should explore methods for personalizing their products and services and also, offer special products available only to online shoppers. Second, retailers must coordinate their strategies, activities and process across their different channels. As we noted earlier, establishing an integrated shopping environment with existing channels is key to success in multichannel retailing. Prominent retailers in traditional market can increase their chances for success by providing the same brands as well as maintaining strategies, such as in price, service, and image. This would enable them to more effectively signal their existing store image and attract new customers to their online channel. Finally, with the Web 2.0 changing online retailing in fundamental and critical ways, retailers must be aware of new media tools that are emerging, such as social network, blog, RSS feeds and customer reviews. Capitalizing on them, retailers can enhance interactivity and enliven an otherwise boring online shopping experience of customers.

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# THE ROLE OF B2B VIRTUAL TRADE SHOWS AND THEIR EFFECT ON SHOW PERFORMANCE

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## ABSTRACT

Many businesses are employing online technologies to search for, communicate, and exchange with trading partners. Virtual trade shows are an example of an emerging online technology that may affect the current B2B trade show process, yet there has not been any work on this phenomenon. This research draws on the virtual reality and trade show literature for developing a conceptual model and propositions for examining the role of virtual trade shows and their impact on trade show performance. Traditional trade shows are a key component of the B2B marketing mix and are second only to personal selling for business expenditures. With mounting pressure on marketing managers to provide accountability and demonstrate return on investment, a virtual trade show is very appealing due to its convenience, low cost, flexibility, personalization, data tracking capabilities, and archived exhibits. Some exhibitors are using virtual trade shows as a promotional tool for upcoming physical trade shows by creating interest in the company and its products. Other companies are using virtual shows to complement their traditional trade show efforts. It is not clear what role virtual trade shows will play in the trade show process, what their impact will be on physical trade shows, or their effect on post-show selling efficiency.

This paper has two objectives, first to explore the impact of virtual trade shows on traditional trade show performance. Trade show performance has been defined in the literature as a multidimensional construct consisting of both selling and non-selling activities (relationship-building, information-gathering, image-building, and sales force motivation; Hansen 2004). A second objective is to investigate the role of virtual trade shows in the current three-stage (pre-show, at-show, post-show) trade show process proposed by Gopalakrishna and Lilien (1995). A conceptual framework is developed for examining the antecedents and outcomes of virtual trade show performance. It is proposed in this paper that the goals of the exhibitor (transactional, relational; see Cavanaugh 1976) will influence virtual trade show performance, and that this relationship is moderated by perceived virtual trade show quality (i.e., diagnosticity, telepresence, socialness; see Hoffman and Novak 1996; Jiang and Benbasat 2005; Wang et al 2007). When the exhibitors' goals are congruent with the virtual trade show experience then virtual trade show performance may be enhanced. It is also proposed that virtual trade show performance has a direct effect on each stage of the physical trade show process (pre-show, at-show, post-show). Key findings from the trade show literature indicate that pre-show promotions enhance trade show performance, and trade shows enhance post-show selling efficiency (Gopalakrishna et al 1995). The role of virtual trade shows as complementary to traditional trade show events or as promotional tools is investigated. It is suggested that future research empirically investigate the determinants of virtual trade show performance and their effect on the traditional trade show process.

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## CHINESE-AMERICANS' ACCULTURATION AND UNHEALTHY FAST-FOOD PREFERENCES

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### ABSTRACT

Researchers are increasingly exploring “eating” as a manifestation of consumers’ identities. Consumers’ dietary choices are derivatives of culture. When people arrive in a new country, the changes in their food preferences result from an acculturation process. Immigrants from other countries are faced with a myriad of dietary choices, and their acculturation may be impacted by the diversity of choices in the marketplace. Immigrants may adapt to America’s long-standing tradition of fast-food business format franchises that may impact their consumption preferences. As a result, there has been an increasing concern about the health problems associated with eating fast-food across all age levels and ethnicities. The purposes of the study are: 1. To identify the impact of acculturation on Chinese-Americans’ unhealthy fast-food purchase intention; 2. To develop a framework explaining and predicting Chinese-Americans’ unhealthy fast-food purchase intention from acculturation, subjective norms, perceived convenience and health consciousness. A survey study is designed to test the hypotheses that are derived from the proposed framework. This research has rich implications to public health promotion, cross-cultural marketing research and food marketing.

References Available on Request.

# **THE EFFECT OF IMPROVISATION ON MARKET ORIENTATION: CASE STUDIES OF SMALL-MEDIUM SIZED FIRMS**

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## **ABSTRACT**

In a digital age where customers, competitors and environments can change almost instantaneously, how can marketing managers deal with the speed at which strategic decisions need to be made? One aspect of new research in organizational strategy has begun to examine more flexible and innovative approaches, such as improvisation.

Improvisation as an organizational strategy was originally derived from similar patterns in music, performance and athletics. Underscoring its relevance to marketing, improvisation is defined in management theory as the process of creation and execution in virtually real time. This paper examines improvisation from a marketing aspect and proposes a model of how organizational improvisation may act as a modifier of market orientation. This study also looks at different levels of improvisation and how they may be affected by limited temporal and informational factors.

To focus on improvisation in the decision-making process, this paper uses case study methodology of CEO's of small-and-medium sized enterprises.

