

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

Colin L. Campbell *Editor*

Marketing in Transition: Scarcity, Globalism, & Sustainability

Proceedings of the 2009 World Marketing Congress



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LIST OF REVIEWERS FOR THE WORLD MARKETING CONFERENCE

Russell Abratt	Nova Southeastern University
Mohan Agarwal	Jaypee Business School, JIIT University
Aaron Ahuvia	University of Michigan-Dearborn
Intekhab (Ian) Alam	State University of New York at Geneseo
Sonke Albers	Christian-Albrechts University Kiel
C. Brad Allen	Plymouth State University
Beverlee Anderson	California State University, San Marcos
Melinda Andrews	Southern Mississippi University
Christy Ashley	Eastern Carolina University
Katharina Auer-Srnka	University of Vienna
George Avlonitis	Athens University of Economics and Business
Klaus Backhaus	University of Muenster
Julie Baker	Texas Christian University
Tom Baker	Clemson University
William Baker	San Diego State University
Cathy Bakewell	Manchester Metropolitan University
Aysen Bakir	Illinois States University
George Balabanis	Cass Business School, City University
Artur Baldauf	University of Bern, Switzerland
Dion Dewa Barata	Universitas Pelita Harapan
Bradley Barnes	University of Kent
Debra Basil	Faculty of Management, University of Lethbridge
Rajeev Batra	Stephen M. Ross School of Business University of Michigan
Sharon Beatty	University of Alabama
George Belch	San Diego State University
Michael Belch	San Diego State University
Russell W Belk	Schulich School of Business, York University
Ray Benedictus	California State University, Fullerton
Mukesh Bhargava	Oakland University of Detroit
Constanza Bianchi	Queensland University of Technology
Carol Bienstock	Radford University
Frank Bingham	Bryant University
Dr Wayne Binney	Deakin University Australia; Victoria University
George Blanas	Technological Institute of Larissa
Jean Boisvert	American University of Sharjah
Sammy Bonsu	York University
Christo Boshoff	University of Stellenbosch
David Boush	University of Oregon
Mairead Brady	Trinity College
Michael Brady	Florida State University
S. Adam Brasel	Boston College
Professor Louis Brenan	Trinity College, University of Dublin
Linda Brennan	Swinburne University of Technology
Deanne Brocato	Iowa State University
Stephen P. Brown	University of Houston
Margaret Bruce	University of Manchester, Manchester Business School
Kanix Bukkavesa	Boston College
Joachim Büschken	Catholic University Eichstätt-Ingolstadt
Jack Cadeaux	University of New South Wales
Barbara Caemmerer	University of Strathclyde
John W. Cagdogan	Loughborough University
Colin Campbell	Simon Fraser University

Leslie C Carlson	University of Nebraska-Lincoln
Albert Caruana	University of Malta
Stephen B. Castleberry	University of Minnesota-Duluth
Elena Cedrola	University of Macerata
Bahar Ceritoglu	Marmara University, Turkey
Goutam Chakraborty	Oklahoma State University
Sophie Changeur	IAE - Université de Picardie & ESCP-EAP
Amita Chaudhury	Cass Business School, City University
Mee-Shaw Cheung	Xavier University
Sultan Chowdhury	Bradford University
Dr Michael Christie	Griffith University Australia
Ronald A. Clark	East Carolina University
Peter Clarke	Griffith University
Mark Cleveland	University of Western Ontario
Mary Conway Dato-on	Rollins College
Robert Cosenza	University of Mississippi
Carolyn Costley	Waikato Management School, The University of Waikato
June Cotte	Richard Ivey School of Business, University of Western Ontario
Kelly Cowart	Florida State University
David W. Cravens	Texas Christian University
William L. Cron	Texas Christian University
Peggy Cunningham	School of Business, Queen's University
Andrew Czaplewski	University of Colorado at Colorado Springs
Pratibha Dabholkar	University of Tennessee
Mike d'Amico	University of Akron
Sujan Dan	University of Tennessee
Peter R. Darke	York University
Denis Darpy	Université Paris Dauphine
Virginie de Barnier	IAE – Aix-En-Provence, France
Marieke de Mooij	Visiting professor, Netherlands
Kenneth DeBono	Union College
Dawn Deeter-Schmelz	Ohio University
Sebastiano Delre	Bocconi University, Italy
Carol DeMoranville	Bryant University
Pierre Desmet	Université Paris Dauphine & ESSEC, France
Adamantios Diamantopoulos	University of Vienna
Pavlos Dimitratos	Athens University of Economic and Business
Andrea Dixon	University of Cincinnati
Michael Dorsch	Clemson university
Minette Drumwright	University of Texas
Clare D'Souza	LaTrobe University
Robert F. Dwyer	University of Cincinnati
Richard Easley	Baylor University
Halldore Engilbertsson	Reykjavik University
Mike Ewing	Monash University
Anthony Fabrizio	Curry College
Carol Finnegan	University of Colorado at Colorado Springs
Laura Willis Flurry	Louisiana Tech University, College of Business
John Ford	Old Dominion University
Christophe Fournier	University of Montpellier
Gavin Fox	Texas Tech University
Elisa Fredericks	Northern Illinois University
Dinorah Frutosova	Southern New Hampshire University

Marie Louise Fry	University of Queensland Australia
Tommy Garling	Göteborg University, Sweden
Ina Garnefeld	University of Paderborn
Loren Geistfeld	Ohio State University
James Gentry	University of Nebraska
Mike Giebelhausen	Cornell University
Mark Gleim	Florida State University
Kishore Gopalakrishna Pillai	University of Leeds
Elisabeth Götze	Vienna University of Economics and Business Administration
Christina Goulding	University of Wolverhampton, Business School
Van Gray	Baylor University
Thomas Gruen	University of Colorado at Colorado Springs
Kerstin Grundén	University West, Sweden
Thorhallur Gudlaugsson	University of Iceland
Rodrigo Gueslaga	Pontificia Universidad Católica de Chile
Samir Gupta	Monash University
Sejin Ha	Purdue University
Sang-Lin Han	Hanyang University
Gary Hancock	Entrepreneurship, Commercialisation and Innovation Centre, The University of Adelaide
John Hansen	Northern Illinois University
Paul Harborne	Cass Business School, City University
Greg Harris	Cass Business School, City University
Jennifer Harris	University of New South Wales
Mike Hartline	Florida State University
Curtis Haugtvedt	Ohio State University
Chuck Hermans	Missouri State University
Andreas Herrmann	University of St. Gallen, Switzerland
Hartmut H. Holzmueller	University of Dortmund, Germany
Heather Honea	San Diego University
Earl Honeycutt	Elon University
Chun-Yao Huang	National Taiwan University
Hazel Huang	Warwick Business School, University of Warwick; City University, London
Dr Margee Hume	Griffith University Australia
Soo Hyun Cho	Ohio State University
Bjoern Ivens	University of Lausanne
Doug Johansen	Florida State University
Christopher Joiner	George Mason University
Joseph Jones	North Dakota State University
Jae Min Jung	Cal Poly Ponom
Lynn Kahle	University of Oregon
Ingrid Kajzer Mitchell	Royal Roads University
Gary Karns	Seattle Pacific University
Jeff A. Kasmer	Kasmer Associates, Los Angeles
William Kilbourne	Clemson University

Daekwan Kim	Florida State University
Allan J. Kimmel	ESCP-EAP European School of Management, Paris, France
Maren Klein	Freie Universitat Berlin
Michael Kleinaltenkamp	Free University of Berlin
Kathleen Krentler	San Diego State University
Fredric Kropp	Monterey Institute of International Studies
Barbara Lafferty	University of South Florida
Raymond W. LaForge	University of Louisville
Thanassis Lagodimos	University of Piraeus
Yvonne Lagrosen	University West, Sweden
Chuck Lamb	Texas Christian University
Jan Landwehr	University of St. Gallen, Switzerland
Paul Larson	University of Manitoba
Gilles Laurent	HEC, France
Stephanie Lawson	Florida State University
Lesley Ledden	Kingston University
Ann Ledwith	University of Limerick (Ireland)
Kuan-Yin Lee	Central Taiwan University of Science and Technology
Pui Wan (Ruby) Lee	Florida State University
Aurelia Lefaix Durand	Universidad Torcuato Di Tella, Argentina
Alexander Leischnig	Freiberg University of Technology
Richard Leventhal	Journal of Consumer Marketing
Noel J. Lindsay	Entrepreneurship, Commercialisation and Innovation Centre, The University of Adelaide
Eldon Little	Indiana University—Southwest
Kaiya Liu	University of South Dakota
Joan Llonch	Autonomous University of Barcelona
Ed Love	Western Washington University
Lancy Mac	University of Macau
Sandrine Macé	ESCP-EAP, France
H.F. (Herb) MacKenzie,	Brock University
Judith Madill	Telfer School of Management, University of Ottawa
Peter Magnusson	Northern Illinois University
Amro Maher	Indiana State University
Aristomenis Makris	University of Piraeus, Greece
Brooke Malinowski	Drexel University
Meyrick T. Mancebo	Southern New Hampshire University
Chris Marchegiani	Curtin Business School, Curtin University of Technology
Tom Maronick	Towson University
Teresa McCarthy	Bryant University
Pierre McDonagh	Dublin City University
Jane McKay-Nesbitt	Bryant University
Regina McNally	Michigan State University
Lindsay McShane	School of Business, Queen's University
Bulent Menguc	Brock University

David Merrick	Business Economics Ltd
Mario J. Miranda	School of Applied Economics, Victoria University
Vincent Mitchell	Cass Business School, City University of London
Jakki Mohr	University of Montana
Robert E. Morgan	Cardiff University
Michael Morrison	Monash University
Gillian Mort	Griffith University
Hans Mulhbacher	University of Innsbruck, Austria
Deon Nel	Deakin University
Tomas Nilsson	Lund University, Sweden
Elaine Notarantonio	Bryant University
Nicholas Nugent	Florida Southern College
Magdalena Oberseder	Vienna University of Economics and Business Administration
Alan O'Connor	Entrepreneurship, Commercialisation and Innovation Centre, The University of Adelaide
Steve Ogden Barnes	Monash University
Anna-Karin Olsson	University West, Sweden
Akinori Ono	Keio University
Tracy Padron-Gonzalez	University of Colorado at Colorado Springs
Adrian Palmer	Swansea University
Roger Palmer	Henley Business School
Nikolaos Panagopoulos	Athens University of Economics and Business
Lisa Papania	Simon Fraser University
Steve Parker	Missouri State University
Marcel Paulssen	University of Geneva
Janice Payan	University of Northern Colorado
Michael Pearson	Loyola University
John Pelozo	Faculty of Business Administration, Simon Fraser University
Helen Perks	University of Manchester, Manchester Business School
Paula Peter	San Diego State University
Marcus Phipps	Monash University
Christian Pinson	INSEAD, France
Dennis Pitta	University of Baltimore
Irene Pollach	University of Aarhus
Michael J. Polonsky	University of Newcastle, Deakin University
Gerard Prendergast	Hong Kong Baptist University
Jason Pridmore	Department of Sociology, Queen's University
Andrea Prothero	University College Dublin
Ashish Pujari	DeGroote School of Business, McMaster University
Ellen Pullins	University of Toledo
Charles Quigley	Bryant University
Jim Quinn	Trinity College, University of Dublin
Scott Radford	University of Calgary
Amritanshu Rajagopal	Monterrey Institute of Technology and Higher Education
Ed Ramirez	Florida State University

David Rawlinson	Central Washington University
Mario Rese	Ruhr-University Bochum
Josep Rialp	Autonomous University of Barcelona
Michael Richarme	The University of Texas at Arlington
David Ricks	Vienna University of Economics and Business Administration
Benny Rigaux-Bricmont	Université Laval, Quebec City
Stacey Robinson	Florida State University
Mark Rosenbaum	Northern Illinois University
Philip Rosenburger	University of Newcastle
Bert Rosrn bloom	Drexel University
Stefan Roth	University of Kaiserslautern
Sharon Rundle-Thiele	University of Regina
Rodney Runyan	University of Tennessee
Dale Russell	Auckland University of Technology
Cristel Russell	Auckland University of Technology, Faculty of Business
Julie A. Ruth	Rutgers University
Massoud Saghafi	San Diego State University
Soren Salomo	Technical University of Denmark
Keong Sam Min	University of New Orleans
Saeed Samiee	University of Tulsa
Bendik M. Samuelsen	Norwegian School of Management BI
Shikhar Sarin	Boise State University
Allen Schaefer	Missouri State University
Gary Schirr	Radford University
Hanna Schramm-Klein	Institut für Handel & Internationales Marketing, Universität des Saarlandes
Charles H. Schwepker, Jr	University of Central Missouri
Donald Sciglimpaglia	San Diego State University
Roberta Sebastiani	Catholic University, Milan
Donald R. Self	Auburn University Montgomery
Robin M. Self	Alabama State University
Ricardo Sellers	Universidade de Alicante
Arun Sharma	University of Miami
Piyush Sharma	Hong Kong Polytechnic University
Robert Shaw	Cass Business School, City University
Aviv Shoham	Graduate School of Management, University of Haifa
Valdimar Sigurdsson	Reykjavik University
Christina Simmers	Missouri State University
Dayna Simpson	University of Oregon
Nripendra Singh	Jaypee Business School – JIIT University
Tanuja Singh	Northern Illinois University, College of Business
Joseph Sirgy	Pamplin College of Business, Virginia Polytechnic Institute & State University
Nancy Sirianni	Arizona State University
Denise Smart	Texas State University—San Marcos

Sarah Smith	Missouri State University
Julie Sneath	University of South Alabama
Anne Souchon	Loughborough University
Giorgos Spais	University of Peloponnese
Deborah Spake	University of South Alabama
Angela Stanton	Radford University
Dave Stewart	Monash University
Chris Storey	Cass Business School, City University
Rodney Stump	Towson University
Esther Swilley	Kansas State University
Mehdi Taghian	Deakin University
Pard Teekasap	Southern New Hampshire University
Thanarek Thanakijombat	Southern New Hampshire University
Elisaneth Tissier-Desbordes	ESCP-EAP, France
Dr Alastair Tombs	University of Queensland Australia
Hsui-Yuan Tsao	Takming University of Science and Technology
Siu-Yuan Tsao	Takming University of Science and Technology
Chiung-Hui Tseng	National Cheung Kung University
Annalisa Tunisini	University of Urbino
Tuba Ustuner	Cass Business School, City University
Rian van der Merwe	eBay
Markus Voeth	University of Hohenheim
Florian von Wangenheim	Technical University of Munich
Clay Voorhees	Michigan State University
Peter Walters	Hong Kong Polytechnic University
Jane Webster	School of Business, Queen's University
John W. Weiss	Colorado State University
Ludmilla Wells	Florida Gulf Coast University
Stanford Westjohn	Saint Louis University
Mark Whelan	University of Limerick (Ireland)
Michael R. Williams	Illinois State University
Andrew Wilson	York University
Jorge Wise	ITESM
Jeremy Wolter	Florida State University
Owen Wright	Griffith University
Christine Wright-Isak	Florida Gulf Coast University
Walter Wymer	Faculty of Management, University of Lethbridge
Chun-Ming Yang	Ming-Chuan University
Malvin Yeo	Singapore
H. Emre Yildiz	Stockholm School of Economics
Farhat Yusuf	Macquarie University
Debra Zahay	Northern Illinois University
Srdan Zdravkovic	Bryant University
Fernando Zerboni	IAE Universidad Austral

Katharina P. Zeugner-Roth
Jing Zhong
Ambika Zutshi

Vlerick Leuven Gent Management School, Belgium
Cass Business School, City University
Deakin University

SESSION 1.1: CONSUMERS AND TECHNOLOGY INTERACTION

Session Chair: A.J. Kimmel, ESCP-EAP, France

“Consumers’ Technology Readiness in a Developing Country: The Role of Demographics and Attitudes

José I. Rojas-Méndez, Carleton University, Canada

A. Parasuraman, University of Miami, USA

Nicolas Papadopoulos, Carleton University, Canada

“Consumer Adoption of Alternative Fuel Vehicles: A Cluster Analytic Approach on Proenvironmental Technology Choices and Curtailment Behavior”

Johan Jansson, Umeå University, Sweden

Agneta Marell, Umeå University, Sweden

Annika Nordlund, Umeå University, Sweden

CONSUMERS' TECHNOLOGY READINESS IN A DEVELOPING COUNTRY: THE ROLE OF DEMOGRAPHICS AND ATTITUDES

José I. Rojas-Méndez, Carleton University, Canada
A. Parasuraman, University of Miami, U.S.A.
Nicolas Papadopoulos, Carleton University, Canada

ABSTRACT

The objective of this study is to test the external validity of the Technology Readiness Index (TRI; Parasuraman, 2000) by investigating consumers' Technology Readiness (TR) in a developing country. Hypotheses were formulated to test the ability of demographics and attitudinal variables to predict intention to embrace and use technology-based products and services. The study is based on a survey conducted in Chile, using a professionally translated version of the original 36-item TRI into Spanish. Results indicate that demographic variables do matter in the developing country context when explaining people's willingness to adopt new technology, with age being the most consistent predictor. However, results also provide evidence that attitude is more important than demographics when the potential adoption of a new technology carries potential financial or physical risks for the user. The paper concludes with a discussion of the potential effect of national cultural dimensions on consumers' readiness to adopt technology-based goods.

INTRODUCTION

Technology-based products and services are being introduced at an accelerating pace worldwide. A recent report by The Economist Intelligence Unit (2007) revealed that the e-readiness gap (measured on a scale of 1 to 10) is decreasing between the most and least e-ready countries from 6.08 points in 2006 to 5.80 in 2007.

As a result of this tendency towards technology convergence among countries, many multinational companies have embraced the use of technologies into their marketing and operations. In particular, technology is now changing the way services are conceived, developed, and delivered (Meuter, 2005). Many companies are moving in this direction in order to reduce costs (the primary reason in many cases), increase customer demand, a desire to increase customer satisfaction and service efficiency towards customers, as well as a need for new delivery channels for reaching new customer segments (Bitner et al, 2002; Liljander et al, 2006). For instance, banks, airlines, retailers in many sectors, governments, and schools, to cite just a few, are all adding new technological advances in order to achieve their goals, and hopefully those of their customers. However, despite of the wide availability of new technologies, Meuter et al. (2003) argue that very little is known about the factors influencing customer usage of self-service technology options.

An implicit assumption made by companies that adopt such new self-service technologies is that consumers will also adopt them and actually prefer them over traditional service methods, because of the functional benefits they can experience such as convenience, freedom and control. For example, account holders do not need to personally go to the bank anymore; air travellers can perform the check-in process on the Internet, by mobile phone, or at check-in kiosks; income tax declarations can be done on-line; and purchases from some retailers can be done without in-person interaction. Similarly, Jaafar et al. (2007) argue that technology adoption by companies will enable them to perform tasks faster (time reduction benefit), become more competitive locally and internationally, and achieve higher profits (e.g., by minimizing errors). Overall, there is no doubt that the role of technology particularly in customer service has brought major changes for both companies and consumers (Lin and Hsieh, 2007).

However, not everyone, whether as customer or employee, may be psychologically ready to embrace and use technologies in their personal and professional lives. From the point of view of technology, some services have become too sophisticated for consumers (Lin and Hsieh, 2007) and may involve too much effort, time, and/or risk (Bateson, 1985). As a consequence, many consumers are experiencing feelings of anxiety (Meuter et al, 2003), or technophobia (Tsikriktsis, 2004), which affect their beliefs and behaviour toward newer technologies. Furthermore, Yen (2005) provides evidence that consumers do not equally appreciate the value created by technology, as it is advertised by companies. Therefore, companies' profits by incorporating new technologies cannot be realized if customers are not willing to embrace and use new technology they might be available (Meuter, 2005).

References available upon request

CONSUMER ADOPTION OF ALTERNATIVE FUEL VEHICLES: A CLUSTER ANALYTIC APPROACH ON PROENVIRONMENTAL TECHNOLOGY CHOICES AND CURTAILMENT BEHAVIORS

Johan Jansson, Umeå School of Business, Umeå University, Sweden
Agneta Marell, Umeå School of Business, Umeå University, Sweden
Annika Nordlund, Umeå University, Sweden

ABSTRACT

Although the private passenger car brings consumers freedom of mobility and expression, the downsides to the car focused society are also becoming obvious. Perhaps air pollution and the squandering of dwindling fossil oil resources are the most commonly discussed issues. In order to reduce emissions and to consume less oil, the traditional approach has been to influence consumers to curtail their car use and influence them to switch to other modes of transportation. Considering the increasing private car use in most countries this approach has had limited effect. Another approach winning ground currently is the path of technological development, where new types of vehicles have been developed that are marketed as having a lesser environmental impact than the conventional fossil oil fuelled cars. From a consumer perspective these new alternative fuel vehicles (AFVs), running on fuels such as ethanol, natural/biogas and to some extent on electricity, can be viewed as proenvironmental innovations. The problem is that much research within environmental psychology has focused primarily on curtailment behaviors rather than on understanding consumer adoption of purportedly proenvironmental innovations. For example, Stern and colleagues have developed the value-belief-norm (VBN) theory postulating that activated personal norms influence consumers' proenvironmental behaviors. Although well proven, the VBN-theory has mainly focused on curtailment behaviors. From a consumer behavior point of view, less is known about consumer adoption of proenvironmental innovations.

The aim of this paper is to begin to fill the knowledge gap between curtailment behaviors, as conceptualized in environmental psychology research, and consumer's proenvironmental technology adoption. Specifically the aim is to analyze whether there are differences among consumers who perform proenvironmental curtailment behaviors and consumers who perform proenvironmental technology choices. Therefore, instead of approaching the green consumers as a uniform group in terms of attitudes and behaviors, we explore the possibility that green consumers may be a mixed group performing 'green' behaviors for different reasons. The purpose of the paper is thus to arrive at a more nuanced picture of green consumers in terms of attitudinal, behavioral and motivational factors.

We use survey data from 1,832 adopters and non-adopters of AFVs in Sweden (European market leader of AFVs) when clustering consumers on curtailment behaviors (reducing car use) and technology choices (purchasing green products). The cluster analysis produces three groups of consumers that we name 'low-greens', 'curtailers' and 'green techies'. A discriminant analysis on a wide selection of profiling variables and constructs validates the groups. The findings show that the largest group (n=763) is the low-green group who are least willing to switch modes of transportation, and purchases environmentally labeled products the least. This group also exhibits the lowest altruistic and biospheric values, the lowest personal norm for reducing oil use, and the lowest willingness to cut down on car use. In addition, this group performs a number of proenvironmental behaviors, such as recycling, saving water and energy and purchasing energy efficient products the least of the three groups. This low-green group also has the strongest car habit and owns the lowest amount of ethanol cars compared to the other groups (19%). The curtailment group (n=542) is the group of consumers most willing to cut down on driving and switching transportation mode. This group also performs the highest level of curtailment behaviors such as saving water and energy and has the weakest car habit of the three groups. The green techies (n=469) exhibit the highest intentions to replace the current car for an AFV and also report purchasing energy efficient products to the highest degree. This group has the highest educational level, the highest income and also the largest amount of ethanol vehicles (33%).

From the analyses it can be concluded that the VBN-theory constructs have discriminant ability between low-greens and the other two groups. However, since curtailers and green techies are more closely related to each other in terms of values, beliefs and norms, the constructs are less efficient in discriminating between these groups. Our study also finds that the group with the strongest green values is the group with the strongest inclination towards technology choices. This finding implies that having green values is not contradictory to also being an early adopter of proenvironmental innovations such as the AFV.

References available upon request

SESSION 1.2: DEVELOPING ISSUES IN INTERNATIONAL MARKETING

Session Chair: Brian R. Chabowski, Univ. of Tulsa, USA

“Meta-national Innovation Management in Services Industries”

Intekhab (Ian) Alam, State Univ. of New York at Geneseo, USA

“Emerging Directions for International Marketing Research”

Brian R. Chabowski, University of Tulsa, USA

G. Tomas M. Hult, Michigan State University, USA

META-NATIONAL INNOVATION MANAGEMENT IN SERVICE INDUSTRIES

Intekhab (Ian) Alam, State University of New York at Geneseo, USA

ABSTRACT

Globalization has a major impact on the practice of innovation across a wide range of service industries. Yet, only limited attention has been paid to the issue of service innovation in a global context. To address this critique of the literature a case study of New Service Development (NSD) and customer interaction was conducted in US Corp Inc. (a pseudonym), a multinational financial services firm in the U.S. This firm had a global presence but wanted to improve its innovation efforts in South Asian nations, particularly India. The case study investigates the development of new services with inputs from firm's customers in India. It also traces the roles of Indian subsidiary and local managers in developing and managing the overall innovation process. We chose longitudinal research method to identify the main sequence of events of the customer interaction process in NSD while they happen and to avoid the ex-post rationalization phenomena. This method combines qualitative data collection techniques, such as in-depth interviews, brainstorming, ethnographic observation, action research and archival records analysis. We also conducted a confirmatory follow up study using a small sample mail survey. Researchers have emphasized the importance of combining multiple data collection methods in conducting case studies.