In depth interviews were conducted and measures of market orientation were developed using established instruments.

Results indicate that when faced with high risk situations with limited information and compressed time frames CEOs that use organizational improvisation may play an important role in maintaining or increasing the market orientation of a firm. Directions for future research are recommended to increase understanding of organizational improvisation and suggest instruments for measuring it.

References Available on Request.

# MARKET PERFORMANCE INFLUENCED BY MILES & SNOW'S TYPOLOGIES, WITH NARVER & SLATER'S MARKET ORIENTATION AND HREBINIAK & JOYCE'S ORGANIZATIONAL ADAPTATION AS MODERATORS

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## ABSTRACT

Whether a firm is market oriented or whether it is customer oriented (Slater and Narver 1994), or whether a firm is a prospector, defender, analyzer, or reactor (Miles and Snow 1978), or whether it has strategic choice or environmental determinism (Hrebiniak and Joyce 1985) may all be related. The commonalities of these different orientation typologies, and pursuit of organizational adaptation will be analyzed and examined to put forth several hypotheses which can be tested. The pros and cons of each descriptive category will be discussed. A three-dimensional model will be proffered.

A firm's increased market orientation is positively related to its increased profitability: "A business that increases its market orientation will improve its market performance" (Narver and Slater 1990, p. 20). Also, depending on what typological strategy one chooses to follow; that is, a prospector, defender, analyzer, or reactor, will influence the firm's market performance (Miles and Snow 1978). Finally, how and why an organization adapts either through strategic choice versus being led by environmental determinism (Hrebiniak and Joyce 1985) will also influence the firm's market performance. An illustration depicts an "influence chart," which shows the direction of influence of the *independent variable* (i.e., typological strategy) on the *dependent variable* (i.e., market performance), with *moderating variables*: marketing orientation and organizational adaptation. From this analysis, one could determine how optimal market performance could be achieved, depending on what typology a firm fits within, the firm's market orientation, and the firm's philosophical view on if they have choice or determinism.

References Available on Request.

# INVESTIGATING THE CUSTOMERS' LOYALTY TO TECHNOLOGY-BASED SELF-SERVICE COUPONS

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## ABSTRACT

This paper investigates how various demographic, socioeconomic, psychological characteristics of consumers and situational factors relate to coupon-redemption behavior can predict customers' coupon's loyalty when coupon redemption is through a technology-based self-service. The analyses showed that females who are full-time employed, and people who annually earn less than population median income indicate more loyalty to TBSS coupons. Also, the level of coupon's enjoyment, perceived economic benefit of TBSS coupons, computer self-efficacy skills, and frequency of the redemption of TBSS coupons significantly influence the amount of the coupon loyalty.

Traditionally, firms distributed coupons randomly via the mass-media and relied on consumer self-selection to develop market segmentation. People selectively collect printed coupons in weekly magazines and present them at the point of purchase. However, it is empirically shown that purchase behavior of price-sensitive versus non-price-sensitive customers significantly differs. Hence, firms need no longer rely exclusively on consumer self-selection to discriminate in price. Therefore, one should investigate how various demographic, socioeconomic, psychological characteristics of consumers and situational factors relate to coupon-redemption behavior and loyalty to coupon usage.

The current literature has failed to extend the findings of one stream of research, technology-based self-service (TBSS), to other stream of research which is coupon promotion. Evidently, the nature of the internet and technology-based self-service system can result in a new form of sales promotion. The main objective of the current research is to take into consideration the factors that can concurrently predict the level of customer loyalty to a coupon when the coupon discounts are offered through TBSS interface. In other words, this study focuses mainly on the way the promotion coupon is redeemed by the customers (service delivery) and predicts the antecedents, including customer-related factors and coupon-related variables, contributing to the loyalty to technology-based self-service coupons.

Marketing managers want to know exactly how to design coupons to appeal to different consumers and which type of consumer to promote such service options. They are also interested if continual increases in technological developments are likely to further reduce the traditional roles of service employees and traditional print coupons. The main objective of the current research is to indicate what customer-related factors such as demographic, socioeconomic, psychometrics, and coupon-related variables can predict the magnitude of loyalty to technology-based self-service coupons. This study constructs a multivariate regression model for customer loyalty as functions of various consumer and coupon characteristics to show how these constructs predict customer loyalty to technology-based self-service coupons. Specifically, the research questions are how and what personal characteristics and/or coupon features can increase customers' loyalty to technology-based self-service coupons and whether demographic and socioeconomic characteristics of the population influence their loyalty to technology-based self-service coupons.

The results indicated that females relative to men are more loyal to technology-based self service coupons ( $F=5.776$ ,  $P<.05$ ); People who are full-time employed show more loyalty to technology-based self service coupons relative to any other group of people who do not hold that employment status ( $F=3.782$ ,  $P<.01$ ); people who annually earn less income than the median income of the population are more loyal to technology-based self service coupons as opposed to the group whose income is higher than median income of the sample. The results also showed that customers who feel that they are enjoying the technology-based self-service, who perceive economic benefit in using technology-based self-service coupons, who have redeemed coupons in last 12 months frequently, and who feel self-efficacy in using computers or new technologies show more loyalty to a technology-base self-service coupon.

References Available on Request.