Our findings suggest that the growth in the service sector is not restricted only to the developed nations, rather in the last few years, emerging and developing countries have achieved a growing share of world trade in services. This trend in global service growth means that innovation and NSD should be a global effort as well. However, service innovation in global market can be a high-risk venture. Several scholars have suggested a number of mechanisms for improving the success rate of new services. Customer interaction is one such means for developing successful new services. Yet, customers from only the U.S and other developed nations cannot provide information relevant to a developing country and, therefore, input from customers from different cultures and countries must be obtained to ensure the success of a global product or service. Customer interaction may also improve the efficiency of the NSD process by reducing the development time and cost in an international emerging market. However, the literature is not explicit on how a U.S firm should interact with their customers in a country that is culturally and economically different. Since our findings offer new insight into the process of customer interaction in overseas market, a macro contribution of this study is the explication of the concept of customer interaction for NSD. Through this study we propose a systematic approach to search and involve customers in NSD in an overseas market. Our research also found the key criteria that should be considered for customer selection and involvement in NSD process: existing relationships with the customers and customer expertise. The customer interaction method described in this research also assumes that (1) customer input will lead to high quality innovations because customers are a rich source of new service ideas, (2) expert and knowledgeable customers already exist in every country and culture and only needed to be identified (instead of can be "grown" from the innovative effort itself), and (3) customers are willing to work with the service producers as development partners.

Indeed globalization is a risky and adventurous undertaking, requiring not just a change in process but also a dramatically different mind-set. For example, more and more service firms face the needs to access critical resources for NSD efforts from their customers who are dispersed around the world. Not only are these customers separated by time and distance, but they are separated by cultural and language differences as well. The challenges for a global service firm are to integrate and coordinate input of customers dispersed in various parts of the world. Meta-national service innovation offers opportunities for firms to manage these challenges and compete more effectively on a global scale. Given the importance ascribed to global customers and interaction with them as a mechanism for developing new services, there is a clear need for the firms to find effective ways to manage this interaction process. Customers are fundamentally changing the dynamics of innovation. The global market has become a forum in which customers play an active role in creating and competing for value. One key feature of this phenomenon is that customers have become a new source of competence for the service firms. In this new global marketplace, firms must realize that their dialogue with their customers is a dialogue of equals. With the advancement of technology these dialogues can be conducted in real times among the customers situated thousands of miles apart.

References available upon request

EMERGING DIRECTIONS FOR INTERNATIONAL MARKETING RESEARCH

Brian R. Chabowski, University of Tulsa, USA
G. Tomas M. Hult, Michigan State University, USA

ABSTRACT

Where has the international marketing (IM) literature been? What is currently happening in IM research? Where might IM academics focus their research in the future? These three questions are addressed by analyzing the network structure of IM research in a variety of marketing journals. Multidimensional scaling (MDS) is used to examine the intellectual nature of the IM literature. Typically, researchers build on theoretical concepts to advance theory. Supporting the notion of research as a network of complementary and competing ideas, this study uses the published academic document (e.g., article, chapter, or monograph) as the unit of analysis. In specific, we identify how IM's influential works and dominant research topics are interrelated with MDS-based visual depictions, comparisons, and evaluations. This is done to understand the relationships between prevailing theories more clearly. As such, our results are discussed and used to provide suggestions for future IM theory advancement and knowledge development.

SESSION 1.3: THE ROLE OF CORPORATE RESPONSIBILITY IN RETAILING

Session Chair: Michael Richarme, University of Texas-Arlington, USA

“Sustainability in the Supply Chain: The Retailers’ Perspective”

Roberta Sebastiani, Catholic University, Italy

Daniela Corsaro, Catholic University, Italy

Francesca Montagnini, Catholic University, Italy

Tzannis Alessandra, Catholic University, Italy

SUSTAINABILITY IN THE SUPPLY CHAIN: THE RETAILERS' PERSPECTIVE

Roberta Sebastiani, Catholic University, Milan
Daniela Corsaro, Swiss Italian University, Lugano
Francesca Montagnini, Catholic University, Milan
Alessandra Tzannis, Catholic University, Milan

ABSTRACT

Supply chain sustainability, although being an extremely up-to-date issue, does not seem to have been fully examined yet, particularly from the retailers' point of view. In this sense, retailers are acquiring a critical position in the value chain as actors in charge of integrating the sustainable activities of the different entities along the supply chain. In literature, several are the approaches to the analysis of the sustainability issue: determinants, motivations, operational methods, implications on the company's image and on purchase behaviours. However, few are the contributions which aim at investigating this issue from the supply chain management perspective, with particular reference to retail companies. Considering such aspects, this paper aims at understanding the interpretation of sustainability according to retail operators and how it affects business actions, focusing both on the influence of sustainability on the adopted business formula and on the supply chain dimension. On a methodological level, an exploratory research was carried out on a sample of retailers, completed by three case studies concerning three leading retailing companies.

INTRODUCTION AND THEORETICAL FRAMEWORK

Sustainability is becoming more and more a critical issue in the economic and managerial debate. Despite its increasing consideration in the management literature, the concept and its implications are not fully developed yet. Starting from the most well-adopted and most often quoted definition of sustainability of the Brundtland Commission (WCED, 1987) that integrates the existing interrelationships among society, the environment and economic/industrial development, we could note that one of the main challenges is to use it in order to provide a guide for the managerial decisions. In this perspective, we decided to adopt a more suited definition that could help us to understand if and how companies are interpreting the sustainability issues. In particular, sustainability could be considered as "[design and operation of] human and industrial systems to ensure that humankind's use of natural resources and cycles do not lead to diminish quality of life due either to losses in future economic opportunities or to adverse impacts on social conditions, human health and the environment" (Mihelcic et al., 2003). The sustainability of the companies and their capability to actively interpret a role that is not merely economic but also highly social, in fact, although being extremely newsworthy, has not been completely investigated yet, neither as regards the dynamics that characterize the sustainable activities nor with reference to the existing differences between the entities involved in the supply chain, specifically from the retailers' point of view. Murphy and Poist (2002) affirmed that although managers have been slow to adopt a sustainability approach in the perspective of the supply chain, this issue is increasing in importance (Maloni and Brown, 2006). Globalization and outsourcing have increased both the importance and the complexity of the supply chains, so that companies, seeking to operate in accord with the principles of sustainability, have to consider the entire supply chain, not just those links and activities which belong to their own sphere of action (Hutchins and Sutherland, 2008). One of the main challenges for the companies, strictly connected with supply-chain decision making, is the selection of partners (in terms of both supplier and distributors) that follow the same guiding principles with respect to sustainability (Roberts, 2003). In particular, retail industry, due to its position at the end of the supply chain (Ytterhus et al., 1999), is playing a key role in the sustainability path, not only promoting sustainability within the community but also leading the introduction of sustainable development initiatives along the whole of the supply chain (Lozano, 2007; Erol et al. 2009). From this point of view, sustainability tends to become a strategic imperative (Porter and Kramer, 2006; Savitz and Weber, 2006) aimed at going beyond a mainly tactical perspective connected with a contingent answer to the urgent requirements brought on by the increasing competition in the supply chain, both in vertical and in horizontal terms. Respect for human rights, environmental protection, equity in the re-distribution of resources are not new challenges for retailers: at present, the increasing criticality of these dimensions forces companies to assume a proactive role, in order to avoid a significant reduction in their responsibility within the supply chain in terms of capability to orientate sustainable development policies (Jones et al., 2005). In literature several are the approaches to the analysis of the sustainability issue and more precisely of CSR in retailers (Wagner et al. 2008). On the contrary, very few are the contributions aimed at investigating this topic concerning the sustainable supply chain management from the retailers' perspective. Thus, this paper has a double purpose: on the one hand it aims at understanding how retailers are interpreting the challenge towards sustainability, adopting a *meso* perspective at an industry level (Doppelt 2003; Draper 2006) in order to compare – in terms of similarities and differences – the interpretation of sustainability of the main actors policing the supply

chain. On the other hand, it aims at pointing out the many possible approaches which, starting from a combination of the three pillars of sustainability (economic, environmental and social), can be adopted by retailers, both in individual terms and from the supply chain viewpoint. To this purpose we will analyse some of the results emerging from an investigation which involved 281 companies operating in Italy. These results will be studied in detail to identify some possible “models” of sustainability through the analysis of three cases: Carrefour, Ikea and Zara.

METHODOLOGY

Considering that sustainability is a research area still partially deepened in literature, an exploratory research method was adopted. It was based on a semi-structured questionnaire and a three case study.

The first phase of the research aimed to collect definitions, attitudes and perceptions of top management on the sustainability issue and its impact on competitiveness. It was based on an online semi-structured questionnaire, submitted to selected companies extracted from different databases both public and private. The 281 respondents belong to BtoB (88), BtoC (66), retailing (47) and services (80). The second phase of the research focused on the analysis of three case-studies (Carrefour, Ikea, and Zara), in order to better understand and deepen the different approaches characterising sustainability in retailing. The three cases were selected applying the typical criteria of the theoretical sampling, in which the selection occurs on the base of theoretical argumentations and does not aim at statistically represent a population (Eisenhardt 1989; Yin 2003). For research purposes, we selected the cases according to a criterion of greatest “visibility” of the surveyed object (Pettigrew 1990): the three companies are global players, market leaders, even if in different industries. Interviews took into consideration the key informants in the three companies. These primary data were combined with secondary data gathered through the companies websites and other internal documents. Research was developed over 9 months, till September 2008.

RETAIL AND SUSTAINABILITY: EMPIRICAL EVIDENCES

The first step of this exploratory research pointed out some interesting trends in all four industries (BtoB, BtoC, retail and services). However, because of the privileged position in the supply chain, in this paper we will analyse results with reference to retailers, underlining differences and similarities in comparison with the other groups.

First of all the research shows a fundamental alignment, over the last five years, as regards the importance of sustainability among all the companies interviewed. Considering the analysis of the concept of sustainability, that is to say the behaviours that distinguish a company as sustainable, data highlighted that for retail, being sustainable concerns the predisposition of a monitoring system of one’s own policies of sustainability (53.2%), the adoption of an ethical behaviour towards stakeholders (44.7%), the compliance with customers’ demands, adopting a suitable cost-revenue ratio (40.4%), and finally the ability to develop socially responsible communication and advertising policies (42.6%). Considering this final item against this percentage, the same kind of activities were signalled only by 13.6% of BtoB, 27.3% of BtoC and finally 25% of services companies, showing a high externally-oriented attitude of the retailers, a strategic orientation much more strongly unbalanced towards the bottom of the supply chain, that is to say the final consumer, compared with the other groups. This result is also confirmed by the strong unbalancing of retailers towards environment-friendly policies (42.9%) and the support to environmental/social activities (37.1%), stressing a sort of “philanthropic-educational” attitude of retailers which sustainable activities seem to be much more addressed downstream the supply chain..

Moreover a comparison among the actions actually undertaken by companies, shows that the issue of collaboration with other companies along the supply chain for the sake of a sustainable conduct, does not seem to have been sufficiently exploited yet. In spite of the existing policies aiming at selecting suppliers in a sustainable perspective, margins for further developments in this perspective emerge. According to our research, collaboration for retailers represents a key issue even if still at a first evolutionary step (only 17.1% highly invested in collaboration activities) towards a real planning and harmonization of the policies of sustainability, among the actors involved along the supply chain. As regards collaborations to support sustainability, retailers show different levels of commitment: on the one hand we found companies that still perceive themselves late in comparison both with the other retailers and with the other entities of the supply chain; on the other hand emerge leaders which undoubtedly represent a benchmark. Due to the closeness to the final market, retailers declare to notice an increasing attention from the customers towards sustainability issues (74%), nevertheless this greater perceived sensitiveness does not seem to correspond to consumers’ willingness to pay a higher price for products/services coming from a sustainable policy, because they don’t perceive the value generated along the whole supply chain. As for the effects on the internal organization, it is possible to notice that generally speaking there is no company function dedicated to the formal development of sustainable strategies and policies (only 8.6% in retail): that could represent an obstacle to realize the

harmonization of the activities along the supply chain. Moreover, communication activities and information flows on sustainability seems to be more focused on the relationship with the final customer than on the whole supply chain, confirmed by the intention to re-orientate future investments towards customer care, customer listening tools (57.4%) and customer education in sustainable behaviours activities (48.9%). This could represent an area where retailers have to invest, in order to play a role of coordination towards a sustainable supply chain. What has been explained above in terms of attention to the final market and of the consequent importance of communication policies, not only downstream the supply chain but also upstream to all the actors in the territory, is confirmed by the perception of the main advantages on competitiveness coming from undertaken actions, which are chiefly to be put down to an improvement of image, company reputation (78.7%) and to the spreading of a culture of sustainability inside and outside the company (46.8%). On the other hand emerges the difficulty to foresee the benefits coming from a sustainable orientation (51.1%) and, at the same time, a shortage of resources to assign to related activities mainly because costs are perceived as too high (48.9%). Concluding, sustainability turns out to be an issue which, even though not completely developed, is strictly connected with company performance and, for this reason, can affect the achievement of the entire supply chain competitive advantages, mainly in terms of reputation (37.5%) and of improvement of the relationship with the market, involving educational activities upstream and downstream towards partners, employees, suppliers and finally customers (50%).

CASE STUDIES ANALYSIS

The second step of our research, based on semi structured interviews with the management of three leaders in different business areas of retail, allows us to go more in-depth in the features that distinguish strategic actions at a single company level toward the sustainable supply chain management. In our analysis we referred to main issues emerging in the Italian subsidiaries, that are part both of international and local policies. The second phase of the present research does not, of course, have any ambition as regard the claims about the validity in an objectivistic way. It can be interpreted as a deeper insight of the phenomenon of sustainable supply chain, in order to understand if there's a common frame inside which "advanced" retailers, that have already taken into account the challenge of sustainability, are performing.

Ikea - After the "formaldehyde case" in the '80s, Ikea commitment to sustainability shifted from a reactive attitude to an increasing proactive one, aimed at anticipating requirements and regulations at various level. Supply chain harmonization is one of the crucial elements of this approach: the best way, from the Group's point of view, of contributing to a positive development is to set up long-term partnership relationships with suppliers. By supporting producers with its own knowhow, IKEA aims at promoting an increasingly responsible attitude towards people and the environment. Being Italy the third furniture supplying country, after China and Poland, the supply chain issue becomes particularly relevant in this context: past experiences have confirmed the value of the approach, with particularly reference to North-Eastern producers that, following the company's guidelines, revised their East-European sub-suppliers' control policies. In the nineties the systematization of this process of coordination and management of the supply chain was translated into the definition of a conduct code: the IKEA Way on purchasing home furnishing products (IWAY) is a formalized point of reference as constantly evolving in order to enable the proactive attitude we have already mentioned. IKEA has opted for a centralization of sustainable strategies and policies' control: the existence of a dedicated function allows to define specific guidelines, which steer local actions and control their results through a well-constructed system of KPIs.

Carrefour - Sustainability undoubtedly represents a theme of increasing interest for Carrefour, the 2nd retailer in the world, the 1st in the European panorama. Diverse and with different gradients are the fields on which the Carrefour Group is focusing: human resources (work conditions, training & development) is a key sustainable pillar on which a strong commitment is required also to Carrefour's commercial partners and suppliers in all the countries in which the Group operates. The supply chain and its control are elements on which the Carrefour Group focuses: on the one hand, we find a highly developed policy of supply chain control in which the company plays a basically proactive role; on the other hand, this focus is expressed by policies of cooperation with small firms and local producers aimed, for instance, at supporting the suppliers who want to develop their activities abroad. Such evolution is driving the Group to interpret supply chain sustainability not only in terms of traceability and quality guarantees, but rather shifting the emphasis towards a dimension of greater integration and collaboration in the supply chain in the perspective of single operators' sustainability and also of sustainable development that can potentially be activated by the supply chain considered as a whole.

Zara - Inditex is one of the main fashion retailers of the world and the owner of the Zara brand. It has been able to turn a flexible and strongly vertically-integrated structure, made to guarantee all the stages of creation and distribution of the product, into a distinguishing competitive element. For Zara talking about sustainability means developing a model that integrates, in everyday activities, virtuous practices concerning the social, environmental and economic impact of its own

business. An Internal Code of Conduct, which involves the whole value chain – employees, partners and suppliers – has been developed. In particular, suppliers must subscribe to the code, being responsible also for its real application in the working contexts and in business relationships. Internal guidelines refer to three main issues of sustainability: the social dimension, the environmental dimension and the economic dimension. Particularly, view the fragmentation of the supply chain, especially in the Mediterranean area and in the Far East, Zara arranged a system of direct sample control, carried out by a service of central inspectorate. This system aims at constantly design subcontract conditions, in accordance with local and international regulations, i.e. concerning child labour or the choice of manufacturing materials. From Zara's point of view, the evolution toward sustainable development cannot merely concern the direct preside of internal activities: it could not be effectively applied if a sensitization policy of suppliers and strategic partners, that are subject to constantly monitor, has not been carried out.

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

This research shows how companies' attitudes towards sustainability have become critical elements in the development of business strategies. However, at present, companies and managers tends to interpret the concept of sustainability in a very heterogeneous way. In manager's perception sustainability is not yet a clear concept and the dispersion of provided answers is a tangible proof. It seems difficult not only to harmonize the activities related to sustainability but also to align the different perceptions of the meaning of sustainability among the various actors within the supply chain. Moreover our research underlined discrepancy between what sustainability is for retailers and the consequent actions, along the supply chain, undertaken to pursue sustainable objectives.

Literature can help us providing three basic pillars of an effective sustainability: management commitment, the continuity of sustainable strategies and policies and, finally, the diffusion of results. The results of our research show a trade off: management is increasingly interested and involved in sustainable issues, but at the same time it lacks in continuity of the sustainable actions. Among the companies that seems to be more concerned about sustainability, our research and the cases analysed pointed out that the most advanced retailers demonstrate a greater capability to guarantee a medium-term or long-term perspective of sustainable development, which includes the possibility to develop and undertake ad hoc policies over time. According to the heterogeneous experience of the cases analysed a further step of development consists of a recognition of the active role that retailers could play in coordinating and targeting towards sustainability the whole supply chain. The solution that the companies investigated found is to focus mainly on the centralization of control activities, not only about regulations and operational standards, but also regarding "softer" dimensions i.e. human resources involvement. This approach represents only the first step towards a real harmonization of the supply chain.

As regards the importance of the diffusion of results, empirical evidence shows that this area is not sufficiently guarded. As opposed to the importance given by managers to communication activities, it actually emerges an insufficient capability to report and diffuse the results of the activities related to sustainability. Such elements are even more important in a supply chain perspective, as there is shared management commitment, continuity is driven by coordination activities and communication is a mean of relationship among the different partners. The sustainable supply chain management, in fact, involves the inter-connection between entities across the supply chain (Svensson, 2007).

Of course these are preliminary results that has to be validated through an extensive investigation aimed at understand and deepen the role of retailers as a driver in supporting the development and the widespread of a sustainable supply chain management. In this perspective is important for managers to take into account the increasing potential for value generation and diffusion, related to sustainability, starting from the retailers' harmonization activities and the reconsideration of their role within the supply chain.

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SESSION 1.4: SERVICE QUALITY AND THE SERVICE ENCOUNTER: THE JOURNEY CONTINUES

Session Chair: I-Ling Ling, National Chiayi University,
Taiwan

*“Determinants of Service Quality in Cross Cultural
Research: A Meta-Analysis Perspective”*

Chitra Srivastava, Michigan State University, USA

*“An Empirical Study on the Effects of Interpersonal
Attraction in Customer-to-Customer Encounter Situations”*

Chun-Ming Yang, Ming-Chuan University, Taiwan

I-Ling Ling, National Chiayi University, Taiwan

Chih-Yun Yang, National Kaohsiung Hospitality College,
Taiwan

DETERMINANTS OF SERVICE QUALITY IN CROSS CULTURAL RESEARCH: A META- ANALYTIC PERSPECTIVE

Chitra Srivastava, Michigan State University, USA

ABSTRACT

Objective of this meta-analysis is to analyze the influence of five service quality determinants, as proposed by Parasuraman, Zeithaml and Berry (1985), on satisfaction and behavioral intentions. The five determinants of SERVQUAL are: tangibles, responsiveness, reassurance, empathy and assurance. In past research, SERVQUAL scale has been extensively used by researchers to measure service quality and related outcomes but little consensus exists for the relative importance of five determinants of service quality in predicting satisfaction. Three main objectives of this paper are: a) To analyze the influence of 5 determinants of SERVQUAL on satisfaction and behavioral intention; b) To analyze cross cultural differences for each relationship, and c) To identify hierarchy of importance amongst dimensions across cultures. Influence of 'value' as a potential moderator has been proposed but not tested due to the lack of sufficient number of studies. Cronin and Taylor (1992) used the same items to propose a new scale for measuring service quality- SERVPERF. They suggested it to be a more robust method for testing service quality. Both scales have been subject to criticism by researchers for their methodology but are, by far, the most popularly used scales for measuring service quality in the literature. Therefore, for the purpose of this meta-analysis, both SERVQUAL and SERVPERF literature was searched for relevant studies. Only those studies that used 'perception/performance only' measure to predict service quality and considered satisfaction & behavioral intention as outcomes were considered. To maintain recency and improve generalizability of findings only those studies published in and after year 2000 were considered. Internet/e-commerce based researches were discarded to maintain contextual relevance. Although more than forty articles reported empirical results related to the relationship between service quality, satisfaction and behavioral intentions, many of the results could not be coded due to the absence of required effect size information. Finally, findings from 15 studies was used and consolidated for this paper. Study setting ranged from retail banking (4) to hotel/restaurants (4), sports (1), public sector (1), information technology/telecommunication (3) and general services (2). Five of the 15 studies were done in US, two in Korea and one each in Australia, New Zealand, Greece, Bangladesh, China, India, Malaysia and Singapore. Based on Hofstede's classification, studies were divided into collectivist and individualist cultural dimensions.

Findings revealed a strong correlation of service quality determinants with satisfaction and behavioral intentions, in line with the past researches. Significant moderating effect of individualism and collectivism was found between assurance & behavioral intention, and tangible & behavioral intentions. Country culture was also found to moderate the relationship between tangibles and satisfaction out of five determinants. Assurance was found to be the most strongly correlated determinant of service quality with satisfaction and behavioral intentions whereas tangible was found to have the least correlation amongst all. For collectivist cultures assurance was found to be more important than tangibles in influencing satisfaction and purchase decisions. Assurance was found to have higher correlation with behavioral intention in collectivist cultures than in individualistic cultures. Where as correlation between tangibles and satisfaction was stronger in individualistic than in collectivist cultures.

The most important implication of this meta- analysis is in context of cultural differences. Findings suggest that it is important to understand the relevance of service quality determinants across cultures. Benefiting from these findings marketers may design their service-scape based on the importance of these determinants in each respective country. They may tweak their services accordingly to offer maximum customer satisfaction. Hiring knowledgeable staff, having secured systems in place, instilling trust in consumers through actions and staff communication may lead to higher profitability in collectivist cultures whereas it may not have such dramatic impact in individualistic cultures. In individualistic cultures marketers may have a choice to position their image based on tangibility or assurance. Though limited in generalizability due to small number of studies, findings of this paper opens up some interesting areas of research in service quality in a cross cultural setting.

References available upon request

AN EMPIRICAL STUDY ON THE EFFECTS OF INTERPERSONAL ATTRACTION IN CUSTOMER-TO-CUSTOMER ENCOUNTER SITUATIONS

Chun-Ming Yang, Ming Chuan University, Taiwan
I-Ling Ling, National Chia-Yi University, Taiwan
Chih-Yun Yang, National Kaohsiung Hospitality College, Taiwan

ABSTRACT

With the prosperity of service industries in past decades, service organizations devoted themselves to provide customers with better service experience. Numerous researches and reports have indicated that social interactions between customers and frontline employees play a critical role in determining customer satisfaction and long-term loyalty. In fact, many service encounters consist of more than one customer, but only a relatively small portion of studies has explored encounters between customers. Scholars have demonstrated that, like customer-employee encounters, customer-customer encounters also affect a customer's overall service evaluation. However, practitioners and academicians still lack the knowledge on how to develop better customer-to-customer experience.

Insights from business practices provide an intuitive answer toward fixing this knowledge gap. All relevant evidence suggests that the act of liking, or to use the more precise term, interpersonal attraction, serves as the key foundation for initiating social interactions. In this current study, the authors try to connect the customer-to-customer encounter with the concept of interpersonal attraction, which has a solid ground in social psychology, and demonstrate its importance and applicability in designing better service experience and initiating interactions among customers through an empirical study.

Based on the similarity-attraction paradigm in social psychology, the authors developed several hypotheses. One-hundred non-student participants completed a two-staged experiment. In the first stage, participants were asked to provide their background data and self-image descriptions. In the second stage, after viewing a dummy's information, participants had to evaluate their interpersonal attraction toward the dummy, their interaction willingness, and service experience expectation. The authors applied hierarchical multiple regression to test hypotheses. The findings suggest that background similarity and the similarity between the participant's ideal-self and the dummy's actual-self are critical factors in determining a participant's interaction willingness and experience expectation. Both factors interact with the other and produce highest positive effects on dependent variables under high-high situations. Moreover, interpersonal attraction serves as a significant mediator in these relationships. The authors also found that the similarity between a participant's actual-self and the dummy's actual-self brings interpersonal attraction, while – and only while – an individual's actual-self and ideal-self are similar.

This current study contributes to service and marketing literature in two ways. First, this study echoes the call for integrating social aspects into service consumption and experience design. This study also responds to the long-existing call for interpersonal attraction applications into the marketing field. Although social psychologists have dedicated more than half a century studying interpersonal attraction, it is only until very recently that scholars have started to understand its role in the marketing field. This research lays one of the earliest cornerstones to bridge interpersonal attraction and the field of service marketing. The authors of this current study argue that the role of interpersonal attraction in the marketing field is worth further exploration. Second, this research provides a new perspective for academicians to study customer-to-customer interactions. Service scholars have accumulated plenty of knowledge on the consequences and typologies of customer-to-customer interactions, but few of them have examined their psychological mechanisms. Thus, this study enriches customer-to-customer interaction research by introducing the concept of interpersonal attraction.

Results from this study also shed light on managerial practices by answering this question: How can a service organization enhance its offering's value by providing better customer-to-customer encounters? Empirical evidences from this study clearly suggest that interpersonal attraction could be a good starting point, especially for organizations whose offerings have inevitable customer-to-customer encounters. For practitioners, the insights obtained from this study urge service businesses to exploit the fruitful potential of interpersonal attraction in developing better customer-to-customer experience. The authors also discussed current study's limitations and future research directions. The authors call for more efforts in understanding the effects of interpersonal attraction in the service and marketing fields. References available on request.

References available upon request

SESSION 1.5: COMMUNICATING DEALS

Session Chair: Igor Makienko, Univ. of Nevada-Reno, USA

“Tourist Attractions in Norway: An Exploratory Study of Market Communication Strategies”

Tom Rosendahl, Norwegian School of Mgt., Norway

Peter Gottschalk, Norwegian School of Mgt., Norway

“The Concept of Effective Frequency and Local Media Planning Practice”

Igor Makienko, University of Nevada-Reno, USA

“Give me the Money...or maybe the Deal: Does Sales Promotion Proneness Influence Consumers’ Willingness to Switch from Price to Non-Price Promotions”

Mike Reid, RMIT University, Australia

Peter Thompson, Monash University, Australia

Felix Mavondo, Monash University, Australia

Karen Brunso, Aarhus School of Business, Denmark

“Referral Reward Programs: New Customer Acquisition by Opportunism”

Ian Garnefeld, University of Paderborn, Germany

Eva Muenkhoff, University of Paderborn, Germany

Jens Hogreve, University of Paderborn, Germany

Andreas Eggert, University of Paderborn, Germany

TOURIST ATTRACTIONS IN NORWAY: AN EXPLORATORY STUDY OF MARKET COMMUNICATION STRATEGIES

Tom Rosendahl, Norwegian School of Management, Norway
Petter Gottschalk, Norwegian School of Management, Norway

ABSTRACT

Cultural tourist attractions seem to be overshadowed by scenery attractions in Norway. When tourists visited the new Opera in Oslo in the summer of 2008, they walked on the roof and looked out on the Oslo fjord. This research is concerned with market communication for cultural tourist attractions. Specifically, off-the-shelf versus tailor-made communication is discussed. We evaluated ten popular Norwegian tourist attractions, which were selected for a study of how attractions may adapt their marketing and market communication strategies to international target groups.

INTRODUCTION

The main reason for visiting Norway seems to be the scenery: fjords, mountains and waterfalls are linked together by spectacular travel routes. The scenery can be viewed and admired and provides a basis for recreational activities and experiences. Visitor centers are located close to glaciers, wild countryside and wildlife. Both nationally and internationally, Norway's scenery has been marketed and established as the country's trademark, with similarities to Canadian mountain holidays marketing (Hudson and Miller, 2005). But attractions do not comprise one homogenous group; they have different conditions and requirements in terms of their relationship with the market. Their organizational culture will therefore most likely influence marketing and market communication strategies. To what degree cultural institutions consider them as having a role to play as tourist attractions often depends on the current regime and administration. However, we worked on the assumption that those that appear on Innovation Norway's list of attractions have a defined role as an attraction, even though this entails debate as to how the institutions' resources should be prioritized. Do attractions use sufficient and appropriate resources for communicating with the market in order to meet their visitor targets? This question is linked to the attractions' market communication in an international market. Is this done based on an integrated communications strategy that conveys what the attractions have to offer and is adapted to the target groups' evaluation criteria? Can theories for developing attractions in combination with an integrated theory of market communication provide Norwegian tourism with strategic competitive advantages? These are the principal themes for discussion in our study.

TOURIST ATTRACTIONS AND MARKET COMMUNICATION DEFINED

Over the past twenty years the tourist industry has shown an increasing interest in cultural attractions. Various cultural attractions have either become a part of the tourist industry, separate industries, or sectors with which the tourist industry cooperates. Most museums and galleries also have tourists as one of their target groups, and organize and adapt accordingly, while a larger proportion of visitor centers and theme parks have tourists as their primary target group. Culturally based resources are prominent in Norwegian attractions. This applies both to local attractions (which we are focusing on) and organized ones. The increasing importance of cultural attractions and the significance of tourism for Norwegian art and culture make it vital to understand which aspects of these are relevant to tourism, and what tourists actually visit and like to visit. While tourists' expectations of an experience may well coincide with the expectations and needs of local communities, they may also differ. Attractions have many themes, resources and forms of presentation. A central issue is therefore whether this imposes a differentiation in themes with respect to the different markets. The motivation for developing attractions also varies, from providing something for the local community or increasing tourist activity and thereby employment and other activities at the destination, to preserving and developing, and perhaps contributing to the good reputation of the destination. Differences between organizational structures and the need for revenues also create organizational and operational differences. National art institutions are for the most part state-funded (Shields, 2006), and most of the museums are subsidized by the state. However, expanded activity demands financial resources and therefore increased visitor figures and ticket revenues. Privately owned attractions can be financed by commercial operations, private resources, or donations.

In this article we choose to adopt two scientific perspectives: theories on and models for attractions and their market communication. Both represent fields of study in which the literature is rather fragmented. Attractions are important in all types of tourism development and in all discussions relating to the tourist industry. However, they do not constitute a particularly homogenous field of research. There are different perceptions of what attractions actually are, and we therefore find disparate approaches to this field. We will proceed to review and delimit both the concept of attractions and the field of

market communication. In our chosen context, attractions are on the whole limited to organizations that are institutionalized and commercialized and that are legal and financial entities. They represent a certain number of employees, and their target and mission is to impart cultural knowledge – to tourists as well. It is the marketing personnel in this type of organization in Norway that form the empirical background for this article.

An attraction's status as primary, secondary or tertiary industry business will at all times have significance for how it communicates, and with which markets. Another important point is that it is difficult for attractions to sell themselves as isolated products as such. Tourists have to come and visit the attractions, and the nature of the experience provided can equally as well be non-material as material. The specter of literature on market communication that exists is comprehensive yet extremely fragmented. Books, sections of books and journal articles deal with only one or very few forms of market communication. This will naturally be reflected in the way in which we encounter market communication in practice. There is an extensive and increasingly growing number of literature dealing with, for example: advertising, personal selling, direct marketing, event marketing, sponsoring, sales/trade promotions, telesales, e-mail marketing, sales correspondence, dialogue marketing, negotiating, the internet, and relational marketing. The term 'market communication' is used in a relatively narrow sense (see for example Batra, Myers and Aaker, 1996; and Percy, Rossiter and Elliot, 2001).

The field of market communication is traditionally characterized by partial approaches, which has led to a splitting up into several narrower, relatively isolated disciplines. According to Ottesen (2001) the disciplinary tools presented in text books and research literature take the form of concepts, theories, planning models and methods, and can only be used to accommodate one or just a few communicational measures simultaneously. One example is advertising literature that attaches importance to models for selecting advertising media and methods for determining advertising budgets. The splitting-up of this field of study also leaves its mark on the courses offered by universities and colleges. Courses usually focus on only one form of communication, and this is reflected in the practice of companies, where one finds that isolated and uncoordinated decisions are being made for the different forms of communication. One finds many examples of important decisions being outsourced.

A consolidated and strategic framework

If one believes that research in this field should contribute with disciplinary tools for developing profitable strategies for market communication, partial approaches to an enterprise's market communication are not enough. Developing an effective strategy requires a more consolidated, integrated perspective that makes it possible to take into account the interaction that clearly exists between different forms of market communication and between market communication and, for example, the quality of the product concerned, the service that accompanies it, and the price charged. The impact of advertising, for example, is undoubtedly dependent upon both the quality of the product and upon how a telephone enquiry for more information about the product or its price is received and processed (Ottesen, 2001).

An overall perspective offers better opportunities to identify and take advantage of synergies and of the fact that the big picture comprises more than just the total sum of all the separate components, while partial approaches offer only a basis for sub-optimization. Two main purposes of this article are to present an overall view of market communication and to develop disciplinary tools that can be used to develop the tourist enterprises' market communication strategies. There are, unfortunately, many examples of fragmented and nonintegrated development of the international communication being used to market the Norwegian tourist industry. The overall perspective is characterized by several important features. In our context we would stress that the term 'market communication' embraces absolutely all forms of communication between an enterprise and a buyer of whatever that enterprise has to offer, whether the communication takes place by way of advertising media, letter, face-to-face meetings, telephone, video conference, fax, e-mail, the internet or by other means. The term will therefore not only embrace communication activities that are typically organized and carried out by a sales and/or marketing division, but also any communication process between a buyer and an enterprise's employee. This could include, for example, communication between a hotel guest and a receptionist, or a customer and a consultant or telephone receptionist in a travel agency (Ottesen, 2001).

The enterprise's organization of market communication at the strategic level will also be discussed. 'Strategy' is defined as a rough pattern, and 'tactics' as a detailed pattern when applied to, for example, an enterprise's goals, markets, use of available means, organizational set-up, supplier relations, financial institutions, labor market, etc. The overall strategy applies to the enterprise as a whole, while sub-strategies apply to the different areas of the enterprise's activities, including the set-up of the organization. (Henry Mintzberg, for example, defined strategy as a 'pattern' in Mintzberg et al., 2003). Because existing specialist literature is so fragmented it is, on the whole, tactically orientated. However, an overall view is about organizing

market communication at a strategic level and in the context of an overall strategy. As already mentioned, market communication embraces all forms of communication between an enterprise and the buyers of whatever that enterprise has to offer (Ottesen, 2001). Consequently, the term 'market communication' covers all means that can be used to impart information and emotions between enterprise and buyer. It is therefore important to have a strategy, which presupposes that both seller and buyer may take the initiative in market communication. When used as a basis for developing market communication, an overall perspective proves particularly interesting when studying the attractions' marketing strategies. Since we are dealing with relatively small organizations it is natural to expect managements to be closely involved in both strategy planning and concrete follow-up of market activities. A unique market product and a diversity of international target groups require a distinct and well thought-out plan for practical marketing and communication activities.

RESEARCH HYPOTHESES AND RESEARCH DESIGN

Three hypotheses on attractions' market communication and a conceptual model are presented here. Based on the theoretical discussion above, Norwegian attractions and their international market communication were evaluated. We looked at central elements in the market communication of various Norwegian tourist attractions and considered how these were developed in relation to the main criteria of importance within the target groups. In this context the strategic and tactical dimensions of the tourist attractions' market communication are to be interpreted as independent variables, and the adaptation of communication to the main criteria of importance within the target groups as the dependent variable. The analysis concentrated on three hypotheses.

The first hypothesis was linked to the attractions' market offer. We assumed that the market communication described the attraction as interesting and appealing to the international target groups, though this description would probably vary for the different target groups and from one country to another. The second hypothesis was more explicitly linked to the enterprise's market communication strategy. We assumed that there were goals in terms of what was important to convey by means of market communication. This implied that there were different messages for different target groups and different countries. At the same time this would imply a clear division of responsibilities for the market communication. This hypothesis is stimulated by the concept of an integrated market communication strategy, which has three theoretical underpinnings suggesting that a message strategy that is consistent across stimuli from an attraction's very core to its marketing communications efforts and that fosters an ongoing dialogue, offers the promise of a stronger relationship with potential visitors (McGrath, 2005). Integrated market communication has become the accepted practice in the market communication field, where characteristics include (i) unified communications for consistent message and image, (ii) differentiated communications to multiple customer groups, (iii) database-centered communications for tangible results, and (iv) relationship fostering communications with existing customers (Lee and Park, 2007). In a study by Reid et al. (2005), interesting and relevant complementarities were found between integrated market communication, market orientation, and brand orientation. The third hypothesis is linked to cooperation between the market players with respect to international market communication. For a relatively small country with relatively minor market players it would be more productive to cooperate on market communication and marketing activities with other players within the same industry. Consequently, this assumption implied that some form of cooperation with, for example, an advertising agency and/or Innovation Norway was established.

We concentrated on a description of the international market communication practices of popular Norwegian attractions. This was done by studying the various communication activities and the underlying marketing strategies. The study was carried out in two ways: Partly through unstructured and structured questions posed to employees responsible for marketing the attractions (personal interviews). And partly through studying identified market communication activities such as web sites (Choi et al., 2007; Kim et al., 2007; Schmidt et al., 2007), the web sites of destination companies, local tourist organizations and companies, and brochures and advertising material produced by the attractions themselves. The informants were chosen from Innovation Norway's list of top 50 attractions in Norway. In this case, the unit of analysis is the tourist attraction. The sample in this study covers ten large tourist attractions, chosen from the top 50 list partly because they are large, and partly to represent a totally picture of Norway geographical. The sample represents 3.187.000 visits out of totally 7.978.000 visits at Norway's 50 most popular attractions during 2006. Innovation Norway assumes the duties of the Norwegian Industrial and Regional Development Fund (SND), the Norwegian Trade Council, the Norwegian Tourist Board and the Government Consultative Office for Inventors (SVO). The data were collected by two researchers throughout the year 2006 from interviews with the case companies, both CEOs and marketing managers. Each interview lasted approximately 45 minutes in length. These interviews were semi-structured and conversational in nature, and they covered topics related to the attractions' marketing and marketing communication, such as: Market offer, with the target groups' evaluation criteria as a starting point, market communication and related targets, strategies and messages, and cooperation with other key players in the industry.

RESEARCH RESULTS AND IMPLICATIONS

In this study we focused on how the attractions were communicated to the market and prioritized target groups, both nationally and internationally. An important question was whether this was done by means of a communications strategy that conveyed the attractions' market offer adapted to the different target groups. We analyzed important elements in the market communication of various Norwegian tourist attractions and considered how these were developed in relation to the target groups. In this context the strategic and tactical dimensions to the tourist attractions' market communication are to be interpreted as independent variables, and the adaptation of the communication to the main criteria of importance for the target groups as the dependent variable. The analysis concentrated on three hypotheses. The hypotheses were developed to evaluate how goal-oriented and market-oriented the Norwegian attractions' international market communication actually was.

The first hypothesis was linked to an attraction's market offer. We assumed that the market communication described the attractions as interesting and appealing to the international target groups. Two indicators were selected to identify whether the market offer was organized and adapted to the different international target groups. The first indicator was linked to whether interest for the market offer (the attraction) varied from country to country. Here we found that, in the case of six of the attractions, the offer was interpreted in different ways. This result was supported by the question linked to the second indicator: according to the informants' experience of how different target groups perceived an attraction, six out of ten reported that this varied according to nationality. However, we found that only four attractions loaded on both of the indicators linked to market offer.

The second hypothesis was more explicitly linked to an enterprise's market communication strategy. We assumed that there were goals in terms of what was important to convey by means of market communication. This implied that there are different messages for different target groups and different countries. It also implied a clear division of responsibilities for the market communication. A stated strategy would also shed light on conditions such as defining separate goals for market communication, which media were considered to be important channels of communication, and how communication budgets were planned. This provided us with two key performance indicators linked to market communication strategies. The first indicator showed that four attractions varied the message they conveyed in their market communication with different markets. The second indicator showed that six of the ten attractions defined goals and budgets for their market communication activities. Overall, however, we found that only three attractions loaded on both of the key performance indicators for a market-orientated communication strategy.

The third hypothesis was linked to market player cooperation in developing and carrying out international market communication activities. For most of the attractions this would require that they collaborated with other players in the industry, for example with marketing organizations, other tourist enterprises, networks at the destinations and advertising agencies (Kantanen and Tikkanen, 2006) in order to reach international markets. The first indicator indicates whether an attraction had just such collaborative partners, and we found that all ten attractions actually did. The second indicator shows that only half of the attractions regularly collaborated with an advertising agency.

Tourist attractions are essential drivers for successful tourism. According to Hu and Wall (2005), tourist attractions provide three functions for the development of tourism destinations. First, attractions are the reason people travel to a destination. Second, attractions offer images and symbols for the presentation of destinations to the public. Third, the development of other tourism services such as transportation, lodging and food distribution is dependent on the existence of destination attractions. Therefore, attractions are the first power and energizer of tourism. Our study gives grounds for reflection. On the practical side it is important to pay more attention to the distinctive qualities associated with international marketing and cross-cultural communication. On the theoretical side there is the challenge of developing methods and applicable models to meet industry requirements for integrated (overall) marketing and market communication strategies. When developing an international market-orientated tourist industry the main focus ought to be shifted from traditional planning of marketing activities to an overall strategy development of market offers and market communication. This means that enterprises ought to adopt an incremental process whereby, aided by an overall perspective, one can continually uncover development requirements and identify areas that require improvement, and work out solutions that take the overall perspective into account, and put these into action. In other words, problem solving and implementation of practical marketing and market communication activities go hand in hand. This process attaches importance to improving the ability to react. To be active and proactive becomes therefore important when developing an enterprise's strategy. More employees must be involved in and contribute to solving problems. In addition to this, an overall view must be introduced into the organizational culture, which can encourage new attitudes, new areas of competence and new perspectives on management and organization. In

future research the issue of gender differences in online tourist attraction communication might be explored. For example, Kim et al. (2007) found gender differences to have implications for marketing communication on the Internet. Another avenue for future research is the role of routines in the vacation decision-making process, as suggested by Bargeman and Poel (2006). A third avenue is suggested by Choi et al. (2007) concerning the Internet as an agent for destination image formation.

Our study also confirms the need to tailor the message conveyed in the market communication to different target groups. The international target groups attach importance to different aspects of Norwegian attractions. They also have different expectations of the attractions, making tailor-made strategies a necessity. An understanding of the overall perspective of communicational tasks in such a context will involve the whole organization behind an attraction. At the same time it should be stressed that the overall perspective describes market communication as embracing all forms of communication between enterprise and buyer (Ottesen, 2001). A consequence of this is that, in all planning work done on communicational activities, decisions must be made on both: What kind of preparedness ought an enterprise have to receive, process and follow up buyer initiatives, and to what extent and how ought an enterprise take seller initiatives. An overall market communication strategy must therefore comprise strategies for both buyer and seller initiatives. This can occur via a number of different forms of media, and can be a matter of either one-way or two-way communication (dialogue). In general one can communicate via, for example, telephone switchboards, letter, e-mail, telephone or fax, face-to-face conversations between buyer and order recipient or sales assistant, meetings and guided tours, at the ticket sales desk or souvenir shop, and via advertising media such as television, newspapers and the internet (web sites, for example). All these are examples of areas that must also be integrated into the overall communication planning work, on the same level as activities related to continual branding, where the responsibility must as a matter of course lie at the strategic management level – and not just be a matter of outsourcing.

Besides defining the concepts of tourist attraction and market communication, a more extensive review of relevant literature is needed in future research. Present insights in the interaction between market communication and tourist attraction should be expanded. Also, specific challenges raised by the communication of cultural tourist attractions should be explored further. In future research, the presented exploratory hypotheses should be better linked to theory and past research. Future research needs to strengthen the methodology applied. There is a need for more explicit research requirements, followed by a step by step procedure how these requirements are met. It might be argued that the reporting in the current paper is weak in terms of findings and conclusions. Therefore, a stronger linkage between implications and findings is needed in future research. Furthermore, conceptualization of promotion of cultural attraction might be discussed in terms of niche tourism as well, as illustrated by Morgan and Pritchard (2004) in terms of branding.

CONCLUSION

There are considerable challenges facing Norwegian attractions in terms of presenting themselves as market-orientated enterprises. One important prerequisite for success lies in developing an overall and integrated market communication strategy. This strategy should focus on continually developing market offers from a market-orientated, target group perspective. On this basis the market communication measures should be coordinated and adapted to a relevant planning horizon. This strategy should also include a plan for developing an organizational base that understands and is capable of receiving and dealing with buyer-initiated communication, and of profiting from cross-communication and the use of more conventional forms of seller-initiated communication. A good starting point for this work would be to establish networks and good collaborative relationships within the industry.

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THE CONCEPT OF EFFECTIVE FREQUENCY AND LOCAL MEDIA PLANNING PRACTICE. REVIEW OF FACTORS AFFECTING EFFECTIVE FREQUENCY.

Igor Makienko, University of Nevada, Reno, USA

ABSTRACT

Effective frequency, a cornerstone of media planning, says how many times consumers should be exposed to advertising in order for advertising to be the most effective. Basic effective frequency level is believed to be 'three-plus' exposures and this figure is adopted by most media planners. Beside the basic level, marketing, media and creative copy factors influence the final determination of effective frequency level. Such factors, defined by Ostrow in 1982, were not revised for more than 25 years and still are used in media planning textbooks. This exploratory study examines how local media professionals make their decisions about frequency levels for advertising campaigns. The study focuses on local advertising campaigns because nearly half of all money spent on advertising comes from local advertisers (Jugenheimer, Barban and Turk, 1992). Despite this fact very little has been done on a local level, where more restrictions and limitations are usually imposed on media planning (Otnes and Faber, 1989).

A series of in-depth interviews were conducted with media directors of local advertising agencies to identify their approaches to media planning and to compare them with traditional media principles reflected in academic literature.

Ostrow's suggestions were supported only partially. Some of them didn't get support, while others were not particularly relevant when applied to a local market. It was also found that on a local level frequency often overpowers reach in media planning calculations because of the inability to guarantee precise targeting and usually low advertising budgets. Media directors would prefer to keep the message noticeable, rather than "mayonnaising" the budget across different media or media vehicles.

The following preliminary conclusions can be drawn from the study:

1. Though there is no formula to calculate the frequency threshold level, achieving such a threshold in any advertising campaign is a necessary but not sufficient condition for advertising success.
2. A higher frequency level should be established in the following situations:
 - a) with new brands/products, b) with less known brands, c) with lower market share products, d) with lower loyalty products, e) with some categories of audience that require additional effort to perceive and process advertising message (children, older audiences), f) with complex copy, g) with new copy or new campaigns, h) with copy showing product or service i) with shorter copy.
3. There is no reason to lower the frequency level artificially, even in situations where there is potential for lower advertising frequency to have greater impacts. Advertising money should be used solely to keep or advance current advantages of the advertised product (such as high market share, high brand awareness, etc.)

Any such guidelines should not carry precise figures. Establishing frequency goals for an advertising campaign is a mix of art and science but with definite bias towards art (Ostrow, 1982). Even with sophisticated research and computerized software, there is no substitute for experienced media planners and their knowledge of specific products, communication channels and marketing environments.

References available upon request

GIVE ME THE MONEY...OR MAYBE THE DEAL: DOES SALES PROMOTION PRONENESS INFLUENCE CONSUMERS' WILLINGNESS TO SWITCH FROM PRICE TO NON-PRICE PROMOTIONS?

Mike Reid, RMIT University, Australia
Peter Thompson, Monash University, Australia
Felix Mavondo, Monash University, Australia
Karen Brunsø, Aarhus School of Business, Denmark

ABSTRACT

The objective of this research is to investigate the differences between consumers who are more or less prone to in-store sales promotions and to different types of sales promotion (price and non-price) and to examine the degree to which prize size in non-price sales promotions can overcome the reported pronenesses.

INTRODUCTION

Marketing managers have many sales promotion tools at their disposal. Coupons, premiums and gifts, games and sweepstakes and straightforward price promotions are all available for deployment to impact sales. Research tells us that proneness to different types of promotions is context-specific, that consumers get both economic and hedonic benefits from sales promotions and that some consumers seem to be more prone to price-based promotions than others (Lichtenstein et al, 1990; Ailawadi et al 2001, Garretson and Burton 2003). Consumers are motivated by both the acquisition utility and the transaction utility of the deal, that is, consumers benefit from both economic and hedonic rewards (Lichtenstein et al, 1990; Ailawadi et al 2001). It is important to distinguish the difference between these rewards. The economic reward of a price-based promotion (that is a discount) is a diminution of cost, whereas an hedonic reward is an actual benefit, based upon entertainment through the enjoyment of the shopping task, through exploration and self-expression, to the enjoyment associated with the playing of sweepstakes and games of the non-price promotion (Chandon et al 2000; Ailawadi et al 2001).

What has not yet been examined is the degree to which all shoppers are prone to price-based promotions and, equally, to what extent all consumers are prone to non-price-based promotions. Once a decision to use a sales promotion strategy is made, managers must make strategic decisions about which form of promotion to use. The costs of prize-based promotions are fixed and known in advance, while the cost of price discount promotions depends upon take-up rates. If all consumers are prone to both price and non-price promotions to some extent, identifying the relative value put on non-price benefits by shoppers will help managers to allocate their resources in a cost-effective manner. To establish how consumers compare the value of a discount with a chance to win a prize, we asked this research question: **RQ1:** What size of prize is required to make a consumer who is more or less prone to price and non-price promotions forgo a known price discount in order to engage in a chance based sweepstake or game? This paper contributes to theory by demonstrating that apparently price-prone consumers can be persuaded to forgo a price discount and engage in non-price-based promotions, based on the size of the prize rather than on the basis of their measured proneness. It further contributes to the literature by identifying a shopper segment which is prone to both price and non-price promotions.

LITERATURE REVIEW

The sales promotion literature describes shoppers as having variable levels of proneness to various forms of sales promotion and characterizes shoppers as being prone to price-based promotions or prone to non-price promotions. This gives the impression that there are some shoppers who are not prone to price-based promotions. If we accept that shoppers conceive of price discounts as something of value that is separate from the product itself (Jha-Dang and Banerjee 2005), then all consumers must derive some value from a price discount. Therefore, all shoppers must be to some extent prone to price-based sales promotions. Although reducing prices is one method of altering the economic value equation for consumers (Ailawadi et al 2001) negative reactions to everyday low price strategies (Garretson and Burton 2003) suggest that some consumers perceive value in the non-price benefits they receive from some sales promotions. Shopping mavens, (those seen to be experts in shopping and who receive self-expression and self-worth benefits from telling others of their expertise [Bellizzi et al 1981; Schindler 1989; Chandon et al 2000; Ailawadi et al, 2001]) are said to be prone to promotions which demonstrate these skills. Extant literature argues that mavens are much more likely to be prone to price-based sales promotions (Garretson and Burton 2003, Martinez and Montaner 2006). The benefits derived from superior shopping skills are clear when the benefit is financial (a discount) but mavens may also perceive value in a hedonic benefit. Thus, mavens may be prone to all forms of sales promotion. An important theoretical consideration within sales promotions is the degree to which hedonic

benefits provided by non-price-based sales promotions (for instance, on-pack sweepstakes and competitions) counter the economic benefits of price-based promotions for those shoppers prone to in-store sales promotions. Understanding the trade-off between these two forms of benefits will inform the strategic options for both retailers and national brands in reacting to the category penetration of store brands.

One of the critical theoretical issues facing marketing managers in the field of sales promotion is the question of why consumers prefer one form of sale promotion to another. Jha-Dang and Banerjee (2005) suggested that consumers perceive a sales promotion as having a product-related benefit (x) and a promotion-based benefit (Δx) and that the value of the promoted product could be described in the equation: $v = v(x) + v(\Delta x)$. Thus, to understand the relative value ascribed by shoppers to hedonic benefits and economic benefits of sales promotions, we need to understand the magnitude of $v(\Delta x)$, and to be able to compare $v(\Delta x)$ for different sales promotions. For price discounts, where the discount is known and the consumer knows the usual (non-discounted) price, $v(\Delta x)$ is equal to the discount. For non-price promotions, $v(x)$ is the product at its usual price and $v(\Delta x)$ is the value perceived by the shopper from the promotion. By comparing different forms of promotion for the same product, and asking shoppers to choose between the them, we can derive a relative $v(\Delta x)$ for different promotion forms, thus allowing comparison between price and non-price promotions and possibly deriving the value of any non-price benefit attached to a product.

Given the proposition put by Jha-Dang and Banerjee (2005), that the value of any product can be described as being delivered by the product itself plus the value provided by the promotion, we should be able to establish the relative value of different forms of sales promotion. By keeping $v(x)$ constant (that is, the same product) and asking shoppers to choose between a known discount or a chance of winning a cash prize, we can measure the value that a consumer who chooses the prize chance, puts on that benefit as it must exceed the dollar value of the known discount.

MATERIALS AND METHODS

The data for this paper were obtained through a research field house employing computer aided telephone interviewing (CATI). The sampling frame was a major Australian city and potential respondents were sourced through random sampling from the White Pages telephone directory. The conditions for inclusion in the survey were that the respondents must be at least 18 years of age and must be the main grocery shopper for the household. Five hundred interviews were conducted. Established scales and items were employed where possible. The psychographic variables for this study were predominantly drawn from both Martinez and Montaner (2006) and Ailawadi et al, (2001). The scale for in-store price promotion was drawn from Putrevu and Ratchford (1997) in combination with Garretson and Burton, (2003), whilst the scales for contest-sweepstake proneness and gift-premium proneness were drawn from Lichtenstein et al (1995) and Lichtenstein et al (1997) respectively. The gambling proneness scale was based partially on the work of McDaniel (2002) but was modified to reflect the forms of gambling popular in Australia. Measurement was on 7 point Likert-type scales.

An experiment was conducted as part of the 500 interviews, using a within subjects design, whereby subjects were asked to respond to a shopping task in which they had to choose between two alternative sales promotion options for their usual brand of coffee that they were about to purchase, e.g. a 10% price-off vs \$10,000 scratch and win sweepstake, and asked to indicate their preference. Participants responded to the full 2 (certain price discount 10%; 25%) x 3 (chance prize value \$1k; \$10k; \$100k) set of options. The order of presented pairs was randomized through the CATI process. [Figure 1](#) presents the findings and shows the response by the four different sales promotion proneness groups to a 10% price discount and three levels of chance promotion (prize levels denoted a scenario a, b, and c). Differences in proportions within each group and between groups were analyzed to identify significant differences.

ANALYSIS AND RESULTS

Because we were interested in understanding and examining differences in consumer who are differently prone to in-store based sales promotions we first employed cluster analysis to create four sales promotion proneness groups. The cluster analysis was performed using responses to contest proneness, premium proneness and in-store price discount proneness factors. Prior to examining the groups we also conducted multiple regression analysis to determine those factors most associated with sales promotion proneness. This analysis found that economic and hedonic factors provided the strongest explanation. An examination of the in-store sales promotion factors highlights differences in between the groups on the factors that were used in the initial cluster analysis. The prone-to-everything (PTE) group has significantly higher proneness to all the forms of sales promotion than the other groups. The mostly-price-prone (MPP) group was characterized by a strong anchoring to price proneness and not to any of the other forms of sales promotion. The not-prone-to-anything (NPA) group

has significantly lower proneness towards all forms of sales promotion used in the study. The somewhat-prone-to-anything (SPE) was similarly prone to price promotions. The most defining differences appear to come in the responses to contest and premium proneness factors with the PTE group being the most prone followed by the SPE group. The experimental results demonstrated that price-prone group, based on measures in the literature, are more likely than other groups to choose a price discount than a chance to win money (Figures 1 and 2, Tables 1). However, even with a 10% discount, 10.4% of the price-prone group chose to forego the discount and take a chance at winning \$1000. This proportion increased to 41% when the prize increased to \$100,000.

DISCUSSION

In answering the research question as to whether all consumers are price prone, we would suggest that a majority of consumers are to some degree prone to in-store price discounts. Significantly, our research found that there is a group of consumers (approximately 30%) who are primarily prone only to in-store price promotions and not non-price options. Those shoppers prone to both price discount and non-price sales promotions appear to be highly engaged with the shopping task and appear to find shopping central to their person having higher mavenistic tendencies and higher motivation to conform to the expectations of others. It could be argued that shopping on price deal, purchasing extra value, and participating in games of chance enables them to express their personality and reap ego-gratifying rewards from peers and significant others. Higher levels of impulsiveness and variety seeking further enable this highly active group of consumers to justify participation in a range of promotions. This group are likely to be rapid switchers latching on to attractive promotions and managers need to determine how many are purchasing their brand as part of their repertoire.

In answering the question related to whether there are consumers who are not prone to any sales promotion we suggest that there is such a group. Our research found a NPA group (26%) who are not prone to either price or non-price promotions. This group is the least price conscious have the least level of financial constraint, but appear to have a higher level of quality consciousness. This group also has the lowest association with all of the hedonic shopping related factors including a low motivation to conform to the expectations of others, lower levels of impulsiveness and variety seeking and lower levels of mavenism. Overall, this group appears to be somewhat disengaged with shopping and purchasing relative to the other groups and may be shopping by inertia. This group may hold promise for engagement in promotions if prizing and entry are well designed. In answering the question of the size of prize required to cause shoppers to choose an uncertain chance-based promotion above a known price discount, there is evidence that prize size does have an effect. Interestingly, all four groups of shoppers, PTE, MPP, NPA and SPE contained a majority of shoppers who would prefer a price discount to the chance of winning a \$1000 prize, and given the option of a 25% of discount or a chance to win a \$100,000 prize, the majority of all groups except the prone to everything group, preferred a price discount.

If we consider that Expected value of the prize $E(vp) = Pr(win) \times \text{Value of prize}(\$x)$, the findings about the proportion of each cluster switching to the prize is informative. If the probability of winning is constant, as the prize increases in size, the expected value must also increase in line with the increased value of the prize. So a \$10,000 prize should be 10 times more attractive than a \$1000 prize. As there does not seem to be a linear relationship between prize size and the proportion of the proneness group who will forego the discount, there must be some other factors at work. The first possibility is that different members of the cluster have different perceptions of the probability of winning, with those least likely to engage in the prize promotion believing there is a lower probability of winning than those that do forego the discount. A second is that consumers as a group believe that the probability of winning decreases with the size of the prize. A third possibility is that none of the consumers expect to win (so $E(vp)$ always = 0), but they receive the hedonic benefit of enjoyment from the playing of the game, and the value of this benefit increases with the size of the prize. That is to say, that considering the combined value of the product and promotion ($v = v(x) + v(\Delta x)$), $v(\Delta x)$ changes with the size of the prize, but not in a linear relationship (in fact, in this data set it has an inverse logarithmic relationship). The implications that can be drawn from this are that some consumers will never play a sweepstake, regardless of prize size; knowing the probability of success may increase take-up of prize promotion as prize size increases, and any increase in size of the cash prize will not lead to a proportionate increase in uptake of the sweepstake sales promotion.

CONCLUSION

This research identifies a number of issues for further consideration and research. It is clear that all shoppers are price prone to some degree, and the majority of shoppers will choose a discount over a cash prize even at high levels of prizing. Notwithstanding that, even those shoppers who, on the basis of the measures currently described in the literature for proneness would not be expected to do so, will engage in non-price based sales promotions under some circumstances. If

there are benefits from franchise building (Gedenk and Neslin 1999), increased average price and category value effects from shoppers engaging in non-price based promotions, it is critical for managers to avoid a sole reliance on price-based promotions. This paper has outlined a methodology for establishing the size of various proneness segments and for measuring their propensity to switch to non-price promotions given different levels of prizing.

TABLES

Table 1: Percentage Choosing Prize Chance Over Discount

	Percentage Choosing prize chance over 10% Discount					Promotion over Certain 25% Discount				
	Proneness Groups %					Proneness Groups %				
	1 PTE	2 MPP	3 NPA	4 SPE	B/w grp diffs	1 PTE	2 MPP	3 NPA	4 SPE	B/w grp diffs
a \$1K	38.8	10.4%	21.4	29.4	1&2; 1&3; 2&3; 2&4; 3&4	20%	6.2%	15.3%	10%	1&2; 1 &4; 2&3
b \$10K	55.4	26.4%	29.4	41.9	1&2; 1&3; 1&4; 2&4; 3&4	35.4%	15.3%	25.2%	31.2%	1&2; 1&3
c \$100K	64.6	41.0%	43.5	59.4	1&2; 1&3; 2&4; 3&4	50.8%	29.2%	35.1%	47.5%	1&2; 1&3; 2 & 3; 2&4
Within group diffs	a,b; a,c -----	a,b a,c; b,c	----- a,c; b,c	a,b a,c; b,c		a,b; a,c b,c	a,b a,c; b,c	a,b; a,c; b,c	a,b a,c; b,c	

FIGURES

Figure 1: Acceptance Of Chance Over 10% Discount

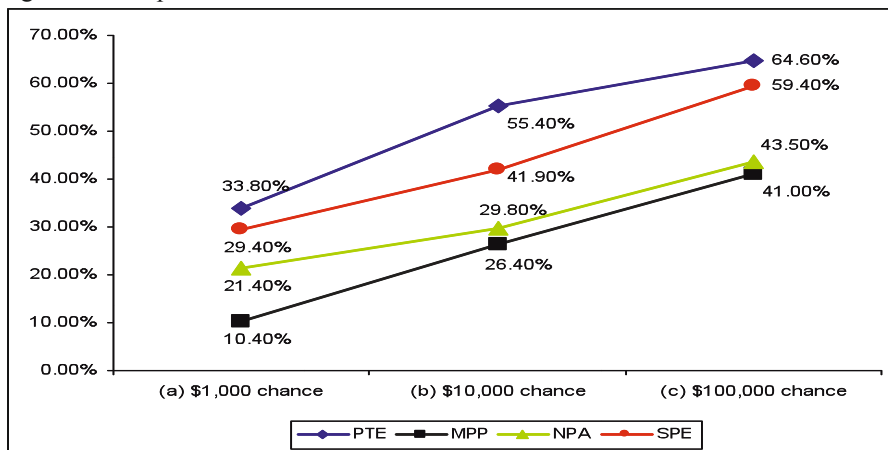
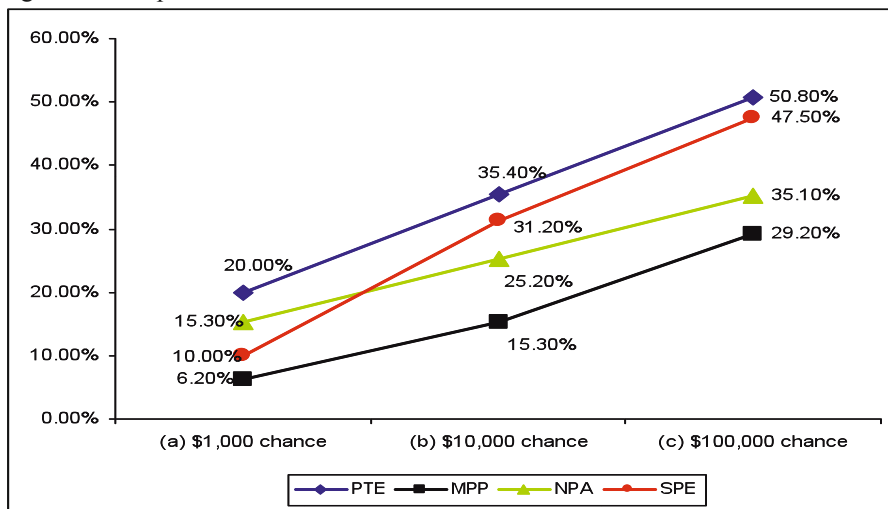


Figure 2: Acceptance Of Chance Over 25% Discount



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REFERRAL REWARD PROGRAMS: NEW CUSTOMER ACQUISITION BY OPPORTUNISM?

Ina Garnefeld, University of Paderborn, Germany
Eva Muenkhoff, University of Paderborn, Germany
Jens Hogreve, University of Paderborn, Germany
Andreas Eggert, University of Paderborn, Germany

ABSTRACT

Referral reward programs are frequently used in services marketing. In referral reward programs, a customer receives a reward for convincing others to become a customer. Numerous large service firms offer rewards to their customers when they recommend a service to their friends and acquaintances. Referral reward programs are so ubiquitous as they are an effective and efficient marketing tool for new customer acquisition (Verleg, Peters and Pruyn 2003). Ryu and Feick (2007) show that the offered reward can be effective in increasing customers' word of mouth (WOM). As Biyalgorsky, Gerstner, and Libai (2001) point out referral reward programs are not only effective, but also efficient as the company only pays for the reward if WOM is articulated.

To date, research has assumed that customers who are satisfied may need an extra stimulation, i.e. a reward, to recommend a service (Ryu and Feick 2007; Wirtz and Chew 2002). Consequently, referral reward programs are perceived as an adequate means for increasing referral likelihood among satisfied customers. However, no research considered that the reward might encourage satisfied as well as dissatisfied customers to articulate positive WOM. While it is typically assumed that dissatisfied customers do not give positive WOM (East, Hammond and Wright 2007), a reward might be able to motivate a dissatisfied customer to refer disliked services, i.e. to articulate opportunistic WOM.

As opportunistic WOM normally is unintended by service firms and consequences of opportunistic WOM for service firms are unclear, it is important to learn more about whether and when referral reward programs can actually cause opportunistic WOM. Therefore, this paper aims at answering the following research questions: Do referral reward programs increase opportunistic WOM behavior? If so, under which circumstances does opportunistic WOM occur?

To answer these research questions we relied on New Institutional Economics and conducted an experiment (2x2 factorial design, between subjects). Existence of a referral reward (50€ reward, no reward) and tie strength between sender and receiver of the recommendation (strong-tie, weak-tie) were manipulated on two levels. 200 business students participated in the experiment.

Our study confirms a positive relationship between rewards and opportunistic WOM. Consequently, offering referral reward programs can motivate dissatisfied customers to give positive WOM ($M_{50€ \text{ reward}}=37,21\%$; $M_{\text{no reward}}=12,65\%$; $p<.001$). The results also support the hypothesized moderating effect of tie strength on the relationship between the reception of a reward and opportunistic WOM. When a 50€ reward is offered and the recommendation is given to a friend, dissatisfied senders have an intention to recommend of 23.2%. Talking to an acquaintance, this intention increases to 51.3% ($p<.001$).

These study's findings have several implications. First, as opportunistic WOM seems to be increased by the existence of a referral reward program, firms offering rewards should ensure that their customers are satisfied. When the satisfaction level of the current customer base is comparably low, firms should choose a different approach to foster WOM and not implement a referral reward program. Second, firms offering services that are mainly discussed in weak tie relationships, i.e. with acquaintances and not with friends, should be especially careful, as they are most susceptible to opportunistic WOM. According to Duhan et al. (1997), individuals' reliance on weak versus strong ties' information depends on task difficulty. When individuals need to solve a problem which is of low task difficulty, they rely on weak ties, while in a difficult situation the informant typically is a strong tie. Providers of complex high involvement services that are normally needed to solve situations high in task difficulty, e.g. medical services, are probably less vulnerable to opportunistic WOM compared to rather simple low involvement services like restaurants.

References available upon request

SESSION 2.2: CONSUMER BRAND ISSUES

Session Chair: Asbjorn Rortveit, Univ. of Tromso, Norway

“Towards Conceptualizing the Consumer Cognitive Process Underlying Brand Association Transfer”

Jean Boisvert, American Univ. of Sharjah, UAE

“The Attitudinal Response to Alternative Brand Growth Strategies: The Moderating Role of Brand Stretch”

Bendik M. Samuelson, Norwegian School of Mgt, Norway

Lars Erling Olsen, Norwegian School of Mgt, Norway

“Developing a Scale to Measure Brand Values”

Hansjoerg Gaus, Chemnitz University, Germany

Jan Drengner, Chemnitz University, Germany

Steffen Jahn, Chemnitz University, Germany

Tina Kiessling, Chemnitz University, Germany

“Test of Information Processing Models in the Credit Card Offer Context”

Igor Makienko, University of Nevada-Reno, USA

Yana Kuzmina, Louisiana State University, USA

Mousumi Godbole Bose, Louisiana State University, USA

TOWARDS CONCEPTUALIZING THE CONSUMER COGNITIVE PROCESS UNDERLYING BRAND ASSOCIATION TRANSFER

Jean Boisvert, American University of Sharjah, UAE

ABSTRACT

The last two decades have witnessed substantial research in terms of brand associations although the process underlying transfer of associations from parent brands and line extensions is still unclear. Previous research has seldom explained the principle of cognitive algebra underlying transfer leading to an inconsistent body of knowledge in this area despite important theoretical and managerial implications. The objective of this paper is to alleviate this lack of consistency by proposing a conceptualization of the process underlying transfer of brand associations.

As per the affect transfer literature (Fiske and Pavelchak 1986; Brooks, 1978; Fiske 1982), most studies investigating transfer have investigated the relationship between brand image and the global evaluation of brand extensions (e.g. Aaker and Keller 1990; Sundie and Brodie 1993) but direct evidence for any particular process underlying transfer is thus sparse in the literature. Transfer of affect is claimed to occur if a similarity exists between the parent brand and the extension (Fiske & Pavelchak 1986). The more the parent brand associations are shared by the extension in consumers' minds, the more likely they are to transfer (Boush et al. 1987; Boush & Loken 1991). However, Boush et al. (1987, 1991) did not suggest a method to measure transfer nor they modelled transfer of brand associations. Furthermore, it was argued that when transfer is viewed from the brand-specific associations' perspective, the constraints inherent to the concepts of affect and similarity are overridden (Broniarczyk & Alba 1994). When a new line extension is introduced a transfer is said to have occurred when evaluations are congruent between the measure of associations in the parent brand and the measure of the same associations in the extension (Keller 1993). Very few marketing studies have attempted to conceptualize transfer of brand associations, and/or addressed transfer directly methodologically speaking (Gwinner and Eaton 1999).

A field study was conducted based on the principles suggested by Aaker and Keller (1990) and Keller (1993) and later applied by other authors (Krishnan, 1996; Nelson et al., 1993; Martinez and de Chernatony, 2004; James, 2005). The procedures were based on the use of an open-ended question method in which respondents were asked what comes to mind first when they think about a specific brand and then what comes to mind second, and third. The process was repeated three times in order to generate an exhaustive list of associations. In the survey, the name of the bank was repeated every time a respondent was asked: "what comes to your mind first when I mention Established Bank to you?" "what comes to your mind second when I mention Established Bank to you?" and "what comes to your mind third when I mention Established Bank to you?". This method reconciles the best of indirect methods by using open-ended probing questions and direct quantitative methods in order to generate a series of consumer-based associations (Krishnan, 1996).

The paper suggests that associations transfer between parent brands and line extensions lies on a paradox. More specifically, when the statistical index in repeated measures of brand associations in the parent brand and then in the extension is non-significant, complete transfer is observed. On the other hand, statistically significant measurements of specific brand associations, assessed before and after, reveal a non transfer of those associations. The arithmetical principle underlying magnitude of transfer of brand associations is non linear being inversely proportional to its statistical significance.

This paper contributes to a better understanding of how brand association transfer from a parent brand to its extension. The existing literature on transfer has either described transfer of affect or the impact of fit without bringing any insights into how specific brand association transfer to the extension which has concrete theoretical and managerial implications. This article closes this knowledge gap. As proposed in the conceptualization, transfer of brand associations follows an optimization pattern. The magnitude of transfer can be either high or low with statistically significant thresholds. It is low when the association strongly linked to the parent brand, from the consumer's point of view, is either weakly linked to the extension or already strongly linked to the latter (and significantly more than the parent brand). Furthermore, the magnitude of transfer will be high when the association is equally linked to the extension as compared to the parent brand meaning that the statistical inference is not significant which is counter intuitive and represents a paradox. One would expect a high transfer being statistically significant between the parent brand and the extension but the empirical reality confirms otherwise.

References available upon request

THE ATTITUDINAL RESPONSE TO ALTERNATIVE BRAND GROWTH STRATEGIES: THE MODERATING ROLE OF BRAND STRETCH

Bendik Meling Samuelsen, Norwegian School of Management, Norway
Lars Erling Olsen, Oslo School of Management, Norway

ABSTRACT

Brand growth is logically a key goal for most brand managers. Brand extension has evolved as one dominant growth strategy, where the brand capitalizes on the strength in its original category to obtain a foothold in a nearby or distant product or service category (Aaker & Keller, 1990; Völckner & Sattler, 2006). In this strategy, the brand makes its move on its own, solely relying on its own strength to succeed in the new category. This has proven to be a risky endeavor for the brand in the original and the extension category (Loken & John, 1993). An alternative strategic approach to brand growth is to forge some sort of alliance, or join forces with other established brands (James, 2006; Rao & Ruekert, 1994; Simonin & Ruth, 1998). In this strategy, the collaborating brands could potentially hope that “the sum is larger than its parts”, and the likelihood of success for both brands could be potentially higher (than if they should make the move alone). Hence, the purpose of the current study is 1) to experimentally test the attitudinal responses to a brand pursuing either the extension or alliance strategy, and 2) assess the extent to which this effect is moderated by the length of category stretch, from short, via medium, to long stretch. The two preceding growth strategies have not been directly compared in the same experiment previously; hence there is limited empirical knowledge about the relative pros and cons of both when seen in direct comparison. James (2006) findings lend support to the basic fit-assumption, i.e., fit is a significant driver of both extension and alliance acceptance. However, relative impact cannot be derived from his study, as extensions and alliances were treated as separate datasets.

We conducted qualitative interviews to elicit a proper product category, brand in that category, and potential extension categories. In a quantitative pretest ($N = 41$), respondents rated the categories' similarity to the parent category on three items, to assess if the two categories were perceived as similar/short stretch or dissimilar/long stretch (see Aaker and Keller, 1990). A Paired sample t-test showed that $M_{\text{similarity ice tea}} = 3.39$ was significantly higher than $M_{\text{similarity mouth wash}} = 2.35$, ($t(1,32) = 2.86, p = .007$). Thus, we concluded that ice tea could be used as a category for short stretch, and mouth wash as a category for long stretch. In these categories, the market leaders were selected as potential alliance partners. A 2 (brand strategy: extension vs. alliance) \times 2 (length of stretch: short vs. long) between subjects ANOVA showed a marginally significant main effect of length of stretch with $M_{\text{attitude short stretch}} = 3.95$ vs. $M_{\text{attitude long stretch}} = 3.44$, $F(1,96) = 3.48, p = .065$. In general, participants responded more favorably to short vs. long stretches. There was a significant main effect of brand strategy with $M_{\text{attitude extension}} = 4.01$ vs. $M_{\text{attitude alliance}} = 3.38$, $F(1,96) = 5.33, p < .05$. In general, participants responded more favorably to an extension than an alliance. Finally, and perhaps most interesting, we obtained a significant interaction between brand strategy and length of stretch ($F(1,96) = 4.39, p < .05$). More specifically, under short stretch, there was no significant differences in responses to the extension vs. alliance strategy ($M_{\text{attitude extension short stretch}} = 3.97$ vs. $M_{\text{attitude alliance short stretch}} = 3.92$). However, under long stretch, attitude towards the extension was significantly more positive ($M = 4.04$) than attitude towards the alliance ($M = 2.84$), $F(1,48) = 9.82, p < .005$.

The results from the present study clearly confirm that the choice of strategy has important implications for consumers' responses to the offering. The extension strategy performs in general better than the alliance strategy, but the performance gap is especially evident when the new product category is perceived as distant from the current product category. The study has important implications for managers. In essence the results can be summarized in the following general recommendations. First, brand extensions may be a preferred strategy to brand alliances. Brand alliances may certainly have many benefits, for example access to and easy transfer of the partner's associative network, increased awareness in new markets, organizational learning from the partner company etc. However, looking at the attitudinal effects of alliances vs. extensions, alliances tend to be perceived as more incongruent resulting in lower evaluations. Second, brand extensions may be a preferred strategy in situations in which the new growth opportunity is considered as a long brand stretch. The more distant a new product category is considered, the more incongruent it will be for perceived by the consumers. This also poses a significant threat to brand extensions, since the lower perceived fit between the brand and the new product category potentially reduces the favorability of the new offering. However, for brand alliances, consisting of at least one additional associative network, the likelihood of lower fit and subsequently high incongruence is even higher. It is therefore especially important for managers to consider a brand extension strategy in long stretch situations.

References available upon request

DEVELOPING A SCALE TO MEASURE BRAND VALUES

Hansjoerg Gaus, Chemnitz University of Technology, Germany
Steffen Jahn, Chemnitz University of Technology, Germany
Tina Kiessling, Chemnitz University of Technology, Germany
Jan Drengner, Chemnitz University of Technology, Germany

ABSTRACT

In modern consumer societies brands are closely tied to cultural context. Therefore, brands contain meanings that go far beyond functional characteristics. Consumers have become more and more culturally competent, being able to 'read' even complex brand meaning. Values are frequently named as being a central element of brand meaning. While it has been common for a long time to speak of brand values in the literature on branding, an increasing number of empirical studies underscoring the relevance of a brand values construct have only recently been published. However, this concept is not well-developed. Consequently, a sound instrument to measure brand values does not exist.

This paper addresses these important gaps in two ways. First, we offer a framework for conceptualizing brand values that builds on the work of Schwartz in the field of human values. Second, we report the methodology and results of three studies as steps toward a brand values scale.

The first study's objective is to assess the fit of the formulation of the original Schwartz value items in the brand context. The German version of the SVS was distributed among 64 undergraduate and graduate students as well as marketing faculty members of a German university. The results indicated that with regard to the brand context there was a need to reformulate the items. Additionally, most indicators of the Schwartz value type conformity might generally not be well-suited.

Study 2 seeks to gain insights into how the Schwartz value types are understood in a branding context. Thus, a focus-group interview with a panel of nine marketing experts was carried out aimed at evaluating more deeply the suitability of the value types and at understanding which categories of brands might be strongly related to certain brand value types. Looking at the picture as a whole, —with the exception of conformity—all Schwartz value types were first of all overwhelmingly accepted as being suitable for brand values. This also went along with numerous brands being named as reflecting these value types. Second, the semantic interpretation of some value types (i.e., tradition, universalism, achievement, power, and security) seems to differ significantly from Schwartz's original definitions. Last but not least, these findings pointed strongly to how potential improvements of the item and task formulation could better adapt the SVS to the brand context. A further review panel consisting of 12 marketing experts tested the list of reformulated items for the wording as well as their breadth of applicability. The findings showed that most value items are suitable for a wide range of brands, that some apply to only a few brands, while others seemed to be generally inadequate for describing brands. Consequently, the latter were eliminated.

Finally, in study 3 the resulting questionnaire with 39 items was subjected to a survey aimed at quantitatively testing the refined brand values items. The goal was to conceptualize brand values using the insights of studies 1 and 2 as well as the literature on human value conceptualizations and value-related consumer behavior. A sample consisting of 99 undergraduate and graduate students from three universities in East and West Germany had to evaluate four brands from significantly different categories which were relevant for students. Each respondent was asked to indicate on five-point rating scales to what extent each of the items was descriptive of the respective brand. The data analyses performed include exploratory and confirmatory factor analysis and MDS. The findings suggest the existence of nine different brand value types and indicate that brands can be differentiated on this basis.

In total, the application of the value concept to the brand context is clearly viable. Values are meaningfully associated with brands and brands in turn are associated with Schwartz value types. Furthermore, we provide evidence for additional brand values not covered by a scale exclusively based on Schwartz values. Thus, this research not only enriches the knowledge on brand values but also strengthens our general understanding of consumers' brand perceptions.

References available upon request

TEST OF INFORMATION PROCESSING MODELS IN THE CREDIT CARD OFFER CONTEXT

Igor Makienko, University of Nevada, Reno, USA
Yana Kuzmin, Louisiana State University, USA
Mousumi Godbole Bose, Louisiana State University, USA

ABSTRACT

Normative economics perspective (or more precisely invariance principle) suggests that when resulting economic values of two offers are identical, consumers should be indifferent between the offers regardless of their presentation format. However, research literature shows that in real life consumers often violate such predictions and are influenced by the way the offer is presented. Choices that are normatively equivalent are often viewed as distinct when they are framed differently (Tversky and Kahneman, 1981).

Two theoretical models – principles of mental accounting (MA) and anchoring and adjusting model (AA) are often used to account for such deviations in consumers' preferences. However, predictions based on these models may contradict each other in some situations. To determine what model provides better predictions and in what situations (boundary conditions) we develop hypotheses based on each perspective and test them in credit card offer context.

We hypothesized that at low APR level single format will be evaluated more favorably based on AA perspective and dual format – based on MA perspective; at high APR level predictions based on the two perspectives coincide – single format will be evaluated more favorably; finally, at very high APR level AA perspective predicts that there will be no difference in evaluations regardless of presentation formats, but MA perspective indicates that dual format will be perceived more favorably.

Predictions based on two competing theoretical perspectives were tested in a between-subjects, 2x3 experiment where two economically identical credit card offers were presented.

Our results represent an interesting insight about situations where one information processing model may excel another in terms of performance. Results for low APR condition indicate preliminary support for MA perspective. Intention to accept an offer was significantly higher for dual format than for single format. Though for the second dependent variable - attitude toward an offer, means' difference did not reach significance, means were also in hypothesized direction. For the high APR condition we hypothesized that predictions of both models coincide - single format should be perceived significantly better than dual one. These predictions were fully supported. Results for very high APR condition support AA perspective.

References available upon request

SESSION 2.3: MANAGING INNOVATION AND CREATIVITY IN THE COURSE OF NEW PRODUCT DEVELOPMENT

Session Chair: Petra C. de Weerd-Nederhof, University of
Twente, The Netherlands

*“Emotional Intelligence and Creativity in New Product
Development Teams”*

Gloria Barczak, Northeastern University, USA

Felicia Lassk, Northeastern University, USA

Jay Mulki, Northeastern University, USA

*“Enacting Change in Strategic Marketing Decisions: The
Role of Regulatory Focus in Teams”*

Jelena Spanjol, University of Illinois-Chicago, USA

Leona Tam, Old Dominion University, USA

William J. Qualls, University of Illinois, Urbana-
Champaign, USA

Jonathan D. Bohlmann, North Carolina State Univ., USA

*“To Stop Sales from Selling on Price, Innovate your
Business Model”*

Kay Plantés, Plantés Company, USA

EMOTIONAL INTELLIGENCE AND CREATIVITY IN NEW PRODUCT DEVELOPMENT TEAMS

Gloria Barczak, Northeastern University, USA

Felicia Lassk, Northeastern University, USA

Jay Mulki, Northeastern University, USA

ABSTRACT

There is general recognition among practitioners and academics about the importance of emotional intelligence in improving individual and team performance. In this conceptual manuscript, we propose a model whereby a team member's emotional intelligence (EI) is an antecedent of an individual's creativity in new product development (NPD). This study focuses on emotional intelligence at the individual team members' level and thus builds upon earlier work that has examined the impact of a team leader's EI on new product outcomes. We propose that an individual's EI positively contributes to creativity. In addition, we argue that proximity and prior work relationship enhance the relationship between EI and the creativity of team members. We submit that the effects of individual team member EI on creativity is important to study because of the role that emotions can play in team interactions and effectiveness. This implies that studies investigating how best to manage NPD teams need to include emotional intelligence in order to capture the true impact of individual team members' on team effectiveness.

**ENACTING CHANGE IN STRATEGIC MARKETING DECISIONS:
THE ROLE OF REGULATORY FOCUS IN TEAMS**

Jelena Spanjol, University of Illinois at Chicago, U.S.A.

Leona Tam, Old Dominion University, U.S.A.

William J. Qualls, University of Illinois at Urbana-Champaign, U.S.A.

Jonathan D. Bohlmann, North Carolina State University, U.S.A.

ABSTRACT

The ability to enact change underlies long-term marketing success. We examine how individual and leadership motivations influence a team's propensity to enact change across a variety of marketing decisions. We utilize regulatory focus theory and identify the effects of regulatory focus match vs. mismatch within teams on the propensity to enact change in decision-making across the marketing mix. We find that regulatory focus match renders leadership-prescribed goal pursuit strategies ineffective and that only teams under regulatory focus mismatch make decisions consistent with leadership-prescribed goal pursuit strategies. For regulatory match teams, our results demonstrate that a promotion focus is associated with greater levels of change in team marketing decisions than a prevention focus.

References available upon request

TO STOP SALES FROM SELLING ON PRICE, INNOVATE YOUR BUSINESS MODEL

Mary Kay Plantes, Plantes Company, Wisconsin

ABSTRACT

In today's economy, commoditization of products and services is occurring at an accelerating rate. Three forces account for the change. First, most categories are mature, with once differentiating benefits now requirements to be considered. Second, the growth of the professional services industry makes copying competitors' winning ideas effortless, inexpensive and fast. Finally, the Internet has enabled disruptive innovators and effortless price shopping and reduced barriers to entry, creating excess supply in most markets.

Companies' responses—more new products, better communications, significant cost reductions, and better branding—have done little to offset these changes, in large measure because these strategies do nothing to reverse the underlying drivers of commoditization. The only way to escape commoditization in today's copycat economy is to build a differentiated business model based on advantages that are hard to copy.

Every business unit and company has a business model whether or not it is articulated. Five core strategy questions define the business model:

- Who is your target market(s)?
- What business are you in?
- What is your value promise (value = perceived benefits less costs to acquire them) that leads your target market(s) to choose your offerings?
- Why can you deliver on this promise yet competitors can't copy it?
- What's your formula for securing profits from these exchanges?

Does this seem similar to product positioning? It is. A business model positions the entire offering.

Apple's price premiums come not just from great product features and benefits, but from a business model that confers differential advantage across its entire offering. The same can be said of Harley Davidson and any number of other leading brands. Walmart's unique business model enables it win with price buyers.

The fragmentation of markets and media has made marketing's task far more complicated. But in managing this complexity, marketing leaders (and one could argue faculty who teach marketing students) have walked away from their most important role: facilitating the leadership team defining, creating and sustaining a unique business model. Marketing's role includes:

- Bringing the voice of the marketplace and customer into leadership team meetings so that fresh strategic insights can be used to create and evolve a winning business model;
- Facilitating leadership team strategy decisions about the business model; and,
- Communicating the value promise broadly throughout the organization through internal marketing efforts so that everyone can align his or her role and part of the organization to the value promise.

Every industry has its Walmart, the lowest cost company that creates and thrives in price wars. The position to avoid is becoming the industry's Sears. The Sears of an industry are unable to earn sustainable profits competing against their Walmart-like competitors, yet lack a compelling value promise like Target's that leads a target market to pay a price premium. Companies get stuck in the middle when marketing spends all its time on what is essentially a tactical agenda focused on near-term financial goals.

Creating a strategically differentiated business model requires more than strategy. Leaders must integrate strategy, process, people, culture, and product for success, as outlined in my book *Beyond Price: Differentiate Your Company in Ways that Really Matter* (Greenleaf Book Group, 2009) or in a range of new writing on business model innovation. Marketing faculty should make teaching the business model innovation process a priority. And Chief Marketing Officer's need to delegate more work to their staff to take on the CMO's highest value-added role, leading their business unit's or company's business model innovation process.

SESSION 2.4: INTERNATIONAL MARKETING CHANNELS AND SERVICES

Session Chair: Tracy Gonzalez-Padron, University of Colorado at Colorado Springs, USA

“Trust Me—I know what I’m Doing! The Impact of Salesperson Competence and Country Competence on Initial Trust in International Service Settings”

Christof Backhaus, University of Muenster, Germany
Heiner Evanschitzky, University of Strathclyde, UK
Manual Michaelis, University of Muenster, Germany
Gerrit Schneider, University of Muenster, Germany

“Relationship Quality in Interorganizational Contexts”

Janice M. Payan, University of Northern Colorado, USA
Göran Svensson, Oslo School of Management, Norway
Gabriel Awuah, Helmstad University, Sweden
Svante Andersson, Helmstad University, Sweden

“Global Account Management as an Interorganizational Network: Theory and Propositions”

Andrew J. Czaplewski, University of Colorado at Colorado Springs, USA
Tracey Gonzalez-Padron, University of Colorado at Colorado Springs, USA
Thomas W. Gruen, University of Colorado at Colorado Springs, USA

TRUST ME – I KNOW WHAT I'M DOING! THE IMPACT OF SALESPERSON COMPETENCE AND COUNTRY COMPETENCE ON INITIAL TRUST IN INTERNATIONAL SERVICE SETTINGS

Christof Backhaus, University of Dortmund, Germany
Heiner Evanschitzky, University of Strathclyde, UK
Manuel Michaelis, University of Dortmund, Germany
Gerrit Schneider, Marketing Center Muenster, Germany

ABSTRACT

It is widely acknowledged that competence plays a critical role in the formation of trust, particularly in international service settings. However, little is known about possible ways to increase initial trust, particularly, instruments that may improve initial trust building for international companies entering a foreign market. Based on these gaps in the literature, our paper contributes to the advancement of consumer behavior research by investigating the effects of two competence-based initial trust building instruments, namely country competence and salesperson competence. Drawing on agency theory, categorization theory, attribution theory and previous research, we assume that both kinds of competence are suited to trigger the initial trust building processes. In addition, we develop hypotheses about the moderating effect of perceived risk on the link between competence and initial trust.

H1: Competence based on the salesperson has a positive direct effect on initial trust.

H2: Competence based on the COO effect has a positive direct effect on initial trust.

H3a: The level of risk associated with the purchase situation will moderate the relationship between salesperson competence and initial trust: specifically, the positive relationship between salesperson competence and initial trust will be stronger in the case of high-risk purchase situations.

H3b: The level of risk associated with the purchase situation will moderate the relationship between country competence and initial trust: specifically, the positive relationship between country competence and initial trust will be stronger in the case of high-risk purchase situations.

In order to test our hypotheses we developed an experimental 2 x 2 x 2 between-subjects factorial research design. The design consisted of the following three factors: salesperson competence (high vs. low), country competence [COO] (high: Germany vs. low: Poland) and perceived risk of a service (high: financial services vs. low: retailing). Our stimuli were eight different fictional scenarios describing a personal consultation situation either in retail or financial services setting. Data collection for the main survey was carried out by means of a self-completion questionnaire. The final sample comprises 368 subjects for our eight scenarios. The average age of participants is 21.9 years (SD = 1.5), 51.1% of the respondents are male.

Our results show that salesperson competence has a significant impact on initial trust under both levels of risk, giving support for H1. Moreover, under the high salesperson competence condition, we find no difference between the two industry settings, meaning that no matter how risky dealing with a provider may be, competence can greatly increase initial trust. However, in the low salesperson competence condition, we find a significant difference between low and high risk industries, showing that incompetent salespersons have a devastating negative impact on initial trust particularly for high risk industries. Thus, the empirical results give support for H3a. With regard to country competence, our results show that in a low risk industry such as retailing, the COO-effect does not have an impact on initial trust. On the contrary, our data reveal a significant effect of country competence in the high risk industry, supporting H3b.

The contributions of our findings are at least twofold. First, our study contributes to the literature addressing the critical importance of salesperson competence, extending existent findings to international services settings – an area for which empirical findings are still fairly scarce. Second, the study shows ways to effectively build initial trust in an international service setting. Whereas cues of salesperson competence affect initial trust positively under all examined conditions, a positive effect of country competence (i.e., Germany for Polish Consumers in this study) only increases initial trust when perceived risk is high. Managers should take these results into consideration when deciding whether to actively communicate or to disguise their COO.

References available upon request

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RELATIONSHIP QUALITY IN INTERORGANIZATIONAL CONTEXTS

Janice M. Payan, University of Northern Colorado, USA
Göran Svensson, Oslo School of Management, Norway
Gabriel Awuah, Halmstad University, Sweden
Svante Andersson, Halmstad University, Sweden

ABSTRACT

This study provides support for the dimensional distinctiveness of cooperation, coordination, specific assets, satisfaction, trust, and commitment. Based on the results, it is suggested that four of these dimensions are reflective of relationship quality or the 'Cross-Cultural RELQUAL-scale' (cooperation, coordination, trust, and commitment) and that relationship quality impacts satisfaction with the relationship. Data was used to test the cross-cultural RELQUAL-scale in supplier-distributor relationships in Sweden and USA.

References available upon request

GLOBAL ACCOUNT MANAGEMENT AS AN INTERORGANIZATIONAL NETWORK: THEORY AND PROPOSITIONS

Andrew J. Czaplewski, Ph.D., University of Colorado at Colorado Springs, USA
Tracy Gonzalez-Padron, Ph.D., University of Colorado at Colorado Springs, USA
Thomas W. Gruen, Ph.D., University of Colorado at Colorado Springs, USA

ABSTRACT

Perhaps the greatest challenge of global account management is the organization and control of the multitude of relationships surrounding the service of each global customer. Requirements for uniform products, consistent worldwide service and support, standardized terms of sale and terms of payment, and global pricing structures present a constant challenge for supplier firms. Global account management entails multilayered relationships among the organizational actors that must be coordinated for the collective accomplishment of performance objectives (Harvey et al. 2003; Shi et al. 2005). This leads us to consider the features of the working relationships among the global account management team and local organizational actors, asking the following research questions:

- a) Which relationship characteristics drive performance in global account management?
- b) How do differences in relationship characteristics across organizational levels influence performance?

The concept of the multinational corporation (MNC) as an internally differentiated interorganizational network is the perspective for this framework (Ghoshal and Bartlett 1990). This conceptualization applies exchange theory and network methodologies to the study of multinational corporations and differs from traditional analysis of MNC's which tends to assume internal homogeneity within such companies. A network model allows for consideration of a foreign subsidiary as an equal that becomes integrated with its parent firm and other subsidiaries via organizational linkages (Changwha Chung, Lu and Beamish 2008). The changing role of the subsidiary to a multinational corporation has attracted use of the interorganizational network view in international business research on communication, knowledge and innovation (Phene and Almeida 2008). Given the linkages between the global account management team and local organizations in servicing global customers, an interorganizational network perspective allows examining relationships at all levels.

The primary objective of this research is to provide a conceptual framework that embodies the interorganizational network of working relationships involved in global account management. Drawing on the international business and interorganizational network literature, we focus on the features of working relationships surrounding and extending to global customers in relation to performance across and within global accounts. Specifically, we present propositions corresponding to three types of relationships: (a) between the global account management team and the various organizational actors servicing customers at the local level, (b) across organizational actors servicing local accounts, and (c) among the various organizational actors and the global customers (external relationships). The first two relationships represent those internal to organization (or inter-unit) that are not alike (Ghoshal, Korine and Szulanski 1994). Vertical relationships are those that subsidiaries maintain with the headquarters, while horizontal relationships connect one subsidiary with another. The strength of these linkages may vary, with the vertical linkages often being stronger and more directly aligned with the organizational structure.

The conceptualization offered in this paper moves beyond traditional management research on multinational corporations by considering the importance of the relationships surrounding the servicing of a global accounts at the local level, thus extending the conceptualization of the MNC as an interorganizational network to include global customers and the emerging practice of global account management. The conceptualization offered here of the multinational as an internally differentiated interorganizational network differs from the extant literature on MNC's because the multinational is considered a heterogeneous system rather than a homogenous organization. The goal of this microstructural analysis is to understand the pattern of relationships surrounding the service of global accounts.

References available upon request

SESSION 2.5: NEW APPROACHES IN MARKETING RESEARCH

Session Chair: Thomas Bender, Linde AG, Germany

“The Measurement of Consumers’ Attitudes towards Neuromarketing with fMRI Methodology”

Mert Uydaci, Marmara University, Turkey

Nevin Karabiyik, Marmara University, Turkey

“Package, Brand, or Price as Differentiator? A Functional Magnetic Resonance Imaging Study”

Thomas Bender, Technische Universitaet Bergakademie Freiberg, Germany

Margit Enke, Technische Universitaet Bergakademie Freiberg, Germany

Martin Reimann, University of Southern California, USA

Carolin Neuhaus, University of Bonn, Germany

Bernd Weber, University of Bonn, Germany

Judy Zaichkowsky, Simon Fraser Univ., British Columbia

“Penetrating Adolescents’ Mental Models of mp3 with ZMET”

I-Ling Ling, National Chiayi University, Taiwan

Chun-Ming Yang, Ming Chuan University, Taiwan

Yi-Fen Liu, National Sun Yat-Sen University, Taiwan

“Drowning in Data: Eyetracker Tips and Techniques for Content-Coding Video Media”

S. Adam Brasel, Boston College, USA

THE MEASUREMENT OF TURKISH CONSUMERS' ATTITUDES TOWARDS NEUROMARKETING WITH fMRI METHOD

Mert Uydacı, Marmara University, Turkey
Nevin Karabıyık, Marmara University, Turkey

ABSTRACT

Neuromarketing is the new way to understand the consumer and how and why he/she behaves in such ways; or purchases specific products, and brands; or why he/she buys two different kinds of products. The managers believe that they will reach certain results, thanks to this technique. Nevertheless, how these studies are perceived by consumers and consumers' desires to take part in these kinds of researches become very significant from the ethical point of view. This study aims to understand the attitude of the Turkish consumer towards the research, made with fMRI method for neuromarketing. Suited to this aim, neuromarketing with fMRI technique has been considered with other marketing research techniques and the attitude that Turkish consumers developed towards research techniques has been tried to be brought to light. At the same time, opinions and attitudes of the consumers about the future of neuromarketing has been tried to be brought up.

INTRODUCTION

In competitive markets, because of consumers' having different buying behaviors, the companies need much more data. It is important to remember that there are two fundamental approaches to gathering raw data. One is ask questions about variables and market phenomena using trained interviewers or questionnaires. The other is to observe variables and market phenomena using professional observers or high-tech devices. Self-administered surveys, personal interviews, computer simulations, telephone interviews, and focus groups are just some of the tools researches can use to collect data (Hair, Bush and Ortinau, 2000). And nowadays, a new technique has begun to use for gathering data for marketers which uses high technology and the consumers' brains.

According to Gazzaniga, "Human brain architecture is organized in terms of functional modules capable of working both cooperatively and independently. These modules can carry out their functions in parallel and outside of conscious experience. The modules can effect internal and external behaviors, and do this at regular intervals. Monitoring all this is a left-brain-based system called the interpreter. The interpreter considers all the outputs of the functional modules as soon as they are made and immediately constructs a hypothesis as to why particular actions occurred. In fact the interpreter need not be privy to why a particular module responded. Nonetheless, it will take the behavior at face value and fit the event into the large ongoing mental schema (belief system) that it has already constructed." (Gazzaniga, 1988). In the last a decade, following almost a century of separation, marketing has begun to import insights from neuroscience. Neuroscience methodologies, especially noninvasive neuroimaging technology, now enable researchers to probe brain activity at the basic neural level of functioning (Shiv et al. 2005). 'Neuroscience' is now a prominent fixture on the intellectual landscape and has spawned applications to the topics in marketing such as buying behavior, decision-making, reaction to new products, packaging and advertising.

NEUROSCIENCE

Neuroscience uses imaging of brain activity and other techniques to infer details about how the brain works. The brain is the ultimate "black box." A more direct view into the black box of the organism should be feasible with the help of advanced techniques and methods of brain research that are now applied in the field of consumer neuroscience (Kenning et al., 2007). Neuroscience using the brain imaging technology has proved that the study of the brain and nervous system is beginning to allow direct measurement of thoughts and feelings. These measurements are, in turn, challenging our understanding of the relation between mind and action. All statements about brain functions that control economic relevant behavior rely on (Kenning and Plassmann, 2005): That the measured quantities give true values, not only noise or results of systematic errors, that the spatial and temporal assignment of measured quantities to brain structures is correct, that the model relating the measured quantities to brain activity is still valid in the actual measurement, that models and statements about typical functions of specific brain structures are correct and valid also in the actual case, that the tested person actually reacts to the stimulus that shall be investigated and is not distracted by other activities (there is always a lot of confounding factors).

Neuroscience can inform marketers, it is useful to distinguish two types of contributions, which we term *incremental* and *radical* approaches. In the incremental approach, neuroscience adds variables to conventional accounts of decision making or

suggests specific functional forms to replace “as if” assumptions that have never been well supported empirically. The radical approach involves turning back the hands of time and asking how economics might have evolved differently if it had been informed from the start by insights and findings now available from neuroscience. Neuroscience is sometimes criticized as providing little more than a picture of “where things happen in the brain” or, more cynically, as simply showing that behavior is caused by action in the nervous system (which was never in doubt). However, the long-run goal of neuroscience is to provide more than a map of the mind. By tracking what parts of the brain are activated by different tasks, and especially by looking for overlap between diverse tasks, neuroscientists are gaining an understanding of what different parts of the brain do, how the parts interact in “circuitry,” and, hence, how the brain solves different types of problems (Camerer, Loewenstein and Prelec, 2005).

Neuromarketing and fMRI Method

Brain imaging is currently the most popular neuroscientific tool. Most brain imaging involves a comparison of people performing different tasks—an “experimental” task and a “control” task. The difference between images taken while subject is performing the two tasks provides a picture of regions of the brain that are differentially activated by the experimental task. The newest, and currently most popular, imaging method is functional magnetic resonance imaging (fMRI). This methodology identifies areas of neural activity through the use of endogenous blood-oxygen-level-dependent (BOLD) contrast. Neural firing in a particular area of the brain increases the demand for oxygenated blood. Oxygenated blood produces a smaller signal than deoxygenated blood when perturbed by short radio-frequency pulses. This signal difference is revealed by the fMRI machine, uncovering areas of neural activity. The fMRI scanning takes place in real time and can be continued indefinitely during the entire course of an experiment. Experimenters can develop any number of economic choice games, trust games, exchange games, investment scenarios and the like to be played while the fMRI machine monitors brain activity. The resulting data reveal what portions of the brain are activated during different decision scenarios (Goetz and James III, 2008).

Daimler-Chrysler used fMRI to investigate reactions to different types of cars. The researchers found a significantly greater activation in the brain’s reward circuits when looking at sports cars (symbols of social status) than sedans or small cars. However, the authors did not record behavioral responses, making it difficult to assess what the reward-related activity might actually amount to in a possible buying situation. Also other marketing companies that have explored these techniques include Delta Airlines, General Motors, Hallmark, Home Depot, Motorola and Procter & Gamble, but the results have not been made public.

Widespread attention has been given to a comparison of colas in an fMRI study. When tasted blind, Pepsi was preferred to Coke, as was widely publicised at the time of the New Coke disaster. In brain scanning the ventromedial prefrontal cortex, already noted as an emotion-processing area of the brain, was more activated for Pepsi, presumably because it is sweeter. When brand names were given, the subjects preferred Coke and activation in the ventromedial prefrontal cortex increased while tasting the preferred brand. When the subject was given the brand information about only one of the drinks (e.g. that one of the two drinks is Coke and the one other could be either Coke or Pepsi), increased neural activations were found during the brand-cued drink delivery of Coke in the hippocampus, dorsolateral prefrontal cortex and midbrain structures. These areas have previously been found to be involved in modifying behavior based on memory and affect. These findings may suggest that a higher brand familiarity, induced, for example, by advertising, influences emotional memory structures that are associated with the respective brand and determines brand preference (Plassmann et al., 2007).

In order to survive against their competitors, companies often invest large amounts of money in product differentiation. Nevertheless, empirical studies show that the perception of distinguished products is decreasing on a long-term basis. For example, two-thirds of German customers stated that they do not see any difference between one brand and its competitors. Therefore, it is very important for marketers to understand the effect of various product differentiation strategies (Stoll, Baecke and Kenning, 2008). So in what way might neuroscience contribute to marketing? First, in the applied domain, neuroscience measurements have a comparative advantage when other sources of data are unreliable or biased, as is often the case with surveys and self-reports. Since neuroscientists are “asking the brain, not the person”, it is possible that direct measurements will generate more reliable indices of some variables which are important to marketers (Camerer, Loewenstein and Prelec, 2004).

The power of neuroscience has attracted the attention of advertising and marketing researchers eager to apply the principles and techniques of neuroscience to further their pursuits. In fact, appreciation of neuroscience among advertisers has led to the emergence of a new field within advertising often referred to as ‘neuromarketing’. First, Neuromarketing has been described

as “applying the methods of the neurology lab to the questions of the advertising world” (Thompson, 2003). And the last definition of neuromarketing as a field of study can be defined as “the application of neuroscientific methods to analyze and understand human behavior in relation to markets and marketing exchanges” (Lee, Broderick and Chamberlain, 2007).

The application of methods from brain research to marketing relevant problems has already yielded several theoretical implications. First, the neuroscientific measurement approach can lead to more objective results, and the researchers hope to gain specific new insights into unconscious and automatic processes that influence human behavior. Second, neuromarketing and neuroscience emerged from the consolidation of marketing and neuroscience. This transdisciplinary approach may assist both disciplines to gain innovative perspectives and to generate new ideas. From this, it follows that neuroscience can confirm, reconfigure, or improve conventional theories of marketing theory. In this regard, one important contribution of neuroscience is the emphasis on emotions and their influence on consumer decision-making. Consumers are no longer considered as completely rational, because emotions, unconscious and automatic processes, play a central role in generating behavior (Hubert and Kenning, 2008).

Not only does neuromarketing allow researchers to “read the minds” of test subjects more accurately, it also permits them to delineate which stimuli trigger excitement, trust, pleasure, i.e., the emotions that lead people to buy. To the extent these stimuli are unrelated to product characteristics; the result is an attempt to manipulate the consumer’s purchase decision. From an ethical point of view, neuromarketing is often associated with the abuse of neuroscientific methodologies, as a means to “read” consumers’ minds and to manipulate their thoughts and behaviors. Nonetheless, a fundamental distinction between other marketing and neuromarketing tactics is that the former attempts to change beliefs, attitudes, and behaviors through well-recognized means, while the latter are expert attempts to trigger buying emotions in consumers (Wilson, Gaines and Hill, 2008). Although neuroscience techniques have great promise for marketing, they also face the following limitations (Plassmann et al., 2007).

To date, brain imaging has taken place in rather medical and technical environments, employing rather simple experimental designs. This is unrealistic in marketing terms and may bias the results; the complexity of the underlying neurophysiological processes necessitates a deep understanding of the specific neuroscientific technique to test possibilities – for example, the correct specification of respective control conditions; there are issues related to the public as well professional understanding of the interface between neuroscience and marketing. For example, the media may induce a ‘Big Brother’ reaction to using science in this way to research advertising and marketing, conversely, marketers and the public might ignore neurobiological and technical restrictions and treat initial results as indisputable truth. Thus, careful discussion of results is crucial to avoid possible misuse of neuroscience techniques in marketing; we also need an ethical discussion about the boundaries of uses neuroscience in marketing, because the use of some methods should, perhaps, be restricted for medical purposes.

As a result, use of neuroscience in marketing has both advocates and critics. Advocates propose that the combination will allow consumers and marketers to better understand what products are desired—a win/win for both parties. The application of neuroscience to marketing may form a basis for understanding how human beings create, store, recall, and relate to information such as brands in everyday life. Furthermore, it may be possible to discover whether certain aspects of advertisements and marketing activities trigger negative effects, such as overconsumption. Critics warn that consumers’ ability to make logical, informed decisions about purchases will be compromised. Whether an advocate or a critic, many believe that neuroscience methods will bring significant changes to marketing persuasion. Nevertheless, it seems likely the new technologies will enable neuroscience and marketing researchers to better understand the role of emotions in decision making, to develop more effective methods of triggering those emotions, to build greater trust and brand loyalty, to measure intensity of an individual’s likes and dislikes, and, in general, to be more persuasive marketers (Wilson, Gaines and Hill, 2008; Lee, Broderick and Chamberlain, 2007).

METHODOLOGY

This research betrays consumers attitudes toward fMRI method used in marketing research which includes neuromarketing strategy. Consumer attitude is one of the considerable variables which influence behavior; some others are environmental conditions, habits, and expectations. In this research, environmental conditions, habits and expectation are being held stable, only explained in terms of attitude; cognitive, emotional and behavioral factors. Consumer attitudes affect people’s participation behavior on marketing research. Especially this research emphasizes consumers’ behaviors upon use of fMRI method and its future manner. The reason of selecting fMRI is the newest and the most frequently method for neuromarketing strategy. fMRI methods is the most useful application in neuromarketing concept. For this reason, this method is quite helpful to determine decision of marketing research, customer preference and marketing mixture

Results and Analysis

Main group in this research are, people who live in Istanbul of 12.573.836 people who only purchase for 70 % of population of Istanbul consist of between 15 to 64 years old consumers. For this matter, consumer of 8.801.685 is the main group of this research. 452 consumers who are reference group are randomly selected from the main group. Reliability of this research is 87 %.

According to result of selected sample group of data; 49 % of all participants of the survey were women, 51 % of man. Also, survey participants were between the ages of 17 to 25. 42 % whose incomes less than 500 YTL, 50 % of them have university degree and the rest 57 % are student. 89 % of people responded who only buys whatever s/he needs, 47 % of consumers who purchase what interested in and 62 % of them desire to buy. In addition to this, 43 % of consumers specify that s/he doesn't purchase any product if s/he doesn't need it even if s/he likes it. At the same time, 81 % of consumers want companies to sell intended for their needs, and offer requirement services. According to this results, consumers purchase products certainly when they need. It doesn't matter if they like it or desire it.

83 % of participants was believed in that marketing research is necessary and proper concept for neuromarketing but on the other hand percentage of people who want to participate for this kind of research was very low. Participation of marketing research might get changeable considering to methodology of research. Accordingly, 44 % of participants only want to participate the research which made by companies. 47 % of participants want to have survey methods only, 40 % of participants want to get involved observation methods, 29 % of participants would like to have focus group method, 32 % of participants want to do interview method and 40 % of participants only want to involve neuromarketing conducted by fMRI method applied in marketing research. In here, the point is participation for marketing research for fMRI methods used in neuromarketing and survey and observation methods are very close to each other. This result shows that even though FMRI is new technique but consumers still participate without any hesitation.

If questions get analyzed what is consumers' attitude about fMRI method used in neuromarketing, the result is 26, 5 % of participants are uncertain, 23 % of participants think that fMRI method is harmless and %23 of participants think fMRI method is absolutely harmless. Nonetheless, it is seen that tendency known by companies are not clear and companies are ambivalent on chemical and neural changes of consumers' brain, in order to determine the consumers' preferences and marketing. Approximately 30 % of participants are undecided to involve fMRI methods to know customer preference and marketing decision preference , 40 % of consumers want to participate and nearly 30 % tendency to not participate.

Tendency for the consumers participation to fMRI method used in neuromarketing research is 28 % of participants uncertain but 23 % of is easily attended. Generally people are undecided but they look positive to attend fMRI methods for the marketing research. Besides, what if people get worthy gift in consideration of to involve fMRI method, 27,9 % of them are not participating, 27,4 % of consumers are undecided. 27,4 % of participants represent if they get a small present, they would involve for the research. When same question was asked and result is 26,1 % of participates are undecided. 34,5 % participants are undecided about fMRI methods is reliable or unreliable. 25,7 % of participants thinks that it is reliable.

Furthermore, 38,5 % of consumers who attend for marketing research undecided about absolute result of fMRI methods. But 26,5 % of consumers believe that result of fMRI methods certainly reliable. For ethical point of view, 23 % of participants agree that neuromarketing and fMRI don't give any problems and 19,5 % of participant thinks that this method is absolutely ethical. 34,5 % of consumers are undecided. This result shows that fMRI is an ethical method. %23,5 of participants believe that neuromarketing conducted by fMRI method would be necessary for any companies in the future. %36,3 of consumers uncertain about should companies use people as experimental for fMRI methods. %25,2 of them think companies will use this method for sure. Furthermore, fMRI methods mostly would be used in economy (%24,8), education (%21,2), and health (%20,4) and again mostly these areas would give problem for fMRI methods. Nonetheless 42,9 % participants believe that companies will utilizes from fMRI method in the future and 16,8 % of them believe that fMRI method will be used especially in advertising.

In this research, it is also tried to find out that "*correlation between involvement of fMRI is not dangerous for people's health and demographic characters.*" According to Chi-Square analysis and correlation method has been done, there is a meaningful correlation between fMRI is dangerous for human being and age ($r = - 0,15$), education ($r = - 0,099$), income ($r = - 0,048$). But this relation is low and negative. Nevertheless, there is no correlation between fMRI methods used in neuromarketing strategy which is not dangerous for people's health and gender, job. For all these results shows, If age, income and education

get smaller, fMRI is not getting dangerous. Eventually, consumers who are young have lower income and education think fMRI methods used in neuromarketing strategy is not dangerous for people's health.

Ho: there is no correlation between fMRI methods used in neuromarketing strategy which is not dangerous for human health and demographic characteristics

H1: there is a meaningful correlation between fMRI methods used in neuromarketing strategy which is dangerous for human health and demographic characteristics

It is also tried to find out that "*Correlation between people who want to get involved to research for fMRI method and demographic character.*" Chi-Square and correlation test results show, there is a significant correlation between people who want to get involved for fMRI method used in neuromarketing strategy and age ($r = - 13$), income ($r = - 0,070$), and job ($r = 0,14$). There is no significant correlation between people who want to get involved for fMRI method and education, gender. For all these results shows, if age and income get decrease, people who want to get involved for fMRI method get increase.

Ho: There is no significant correlation between people who want to get involved for fMRI method used in neuromarketing strategy and demographic characteristics

H1: There is a significant correlation between people who want to get involved for fMRI method used in neuromarketing strategy and demographic characteristics

CONCLUSION

This study aims to understand the attitudes of the Turkish consumer towards the researches conducted by fMRI method for neuromarketing. The results of this study can be collected in 5 categories. In this research consumer attitudes and behaviors toward to consumption, consumer attitudes to marketing research intended for neuromarketing and research techniques, consumer attitudes for fMRI method which is newest and frequently used technique for Neuromarketing, attitudes usage of fMRI method for Neuromarketing and Turkish consumers attitudes for using of fMRI methods in the future. Turkish consumers' attitude is positive for consumption but mostly they would like to purchase products when they need it. In other words, Turkish consumers prefer to buy what they really need instead of buying whatever they interested in or desire to buy. Additionally, Turkish consumers believe that companies need to produce product intended for what customer needs.

For this purpose, consumers perceive positively when companies make marketing research but people who want to involve this kind of research are small percentage. Turkish consumers mostly want to involve surveys and observation methods. At this point of view, numbers of people who want to involve fMRI methods used in neuromarketing strategy are almost the same with survey and observation methods. This result shows consumer think positively about fMRI methods even though it is newer than other methods. After all the tests have been done, fMRI method is not dangerous for people's health usually thought by people who have lower education and income. Furthermore, consumers who want to get involved for fMRI used in neuromarketing strategy usually are younger and have lower income. Consumers' involvements don't even get change when they get a gift to involve the research. In other words, presents are not motivating to consumers. The most important factor is consumers' positive or negative feelings to want get involved the research for fMRI methods. Turkish consumers think that there is no problem in neuromarketing applications related with ethical issue to use of fMRI methods. Few people are uncertain about it but mostly believe there is no ethical problem to use fMRI method.

Turkish consumers believe fMRI method will be used in different areas in the future. fMRI method mostly will be used in economy, education and health. Also, these areas can cause possible problems. Further to that, if fMRI method applies to politics that may cause major difficulties. Turkish consumers believe that fMRI methods will be used mostly in marketing research and advertising by companies. In conclusion, Turkish consumers believe that fMRI methods used in marketing research will have been existed in the future. Even if they don't know what it is, Turkish customer attitudes are very positive for this method. Any companies or organizations want to use fMRI method in the future can use it in ethical issues. Applying neuroimaging to marketing research problems should allow us to understand far more clearly the impact of marketing techniques, as well as gain insight into key problems concerning business relationships, answers to which have previously remained elusive.

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**PACKAGE, BRAND, OR PRICE AS DIFFERENTIATOR?
A FUNCTIONAL MAGNETIC RESONANCE IMAGING STUDY**

Thomas Bender, Technische Universität Bergakademie Freiberg, Germany
Margit Enke, Technische Universität Bergakademie Freiberg, Germany
Martin Reimann, University of Southern California, USA
Carolin Neuhaus, Universität Bonn, Germany
Bernd Weber, Universität Bonn, Germany
Judy Zaichkowsky, Simon Fraser University, Canada

ABSTRACT

A large part of the daily business of marketing executives is dedicated to fighting commoditization. That is, the process of trying to differentiate their firm's products in a marketplace where competitors offer essentially products with identical core attributes, e.g., in terms of quality. Prior research and managerial practice, however, lack insight about which aspects of differentiation resonate in acceptance and purchase among consumers. Moreover, consumers' affective and cognitive processes when deciding between a standard offering and a differentiated one are not yet well understood. Should the product packing be re-designed? Should sales offer products at lower prices than the competition? Or, does a strong brand drive product success in a commoditized marketplace? By combining self-reports and brain data from functional magnetic resonance imaging (fMRI), this study assesses relevant affective and cognitive processes while consumer are confronted with three distinct differentiation aspects: packaging design, brand, and price. Empirical evidence suggests that differentiation via packaging design has a significantly larger impact on areas of the brain related to value anticipation and actual choice than brand differentiation. Important implications for research and marketing management are discussed.

PENETRATING ADOLESCENTS' MENTAL MODELS OF MP3 WITH ZMET

I-Ling Ling, National Chiayi University, Taiwan
Chun-Ming Yang, Ming Chuan University, Taiwan
Yi-Fen Liu, National Sun Yat-Sen University, Taiwan

ABSTRACT

This article demonstrates the application of the Zaltman metaphor-elicitation technique (ZMET) to help adolescent consumers delve into their unconscious thoughts and emotions and provide them with insights into the use of mp3. An analysis of interview transcripts and images revealed that the ZMET process provides a description of how the knowledge structures of adolescent consumers are subdivided and grouped around important themes that frame and motivate their involvement with a product. The findings reveal that there are 33 themes of consumer knowledge structure toward mp3. Furthermore, among these themes, there are four major concepts: size/form, convenience, appearance and comfort. The respondents' minds include not only rational components but also emotional ingredients. Notably, the results also show that music can be an effective metaphor in the application of the ZMET method. The article conducts a series of implications.

DROWNING IN DATA: EYETRACKER TIPS AND TECHNIQUES FOR CONTENT-CODING VIDEO MEDIA

S. Adam Brasel, Boston College, USA

ABSTRACT

As the use of eyetracker analysis in marketing extends from static print advertisements and webpages into dynamic media such as television and interactive gaming, the amount of data collected can quickly grow overwhelming. As the media under study is changing frame-by-frame, static methods of analysis no longer apply. This presentation looks at various methods of content-coding dynamic media for eyetracker analysis, and offers insight into how variables obscured in static media, such as dynamic goal-relevance, can create persistent biases in longitudinal eyetracker data.

SESSION 3.1: RELATIONSHIPS, TRUST AND COMPETITIVE ADVANTAGE

Session Chair: Adel El-Ansary, Univ. of N. Florida, USA

*“Brands and Branding: A Source of Wholesalers’
Sustainable Competitive Advantage?”*

Helen Marks, Trinity College, Ireland

Jim Quinn, Trinity College, Ireland

*“Does Power Oppose Trust? The Implications for Supply
Chain Management”*

Vera Belaya, Leibniz Institute for Agricultural Development
in Central and Eastern Europe, Germany

John H. Hanf, Leibniz Institute for Agricultural
Development in Central and Eastern Europe, Germany

Timea Török, Leibniz Institute for Agricultural
Development in Central and Eastern Europe, Germany

**BRANDS AND BRANDING:
A SOURCE OF WHOLESALERS' SUSTAINABLE COMPETITIVE ADVANTAGE?**

Helen Marks, Trinity College, University of Dublin, Ireland
Jim Quinn, Trinity College, University of Dublin, Ireland

ABSTRACT

The purpose of this paper is to examine whether there is a role for brands in helping wholesalers to achieve sustainable competitive advantage. Through a review of the literature it explores the changing nature of the wholesale sector and the undisputed role of brands in creating value in other service industries. It reviews the increasing resonance of brand within business-to-business marketing and the changing understanding of the role of emotion in organizational purchasing decisions.

From its naissance in consumer product marketing, the scope and process of branding has evolved into being a core business strategy that is shaping the way in which many firms organize themselves, their product and service portfolios, diversification strategy, customer experience and employee experience. This evolution has come about due to a realization that it is only a firm's intangible assets, including brand, that have the ability to deliver long-term differentiation and sustainable competitive advantage.

Wholesalers face the very real threat of being disintermediated from the channel unless they can continue to adapt to the changing demands of their customers. New competitors, strategic sourcing and the unbundling of fee structures are just examples of the issues that will put increased pressure on them to justify their services and protect their revenues. Technology, e-commerce and other functional innovations will not be enough to do this, they will have to look at those resources that are hard to codify and copy such as their brands and the delivery of their brand promise through their employees.

Strong brands help to reduce the perceived risk of the organizational buying decision and creates an emotional loyalty with the customer. They also act as cultural glue in an organization that is physically dispersed and geographically diverse, but that needs to present a common customer experience to customers (particularly multi-national customers) wherever they are located.

The vertical integration of wholesalers into retail via voluntary groups is another area in which branding can be of benefit to wholesalers. The branding strategies used to create appropriate trading formats, own label merchandise, training and marketing communications are just some of the ways brand can impact on their future success. Most especially, they are important in creating a distinctive customer proposition and experience that helps them compete with the ever more powerful multiple retailers.

The literature on branding in the B2B context is still relatively scarce and effectively non-existent in the use of brands in wholesale. However, combined with the literature on branding in products and more recently, services and corporations, a compelling argument can be made for them to be employed in wholesaling. It is certainly worthy of further exploration.

As such, the paper concludes that in order to avoid disintermediation and stay relevant and competitive, the wholesale sector needs to look beyond functional differentiators and leverage their intangible assets, especially brand. To do this they must develop a branding competency that guides the management decision making processes.

DOES POWER OPPOSE TRUST? THE IMPLICATIONS FOR SUPPLY CHAIN MANAGEMENT.

Vera Belaya, Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO), Germany
Timea Török, Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO), Germany
Jon Hanf, Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO), Germany

ABSTRACT

Much of scientific works have been written about power and trust as constructs of business-to-business relationships separately. However, most of the existing literature studies power and trust in relation to conflict or satisfaction, and the links between power and trust and their role in supply chain networks appear to be largely ignored as a research topic. Thus, the aim of our paper is twofold. Firstly, we would like to conduct a comprehensive literature review on power and trust in supply chain networks. Secondly, we intend to use our findings in order to develop a conceptual framework of how power and trust can possibly be used as mechanisms for achieving successful coordination and cooperation within supply chain networks.

INTRODUCTION

All over the world it is observable that stricter coordinated food chains are evolving. For example, the world's largest food retailer Wal-Mart is gaining competitive advantages through collaboration with its suppliers. This shows that worldwide supply chains evolve that are of non spot market nature. Instead, such supply chains are rather of hybrid character. This development can be summarized as verticalisation. In this case, the coexistence of both co-operative and competitive constructs should be recognized. Much of scientific works have been written on power and trust as constructs of business-to-business relationships separately. However, most of the existing relationship marketing literature studies power in relation to conflict or satisfaction, and the link between power and trust in the supply chain context appears to be largely ignored as a research topic (Gaski 1984). Some scientists assert that power negates cooperation (Naudé and Buttle 2000), call power to be the antithesis of trust (Kumar et al. 1998) and state that power can destroy trust very easily (Sodano 2006). On the other hand, Dapiran and Hogarth-Scott (2003) state that the concept of power is not necessarily opposed to the concept of cooperation. Bachmann (2001) argues that power and trust by no means exclude each other but occur in combination and that they should both be seen as alternative mechanisms for coordinating supply chain relationships. In order to understand the links between these two constructs one needs to be specific on their nature and origin.

While in former times transactions could be characterized as being of arm-length nature nowadays tighter procurement relationships have evolved. This development has led to the building of hybrid organizations i.e. networks. Generally, networks can be defined as 'specific properties of the transaction relationships, typified by relational relationships in which formal and informal sharing and trust building mechanisms are crucial' (Zylbersztajn and Farina 2003). In the context of vertical procurement relationships most often such networks involve more than three actors. Such collaborations can be described as supply chain networks. They can be typed as strategic networks so that they are pyramidal-hierarchically organized. This implies that they possess a focal firm which is coordinating the network and disposes over a centralized authority. The main two areas of interest when talking about supply chain management are cooperation (aligning interests) and coordination (aligning actions), which should be addressed separately (Gulati et al. 2005). Whereas cooperation addresses the problem to align the individual interests of the network actors, coordination problems refer to problems which occur due to problems of aligning the individual actions of the network participants. Problems in cooperation arise because self-interested individuals optimise their own private benefits before they strive for collectively-beneficial outcomes. Therefore, the problems of co-operation can be regarded as ones of motivation i.e., which incentives can be used (Gulati et al. 2005). Such problems can be solved by implementing formal mechanisms such as contracting, monitoring, and, sanctions or informal ones like identification and embeddedness. However, solving problems of cooperation does not automatically help to achieve coordination (Gulati and Singh 1998). Problems of coordination emerge from not knowing what the other partners are doing and which interdependencies exist among them. In this case solution mechanisms - formal and informal - have to aim to enhance shared and accurate knowledge about the decision rules that others are likely to use and how one's own actions are interdependent with those of the others (Gulati et al. 2005). Formal mechanisms include programming, hierarchy, and feedback, while informal ones are leadership, norms, culture, shared values and experience, and trust worthiness as well as a shared strategy. Therefore, there is a challenge to find out how such constructs as power and trust based on different sources can be used for managerial purposes with specific attention to cooperation and coordination issues. The aim of our paper is twofold. Firstly, we want to present a literature review on power and trust. Afterwards – as the main aim - we present a preliminary framework on how power and trust in supply chain relationships are related and how they can be used to enhance the existing chain management concepts.

POWER

The phenomenon of power has occupied the minds of many philosophers, sociologists, psychologists, and economists. Nietzsche (1901) draws a parallel between power and life and sees in power the basis which motivated all living creatures to live. One of the fundamental definitions of power as a social phenomenon could be the one of Weber (1947) who defines power as ‘the probability, in a social relationship, to impose one’s own will even against resistance regardless of the basis on which this probability rests’. One has to say that most conceptions of power are founded on this one of Weber’s. In the psychological context power is viewed as ‘the ability to change the behaviour of others’ (McClelland 1975). Commonly it is agreed upon that this ability allows the individual who possesses it to evoke changes in the behaviour and conduct of other individuals ‘despite resistance’ (Blau 1967). Applied to economic context power is defined as ‘the ability of one firm to influence the intentions and actions of another firm’ Emerson (1962). There are also a number of others who agree that power can be seen as an ability to influence or to control the behaviors, decisions, intentions or actions of others in the pursuit of one’s own interests (El-Ansary and Stern 1972; Hu and Sheu 2003). The examination of the definitions of power from different perspectives allows us to conclude that the notion of power is seen very similarly in different sciences with a difference of a context in which it is applied. Power generally refers to the ability, capacity or potential to get others do something, to command, to influence, to determine or to control the behaviors, intentions, decisions or actions of others in the pursuit of one’s own goals or interests despite resistance. French and Raven (1959) identified five types of power, each based on its source or origin: coercive, reward, expert, legitimate, and referent power. Coercive power enables an individual to punish others. Reward power depends on the ability of the power holder to offer rewards to others. Expert power is derived from the skills or special knowledge in a specific subject. Legitimate power stems from a legitimate right to influence and an obligation to accept this influence. Referent power depends on an ability to be attractive to others and depends on the charisma and interpersonal skills of the power holder.

TRUST

The question of trust is relevant in various fields of science. From the philosophical perspective trust is viewed as ‘the result of a given decision or action that recognizes and protects the rights and interests of other people’ (Hosmer 1995). This view implies that trust goes along with the morality and ethical norms of the society and its members. Sociologists refer to trust as a willingness to rely on the other in order to fulfill important promises, guided by their expectations (Mayer et al. 1995), where a clear connection between trust and reliance is made. In psychology trust is defined as ‘a psychological construct, the experience of which is the outcome of the interaction of people’s values, attitudes, and moods and emotions’ (Jones and George 1998). However, in this case the emphasis is put on the reliance upon words, promise, oral or written statement of another individual (Rotter 1967). In the economics context trust is seen in the light of gains and losses which the firms may have by entering a trustful relationship (Gambetta 1988). So having looked at trust from different science perspectives we can conclude that even though trust can be based on different actions, or behaviour, it still can be generalized as expectancy that the other will behave in a positive way or as reliance on behaviour, words, and statements of other. In order to understand better its nature, it is necessary to differentiate different types of trust from one another. There are five kinds of trust classified according to their origin: calculus-based (Lewicki and Bunker 1996), experience-based (Woolthuis et al. 2002), cognition-based (McAllister 1995), goodwill (Mayer et al. 1995), and affect-based trust (McAllister 1995). Calculus-based trust is based on both the fear of punishment for violating trust and rewards for preserving it. Trust can also originate from experience that has developed into a routinized behaviour, thus, it is named experience-based trust. Trust may also evolve from knowledge and inference of the partner’s abilities, traits, goals, norms, values, which is referred to as cognition-based trust. Before the actual relationship begins, goodwill trust forms out of an initial value which is based on inclination or willingness to trust. This inclination may be determined by survival condition, experience and socialization, traits of people and/or firm culture, or institutional environment. Another kind of trust based on loyalty, care, warmth, friendship or empathy for the other partner is called affect-based trust.

POWER AND TRUST

A more elaborate look at different kinds of power and trust reveals that there are pairs of them which stem from the same origin. We identify five common origins of power and trust: fear of punishment or trouble; repeated rewards or positive actions; knowledge, information or competence; established or accepted norms or laws; affection, reputation, image or identification with the other (see [table 1](#)). Depending on which kinds of power and trust are implied, they can have different effects on one another. Coercive power usually has a negative effect on trust in general. So the use of punishments and strict measures by the focal company will eventually decrease or even destroy the existing trust or will hinder its formation, because the supplier will react negatively to the punishing behavior of the focal company. Reward power has mostly positive

influence on trust with the exception of cognition-based and goodwill trust. A supplier considering the advantages of trusting the focal company will be even more motivated to enter a trustful relationship if there are rewards awaiting it. If rewards are offered on a repetitive basis, with the time the supplier will develop trust based on its experience. The supplier may also become impressed by rewarding actions and develop affect-based trust. However, we suppose that reward power does not affect cognition-based trust, because the offering of rewards does not mean that the focal company possesses a special knowledge or technology. Goodwill trust may be influenced by the reward power in two ways. If power is based on genuine rewards, the supplier will be willing to accept them and enter a trustful relationship. The supplier may however suspect a deceit and abstain from entering a trustful relationship, if rewards are exaggerated or unusual for its culture or mentality. The positive influence on trust can be also exerted by expert power. The acquisition of special knowledge or technology in order to achieve a powerful position and the use of expert power formed by this way will contribute to the positive development of a trustful relationship. The only exception should be mentioned for affect-based trust which can be influenced by expert power in a twofold manner. Depending on characteristics and goals of the supplier, it may either become more attracted to the focal company which is an expert in a given area or it may become resentfully envious and abstain from entering a cooperative relationship. As for referent power, we suppose that the use of a positive image and good reputation by a focal company will positively impress the supplier and will foster the development of all kinds of trust except cognition-based trust. Since the cognition-based trust is based on special knowledge, technology or special abilities, the referent power stemming from a positive image and good reputation is not likely to influence it. More complicated can be the effect of legitimate power. It may affect calculus-based, goodwill and affect-based trust in a twofold manner. Since the legitimate power originates from a given position or existing norms or laws, the supplier may take the protection offered by a legitimized powerful position of the focal company for an additional advantage. However, it is difficult to predict the reaction of a supplier in this case. It may also choose not to enter the relationship, because it may feel intimidated by that power. However its clear positive effect can be asserted on experience-based trust, since the supplier is confident in the stable nature of that power and may rely on the protection offered by the focal company's powerful position. At the same time the effect of legitimate power appears to be neutral on cognition-based trust. Trust has a positive influence on the formation and growth of coercive power. If the supplier is positively motivated and is willing to enter a trustful relationship, no matter whether it acquired its trust by calculating the costs of having or not having trust, through positive experience, goodwill or simply by being attracted to the focal company for its knowledge or good image, the latter will be inclined to take advantage of this situation and gain more profits by developing or increasing its coercive power. However, trust does not have a positive effect on reward power. If the supplier trusts the focal company, the latter will unlikely be motivated to use any reward power in order to attract the supplier, since the relationship is already good enough and is existing on the basis of trust. The influence of trust on expert and referent power appears to be the same and can have two outcomes. Firstly, if the supplier trusts the focal company, the latter is definitely not motivated to increase its expert and referent power, but it will rather be inclined to save the costs of sustaining these kinds of power. In this case we speak about the negative influence of trust on expert and referent power. Secondly, the focal company may not want to reduce its investments into its technologies and image due to trust, because by doing so it can considerably lower the supplier's trust. Therefore, being aware of this, the focal company will continue to have its expert and referent power on the same level, and the influence of trust on expert and referent power will be neutral in this case. We suppose that trust also has no effect upon legitimate power. The fact that the supplier trusts the focal company cannot change the degree of the focal company's legitimate power; because it is based on the position the focal company takes in the supply chain network and is determined by the institutional setting.

IMPLICATIONS FOR SUPPLY CHAIN MANAGEMENT

As our framework shows both power and trust could be used as mechanisms for achieving cooperation and coordination among supply chain network actors. Since coercive power is known for its punishing and aggressive nature and has a negative impact on trust in general, it has to be used only when it is absolutely necessary, otherwise it may destroy a trustful and cooperative relationship. In fact, excessive use of coercive power can eliminate all forms of trust completely. The danger of the destructive effect of coercive power on all forms of trust should not be ignored when discussing its role and implication for successful supply chain management. On the other hand, it has an enormous potential to be used very effectively in solving the problems of coordination by introducing strict rules, which all members have to follow and maintaining order. The use of reward power promotes a trustful and cooperative relationship, which eliminates the problem of aligning the interests of individual actors of the supply chain. However, rewards should be adjusted to the situation, culture and mentality of the power target and should not be exaggerated or used in an excessive manner. Reward power might help to promote faster and easier transactions among the supply chain members. The benefit to the power holder in this case is the reduction of uncertainty from the side of the weaker party, which helps to solve the problems of uncertain behaviour and coordination. Since the effect of expert power on trust can also be interpreted as positive, it is advised to use it as a tool for alignment of interests and cooperation among the network actors. But there is a chance that expert power might reduce affect-based trust,

therefore the power holder should be aware of it when using this kind of power. Otherwise, the reduction of affect-based trust might lead to more problems in alignment of interests and general cooperativeness of individual actors, because actor might become resentfully envious of the expertise or knowledge or suspicious of the expert power holder as its rival or its influence. The scale of legitimate power should be used very carefully in cases when the power target might feel intimidated by the powerful position of the power holder and should be used in such a way that the power target perceives it as a protective advantage. Referent power also mostly positively affects trust and should be used as a tool to build it. Moreover, referent power helps to reduce anonymity, increase transparency and to create identification with the supply chain network, which reduces the chance that individual players will behave opportunistically. In general, it is advised to build trust in order to achieve cooperation. If trust is sustained or increased through any kinds of power, it allows the power holder to attain even more power and opportunities to reproduce trust. Therefore, the complementary nature of power and trust comes from the ability of one to substitute for the other, when one fails. However the complementarities among them exist within certain constraints. Hence, power is not necessarily a direct substitute of trust, but depending on its nature it can destroy or help build trust. Knowing that can help managers to exercise power in a certain manner, in order to enhance or at least not to destroy trust and thus attain a more powerful position in a network for more efficient supply chain management.

CONCLUSIONS

Supply chain networks and their management have been introduced in the research strand of agricultural economics since many years. However, works on power and trust in supply chain networks have been scanty. In our paper we have tried to give an overview of the notions of power and trust from different perspectives (philosophical, social, psychological, economic) and identified different kinds of power (coercive, reward, expert, legitimate, referent) and trust (calculus-based, experience-based, cognition-based, goodwill, affect-based) based on their origin (fear of punishment or trouble; repeated rewards or positive actions; knowledge, information or competence; established or accepted norms or laws; affection, reputation, image or identification with the other). Using this dichotomy we have examined more carefully the multi-faceted interconnections of power and trust and discovered several facts which should be taken into account in the management of supply chain relationships especially for coordination and cooperation issues. The discussion on the interconnectedness of power and trust and their effects on supply chain management have proven to be very complex. Depending on their origin both constructs power and trust may oppose each other or coexist in supply chain relationships in a peaceful combination. Trust can increase power, and power offers the opportunity for developing even more trusting relations, however only if power remains within certain constraints and certainly not abused. If power is used in an exaggerated manner and not according to the agreed rules of the network actors, at this moment power does not fulfill the function of maintaining order and monitoring, and might make weaker parties to react skeptically and abstain from entering a trustful relationship with the power holder. The knowledge about the interconnections of trust and power and their mutual influences can be skillfully used for effective management of supply chain networks.

TABLES

Table 1: Common sources of power and trust

Coercive power	Fear of punishment or trouble	Calculus-based trust
Reward power	Repeated rewards or actions with positive outcome	Experience-based trust
Expert power	Knowledge, information, special abilities or competence	Cognition-based trust
Legitimate power	Originally established or accepted norms or laws	Goodwill trust
Referent power	Affection, reputation, image, association or identification with the other	Affect-based trust

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SESSION 3.2: HEALTH CARE ATTITUDES AND RELATIONSHIPS

Session Chair: Donald R. Self, Auburn Univ-Montgomery,
USA

*“Exploring the Attitude-Behavior-Gap in Online Shopping:
The Adoption of Online Pharmacies”*

Klaus-Peter Wiedmann, Leibniz Univ of Hanover, Germany

Nadine Hennigs, Leibniz University of Hanover, Germany

Lars Pankalla, Leibniz University of Hanover, Germany

Marc-Oliver Reh, Leibniz University of Hanover, Germany

Martin Kassubek, Leibniz University of Hanover, Germany

*“Health and Fitness Marketing—The Role of Relationships
and Trust”*

Michaela Sandell, Lund University, Sweden

Stefan Lagrosen, Höskolan Väst, Sweden

*“The Dark Side Effect of Perceived Risk on Smoking
Cessation: Exploring Two Contradicting Risk Dimensions”*

Ioannis E. Chaniotakis, University of Aegean, Greece

Magdalini Soureli, University of Aegean, Greece

Ioannis Valakas, University of Aegean, Greece

Constantine Lymperopoulos, University of Aegean, Greece

EXPLORING THE ATTITUDE-BEHAVIOR-GAP IN ONLINE SHOPPING: THE ADOPTION OF ONLINE PHARMACIES

Klaus-Peter Wiedmann, Leibniz University of Hanover, Germany
Nadine Hennigs, Leibniz University of Hanover, Germany
Lars Pankalla, Leibniz University of Hanover, Germany
Marc-Oliver Reeh, Leibniz University of Hanover, Germany
Martin Kassubek, Leibniz University of Hanover, Germany

ABSTRACT

For online marketers, the gap between pro-online shopping attitudes and online purchase behavior is an important challenge: Even if consumers have a positive attitude towards online shopping related to different products or shops, these attitudes are not automatically translated into regular online purchase behavior. Hence, a theoretically and empirically founded understanding of the existing gap between pro-online shopping attitudes and online shopping behavior of different consumer segments is of particular importance for both marketing researcher and marketers. The purpose of this paper is to analyze the 'attitude-behavior-gap' with reference to the perceived risk and value dimensions as key drivers of a customer's online shopping attitude, the resulting intentional behavior, and the regular online shopping activities.

As field of research, the high risk domain of medication and the online distribution of pharmaceuticals were chosen. Generally, these products are used by elderly people, who have little experiences with online shopping. In this context, a general lack of trust in e-commerce, especially in online pharmacy, is existing by potential customers. Moreover, many offline service quality dimensions like checking for medical compatibility, personal guaranty by the pharmacist for product authenticity, and the possible long time familiarity to one's favorite pharmacy may avoid consumers from buying pharmaceuticals online. Otherwise, one can not dismiss that online pharmacy in most cases has a big economical advantage for consumers, so plenty of them have actually a positive attitude toward it. Hence, this paper aims at the identification of different behavioral value perceptions in the area of buying credence goods like drugs and the special needs of shop visitors to build a blue-print of reaching online trust that may bridge consumers' individual attitude-behavior-gap

The attitude-behavior-gap in online consumerism is reflected in the fact that despite pro-online purchase attitudes and the intention to shop online, fewer consumers than expected anticipate these attitudes into everyday life online purchase behavior. A comprehensive understanding and measurement of such kind of phenomena in a technical environment like online shopping and online pharmacy respectively has to analyze and integrate a wide range of different theories to explain all the shades of human behavior. With reference to the Theory of Planned Behavior (TPB) and its focus toward individual cognition and perception of product or service attributes, we suggest that the attitude development and behavioral intention concerning online pharmacy can be described by four attitude relevant, in each case different perceived factors: financial, functional, individual, and social value, and two intention relevant factors: perceived risk and trust.

To measure the underlying dimensions of consumer pro-online purchase attitudes and online purchase behavior against the background of our multidimensional model, we did both, using already existing and tested measures and generating further items resulting from exploratory interviews with marketing experts and respondents being asked what benefits and risks they associate with online shopping and buying pharmaceuticals online. A total of 152 interviews were conducted in spring 2008.

The various dimensions underlying consumer pro-online purchase attitudes and online purchase behavior were uncovered by a factor analysis using the principal component method with varimax rotation. The factor analysis produced a nine factor structure. The factor scores for each respondent were saved and consequently used in stage two for clustering them into market segments. The focus of cluster analysis was on the comparison of cases according to the natural relationships between the hypothesized attitude-behavior dimensions and factors. The results strongly suggested the presence of four clusters: The enthusiastic experts, the risk-averse traditionalists, the convenience-oriented rationalists, and the inexperienced opponents:

In sum, the knowledge of the relevant aspects why different groups of consumers who have a positive attitude towards health related online services (information or medical advice) are uncertain to buy their pharmaceuticals online may help to address the individual risk barriers to be able to bridge the attitude-behavior-gap.

References available upon request

HEALTH AND FITNESS MARKETING – THE ROLE OF RELATIONSHIPS AND TRUST

Michaela Sandell, Vaxjo University, Sweden
Stefan Lagrosen, University West, Sweden

ABSTRACT

The purpose for the study is to explore relationship marketing in the health and fitness sector with a special focus on trust. A qualitative study involving 15 health and fitness companies has been carried out. Important aspects of trust have been defined and a framework depicting the role of trust has been developed.

INTRODUCTION AND PURPOSE

The health and fitness industry is expanding rapidly in most parts of the world. Nonetheless, research regarding this sector is still surprisingly limited. In marketing, the traditional approaches to marketing have become increasingly challenged by the development of relationship marketing (Gummesson, 1999). Health and fitness services are highly dependant on human interaction, which ought to make relationship marketing especially suitable for this sector. In our current research, we study the modus operandi of the health and fitness industry and we realised the importance of trust in the relationships. Consequently, we found that a viable research area was to explore specifically the role of trust in the relationship marketing of health and fitness companies.

In research, the concept of trust is used in a much varying manner in different fields such as psychology and organisation (Khodyakov, 2007). Commitment and trust have been shown to lead directly to success in the context of relationship marketing, trust in this case being a tendency to have confidence in an exchange partners reliability and integrity (Morgan and Hunt, 1994). Long lasting relationships between partners is considered to lead to higher profit (Gummesson, 1999). Although relationship marketing can bring positive results to companies from any industry, the theories have largely emerged from the field of services and are thus particularly relevant for service companies (Lagrosen & Svensson, 2006). In the service sector, the customer is co-producer, which brings the importance of trust to a fore. It becomes even more acute in the health and fitness industry since the customers to a degree trust the companies with their health and wellbeing. In addition, health and fitness services are highly dependant on human interaction, which ought to make relationship marketing especially suitable for this sector. Consequently, the purpose for the study is to explore relationship marketing in the health and fitness sector with a special focus on trust.

PREVIOUS RESEARCH

Marketing in the health and fitness sector has not been a focus for much research. In one comprehensive study, vital aspects of service delivery in the sector including identification of demographic differences, were examined (Afthinos, Theodorakis and Nassis, 2005). Furthermore, quality in the fitness sector, including quality dimensions and enablers, has been explored (Lagrosen and Lagrosen, 2007). Nevertheless, more research is needed, particularly since there are indications of problems in the customer relationships within this sector (Hurley, 2004).

Trust is a vital concept in relationship marketing. An important constituent in all relationships, trust has attracted substantial research (Egan, 2001; Ford et al., 1998; Gummesson, 1999; Morgan & Hunt, 1994; Rankin, 1998; Selnes, 1998). Trust, commitment and attraction can be seen as the principal concepts of relationship marketing (Grönroos, 2000). Trust often has the function of alleviating the risks that are present in all business undertakings (Gummesson, 1999; Selnes, 1998). Trust is crucial in relationship marketing, since it encourages marketers to preserve relationship investments through co-operation, to resist short-term alternatives in favour of long-term benefits, and to be less risk-averse by believing that their partners will not act opportunistically (Morgan & Hunt, 1994). Research has shown that communication (Morgan & Hunt, 1994; Selnes, 1998), shared values (Morgan & Hunt, 1994) as well as relationship and service quality (Gounaris & Venetis, 2002; Odekerken-Schröder, van Birgelen, Lemmink, de Ruyter, & Wetzels, 2000; Wong & Sohal, 2002) are antecedents of trust. Trust has been shown to be positively related to commitment, co-operation, and functional conflict, but negatively related to uncertainty (Morgan & Hunt, 1994). Trust in its turn may be a prerequisite for commitment, which on the other hand is necessary for collaborative relationships and networks (Grönroos, 2000). Some authors propose that trust can only be understood in relation to triads or networks (Havila, Johansson, & Thilenius, 2004; Svensson, 2004).

Since services usually imply human interaction, trust may be particularly vital in service relationships. One of the principal concepts in service management is reliability (Grönroos, 2000; Lovelock, 2000; Parasuraman, Zeithaml, & Berry, 1985). We propose that trust is reliability seen from the customers' perspective. What the customers trust is that the service provider will carry out the service in the desired way. Consequently, reliability of the service provider is what creates trust by the customer. This is in accordance with the reasoning of Grönroos who also connects reliability and trustworthiness in one of his criteria of good perceived service quality (Grönroos, 2000). Moreover, it has been claimed that reliability is related to trust particularly in the retention phase of a relationship (Bruhn, 2003).

METHODOLOGY

Since this is an explorative study, we wanted to carry out the empirical part inductively. We wished to gain access to the respondents own views without imposing our presuppositions on them. Thus, the empirical data collection was carried out inductively, inspired by the approaches of Grounded Theory (Glaser & Strauss, 1967). As the object of study is abstract and complex qualitative methods of data collection should be appropriate. Consequently, a multiple case study was carried out. The authors trained students in performing qualitative in-depth interviews. The importance of not forcing presuppositions upon the respondents was emphasised. Instead, the students were instructed to encourage the respondent to speak freely from their hearts, as this is a vital aspect of qualitative interviewing (Patton, 1990). The interviews were of a conversational character and no fixed set of questions was used. Fifteen companies in the health and fitness sector were chosen. The students carried out between two and seven in-depth interviews with the staff of each company, giving a total of 55 interviews. In addition, 71 interviews with customers were carried out. Furthermore, the students performed observation of the companies and reported their impressions.

FINDINGS

When the constant comparative method from the Grounded Theory-approach was applied to the material from the interviews, the following categories emerged.

Their offer

Some aspects of the offers were emphasised. Firstly, the freshness and cleanliness of the facilities were seen as utterly important. Secondly, the value of image was highlighted. Interestingly, the images of the different companies are rather varying. Some are quite 'flashy' while others try to have an intentionally low-key image. This makes them attract different kinds of customers. Thirdly, the importance of having attractive instructors came up. Officially, this mainly concerned professional attractiveness but it was evident that in many cases this could have a more general meaning. Fourthly, constant development and renewal of the programmes was discussed. Fifthly, the requirement for good accessibility was underscored.

Personalising customer relationships

Companies should develop personal relationships with their customers, treating them as individuals and not as a collective. Instructors and other staff should learn the names of the customers and greet them individually. They should take time for each customer and occasionally engage in small-talk with them. This could lead to the build-up of trust. Some customers choose a certain provider just because they have a relationship with one of the employees as this means that they have someone whom they trust in the service providers' organisation. Regarding the training and treatments, companies are requested to customise their offers. Companies should also be proactively alert of potential customer problems. The customers trusting that the company will suggest the best training classes, treatments etc based on the customers needs and not on the companies own pursuit of profit, is important.

Organising customer relationships

In this category, the companies' responsibility for organising the relationships between customers is discussed. For many customers, a major reason for satisfaction or dissatisfaction is the interaction with their co-customers. In addition, it is quite usual that customers choose a certain provider due to having friends training there. Again, trust is important. Since the customers sometimes tend to find themselves in potentially embarrassing situations, it is vital that the co-customers in no way take advantage of this. Consequently, certain responsibility needs to be put on the customers to behave in a proper way not to disturb or embarrass their co-customers. Rules as well as commitment from the customers themselves are needed. The introduction of new customers is a vital aspect in this. Companies can also alter their customer base by managing their offer.

For instance, one gym refuses to procure heavier dumbbells although they are requested by some of their members. The reason is that they do not see elite body builders as their primary target group but they want to focus more on ordinary people.

Co-opetition

Most of the companies are actively engaged in collaboration with other providers. They may participate in industry associations of different kinds which makes it easier for customers to use the associated partners of the company if they are travelling or moving. Interestingly, the view of the competitors was mainly that they were seen as collaborating partners. They argued that their rivals' activities served to increase the general interest in society for health and fitness services. Thus, in the longer term it would be of benefit. Accordingly, advertisements by competitors were generally seen as something positive since it heightens the interest for health and fitness among the population in general. Perhaps surprisingly, we found a considerable level of trust between the companies in within the sectors although they are competitors. Furthermore, many companies collaborate with other kinds of organisations such as schools, restaurants and sport equipment shops. Obviously, trust is important also in these cases.

Handling internal relationships

Much of the interviews concerned the relationships that exist inside the companies. In this context, competence development was particularly emphasised. The competence of the employees is the main asset of the companies. Development of competence is therefore vital for their competitiveness. However, it is also a means of increasing the satisfaction among the staff since they consider possibilities to develop their individual competency both enjoyable and useful. The organisational climate of the companies was another issue that was highlighted. A happy atmosphere is requested. The employees should have fun and enjoy working with each other. Having clearly defined organisational values was seen as a way of achieving this as well as organising social activities for the staff. Furthermore, the relationships between the managers and their subordinates were an important part of this dimension. Managers are expected to be committed, skilled, composed and emphatic. They should be good listeners, have the ability to handle interpersonal problems and have trust in their subordinates. In addition, they should be consistent, dependable and trustworthy themselves.

Communication

This category concerns the way the companies communicate externally. All companies advertise in local newspapers. They also considered their homepage to be a useful communication tool. Nevertheless, word-of-mouth was seen as the most vital communication tool by far. Consequently, satisfied customers are crucial for recruiting. We found that the companies generally trust that the customers will speak positively about them when talking to their friends and acquaintances. Other options that were mentioned in this context were; telemarketing, e-mail marketing and posters in local shops.

Gaining market knowledge

This final category includes the methods the companies use for gaining market knowledge. Their efforts in this regard are mainly directed towards their current customers. They frequently contact their customers personally in order to discuss the services that they provide. The fitness instructors often take some time after each class to ask for feedback from the participants. The employees are also encouraged to chat with the customers in order to learn their opinions. In particular, it is useful to discuss with well-known customers whom they genuinely trust, as they are more likely to give honest opinions. The information acquired with these methods is in some cases collected in databases. Some of the companies also use questionnaires for their customers to fulfil.

A FRAMEWORK FOR RELATIONSHIP MARKETING IN THE HEALTH AND FITNESS SECTOR

In order to visualise and present the findings in a comprehensive way, we have developed the framework presented in [Figure 1](#). The company is depicted in the middle as it is the vantage point for the model. Handling the internal relationships, the nano relationships are vital for its survival as well as for its development. The organisational climate should be characterised by trust in order for sound relationships to be formed. The importance of communication and shared values for the development of trust, which has been seen in previous research (Morgan & Hunt, 1994; Selnes, 1998), was emphasised also in this study. The interaction between the company and its competitors takes place through a process of co-opetition. This implies that the

companies are collaborating at the same time as they are competing which requires a certain level of trust. Since many parties are involved, trust cannot be an isolated feature of one relationship but must be seen in a larger context of triads and networks as has been proposed in earlier research (Havila et al., 2004; Svensson, 2004).

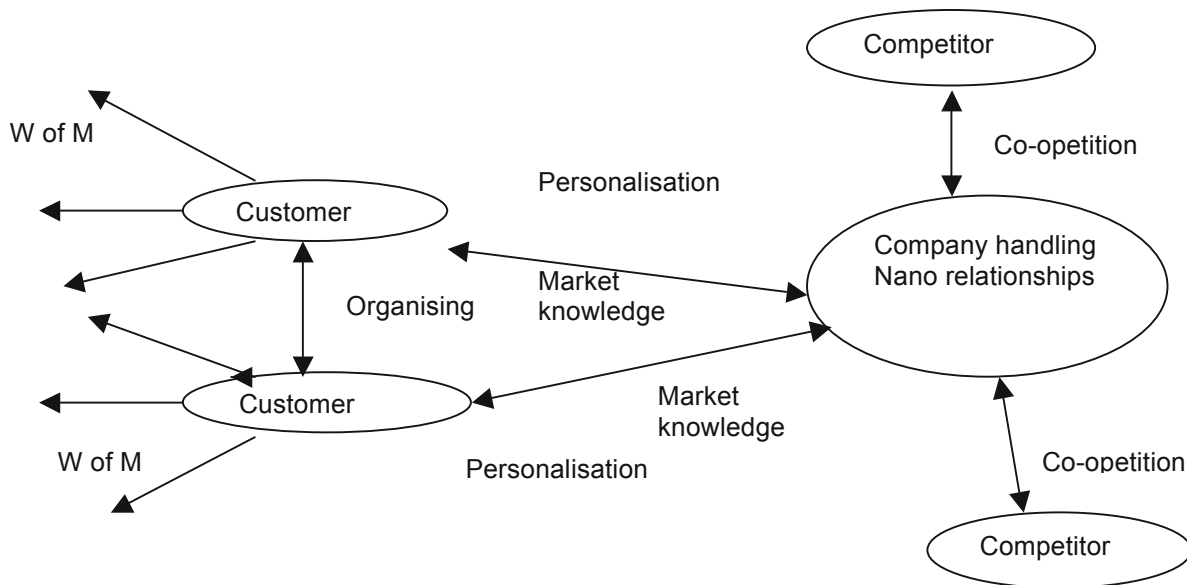
The relationships between the company and its customers should involve an effort of personalisation. The customers should be treated as unique individuals. Only then can true trust arise. Moreover, the company needs to organise the relationships between the different customers. Ideally, they should build up trust between their customers. The customer relationships also constitute the primary channels for the companies' market knowledge. The companies need to know what their customers want and how they perceive their current offers. Customers will only disclose this knowledge in a sufficient way if they trust the company. Finally, it was found that the companies in general see word-of-mouth as their principal communication channel. This shows that they have a high level of trust in their customers as well as expecting the same from them.

CONCLUSION

The study has shown the relationships that are most vital for companies in the health and fitness sector. A framework illustrating and linking these relationships has been proposed. This framework should be useful for managers in the health and fitness sector as an aid for visualising relationships of interest and their influence. In addition, it constitutes a basis for further research. In all the relationships, trust was found to be one of the principal components. This highlights the value of conducting research regarding the role of trust in relationship marketing. Further research with this purpose should be valuable.

FIGURES

Figure 1: A framework for relationship marketing in the health and fitness sector



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THE DARK SIDE EFFECT OF PERCEIVED RISK ON SMOKING CESSATION: EXPLORING TWO CONTRADICTING RISK DIMENSIONS

Ioannis E.Chaniotakis, Hellenic Open University and ATEbank, Greece
Magdalini Soureli, ATEbank, Greece
Ioannis Valakas, ATEbank, Greece
Constantine Lymperopoulos, University of the Aegean, Greece

ABSTRACT

An understanding of consumer behaviour has been vital for any context in the marketing discipline. Particularly, in the case of health care marketing, the exploration of consumers' risk-taking behaviour and decision making under uncertainty contributes to successful marketing efforts towards desirable health behaviours, such as smoking cessation. This paper examines the simultaneous, dual effect of perceived risk on smoking cessation intention by introducing a new framework of consumer behavioural intentions including two dimensions of perceived risk, the "risk not to quit" and the "risk to quit" smoking. The model is tested by means of a survey among adult smokers in Greece, using SEM. According to the research findings, the two dimensions of perceived risk have a direct, but contradicting to each other, effect on smoking cessation intention. This effect should be taken into account by practitioners, both health care organizations and companies that market substitutes for smoking.

INTRODUCTION

As consumers' decisions involve a certain level of uncertainty and may cause negative outcomes, the notion of perceived risk and its effect on customer attitudes, behavioural intentions and decisions, have been widely discussed in marketing literature since 1960 (Minor and Mowen, 1998). More specific, the effect of perceived risk on people's intentions to protect themselves from harm and engage in desirable health behaviours has been examined and a significant effect has been established (Pechmann et al., 2003; Rindfleisch and Crockett, 1999).

According to existing knowledge, people are risk averse and this is why marketers try to minimise perceived risk. In fact, the effect of perceived risk on decisions may be either negative, when people purchase basic goods and services, or positive, when people engage in experiential-hedonic activities due to normative and hedonic motives (Minor and Mowen, 1998).

Based on this two-sided effect of risk on decisions, this paper constructs a new conceptual framework, where perceived risk has two dimensions and therefore, a complex, dual, effect on behavioural intentions related to health protection. Particularly, the purpose of this research is to further explore consumer decision making in health care marketing by developing and testing a research model that illustrates "smokers' dilemma" combining two dimensions of perceived risk, the risk not to quit and the risk to quit smoking. The scope of this study is limited to smoking behaviour, which though is of particular interest as it indicates how consumers behave in general with respect to potentially risky consumption decisions (Viscusi, 1991).

Following this, the main research aim is to identify how two different dimensions of perceived risk impact differently on consumers' smoking cessation intention. To this end, the authors present the background to research pertaining to the effects of perceived risk on consumer behaviour and include previous studies that have examined the factors affecting smoking behaviour. A summary of the research methods used is described, followed by the model of behavioural intention. The results of a survey carried out among adult smokers in Greece are analysed. The model is tested using SEM and the findings generated from the examination of model hypotheses are discussed.

LITERATURE REVIEW

Smoking has become a health risk behaviour in many societies (Byrne et al., 1995). According to relevant statistics, by year 2020, the worldwide smoking population will reach 1.6 billion people and the death toll from tobacco use is expected to rise up to 8.4 million (Centers for Disease Control and Prevention, 2001). Despite the anti-smoking campaigns such as the implementation of compulsory health warnings on cigarette packets by the European Commission to reduce tobacco use (Willemsen, 2005), the smoking rate among adolescents has not declined (Kim, 2006) and cigarette smoking is today an important cause of premature mortality and disability (Willemsen, 2005).

There are several factors identified in existing literature to influence smoking behaviour. Moreover, influences on smoking are complex (Strong and Sidira, 2006). A number of studies have focused on consumers' socio-demographic characteristics such as age, gender, and education, as determinants of smoking behaviour (e.g. Droomers et al. 2004). An interesting research on smoking risks was carried out by Viscusi (1991), who examined the role of age with respect to smoking behaviour, indicating that the influence of perception of the risks on smoking behaviour does not differ significantly for the smokers of younger age.

Several studies have also investigated the reasons for taking up the smoking habit. Avlonitou et al. (2003) found that among the reasons for smoking are stressful events, curiosity and pleasure, while tobacco advertising has no influence. The reasons for smoking were also explored by Kamenidou et al. (2004) who came up with four smoking factors i.e. relaxation, peer influence, for body and mind, for pleasure and out of habit.

From another perspective, the effect of the new tough health warning labels on cigarette packages was examined by Willemsen (2005) who showed that the new labels influenced smokers already intending to quit smoking, but caused negative reaction among unmotivated smokers who do not want to quit (Willemsen, 2005).

Costa and McCrae (1981) focused on the psychological benefits that smoking is considered to offer such as sedation, pleasure, stress relief, and relaxation, and found that these smoking benefits are not real and do not contribute to psychological well-being. The impact of smoking benefits on the use of cigarettes has been also examined by Lucas and Lloyd (1999) who emphasised on negative emotions such as stress, and body weight control as determinant factors of smoking maintenance, but showed that smoking cannot be attributed to either perceived stress or need for weight control.

Dardis and Keane (1995) investigated the internal risks and benefits from smoking. According to their findings, smoking benefits are usually immediate, while risks refer to the future and are outweighed by the uncertainty about getting a smoking-related disease. Rindfleisch and Crockett (1999) suggested that smoking risks include addiction, financial, health, social and time risk dimensions and showed that all these risk dimensions are strongly associated with smoking behaviour. Similarly, Dijk et al. (2007) referred to the positive and negative consequences of smoking and showed that smokers do smoke because they perceive that smoking tastes good, is relaxing, sociable, cool, and keeps them from feeling bored. They also found that non-smokers consider smoking to taste bad, smell unpleasant and be unhealthy.

To sum up, the majority of the above studies have highlighted some of the key factors that urge people to smoke and have also identified the inherent negative perceived risks of smoking. However, existing literature has only indirectly referred to the perceived risk of quitting smoking, which could be considered as the dark side effect of perceived risk on smoking cessation. Although, some researchers (see Dardis and Keane, 1995; Dijk et al., 2007) have examined both the perceived potential benefits and costs of smoking, they have neither explicitly established the role of risk of quitting in smoking behaviour nor tested the simultaneous, dual effect of perceived risk on smoking cessation intention and how this effect may vary according to consumers' characteristics such as age. Thus, opportunity exists to develop an alternative behavioural model of risk-involving consumers' decision making process and provide insight into both the risk dimensions and the effect of perceived risk on desirable health behaviors.

METHODOLOGY

The research model of this study was developed, based on the two dimensions of perceived risk, which were identified in existing literature as determinants of smoking behaviour: a) the potential benefits of smoking or else the costs of quitting smoking, which refer to the dimension of risk to quit, and b) the potential costs of smoking, which comprise the dimension of risk not to quit and refer to health risks. These two dimensions describe "smokers' dilemma", after which the proposed research model is named. The research propositions were formed according to research findings as mentioned above. As a result, health risks were hypothesised to positively affect consumers' intention to quit smoking (as in Lucas and Lloyd 1999). On the contrary, perceived risks related to the costs of quitting smoking were considered to have a negative effect on consumers' intention to quit smoking (as in Rindfleisch and Crockett 1999). The role of age as a moderating factor was also considered in the model (see Viscusi 1991), in that smokers of older age would be more perceptive of both the health risks of not quitting smoking and the costs of quitting smoking due to their habit.

The selected research context for this study refers to Greece, which has the highest cigarette consumption per capita in Europe and where smoking is a widespread social phenomenon (Strong and Sidira, 2006). The selection of this environment as the context of the field study would draw useful conclusions and allow for generalisations on smoking behaviour patterns.

The field research was performed in January 2007 in the greater area of Athens. The target population was men and women, adult smokers. Data were collected by means of personal interviews. To this end, a structured questionnaire was designed and administered to 898 adults. The design of the questionnaire was based on a smoking cessation questionnaire developed by the McKinley Health Center (2007). The first part of the questionnaire referred to respondents' smoking history and general patterns of consumption, while the second part included specific questions about smoking related risks and particularly health risks and risks to quit.

Measurement scales for the model variables were formed according to research findings of previous studies and tobacco warning labels as these appear on cigarette packages. The respondents were asked to state their level of agreement with a number of sentences. Two model variables were latent constructs, and another two were observed variables. In order to examine the scales' reliability and validity of the model latent variables. Alpha Cronbach reliability tests were performed. The measurement indicators were found to be reliable (alpha values > 0.7).

More specific, for the measurement of Risk Not To Quit (NTQ), six indicators were used. These were adopted from the tobacco warning labels and referred to "smoking may cause heart disease" (ntq1), "smoking may cause skin aging" (ntq2), "smoking may cause heart attack" (ntq3), "smoking may cause me a stroke" (ntq4), "smoking may cause lung cancer" (ntq5) and "smoking may cause early death" (ntq6). The measurement items used for perceived Risk To Quit (TQ) referred to "increase of stress" (tq1), "being more nervous" (tq2), "loss of smoking pleasure" (tq3), "difficult to escape from problems" (tq4), and "being more aggressive" (tq5). Smoker's Intention to Quit (IQ) was an observed variable, and was measured with the question "how likely you think it is for you to quit smoking within the next twelve months". Age (A) was also an observed variable, measured with a ratio scale.

ANALYSIS AND RESULTS

Data analysis showed that Greek smokers are heavy users of cigarettes. They smoke on average 19 cigarettes per day and have been smoking for an average of 13 years time. They have tried to quit smoking at least once, but the maximum period they were able to refrain themselves from smoking was three months. Almost half of them (47%) started smoking at school age. They reported that the main reason for starting smoking was curiosity (42%), while the influence of their friends was also important (32%). 81.5% of the respondents stated that they would quit smoking for health reasons and 76.5% claimed that the main factor that would help them in their decision to quit smoking would be their personal will to do so.

The research model was specified in a structural model (shown in [Figure 1](#)) and tested using the Amos 4.0 software. As presented in [Table 1](#), although χ^2 statistics did not show a good fit of the model, all the important indicators of the model fit were above the accepted values. For this reason this model was considered to be an acceptable one ([Figure 1](#)).

Moreover, the research propositions were supported by the significant path coefficients estimated in the model. Specifically, the perceived health risks positively affect smokers' intention to quit ($t=2.327$, $p=0.020$). In addition to this, smokers' perceived risks related to smoking cessation were found to have a direct negative impact on their intention to quit ($t=-3.314$, $p=0.001$). Age was found to have a direct positive effect on the perceived risks not to quit ($t=2.537$, $p=0.011$), in that elder smokers smoke for a longer period of time, and therefore, perceive higher risks of quitting, compared to younger ones.

CONCLUSIONS AND IMPLICATIONS FOR MANAGERS

This research contributes to the success of health care marketing by providing insight into smoking behaviour which refers to a potentially risky consumption decision. By assessing how risk perceptions are transmitted into smoking intentions, this study offers useful guidelines on how perceived risk may result in consumers' health protection actions. Two risk dimensions having direct but contradicting effects on smokers' intention to quit were identified. More specific, health risk or risk not to quit has a direct positive effect, while the perceived risk to quit has a direct negative effect, on intention to quit. Moreover, older smokers perceive higher risks to quit, due to their long-term addiction to smoking.

Academic knowledge benefits from these research findings, in that a new model, named "smokers' dilemma", enriching existing behavioural patterns on perceived risk effects, is tested and found to have a good fit. The study confirms the complexity of consumer behaviour as it establishes a second, "dark-side" of perceived risk and provides evidence for the simultaneous, contradicting effect of both risk dimensions on the smokers' intention to quit. Following this, the "smokers' dilemma" model may be used in other similar risk-involving cases of consumer behaviour and provide useful insight.

Moreover, the study's practical contribution is versatile, as it adds on current health care marketing practice in order to develop novel and refreshing perspectives and thinking and be effective in generating desirable health behaviours. Health organisations should try to minimise smokers' perceived risk to quit focusing on the illusory benefits of smoking. By emphasizing on the temporary, trivial loss of pleasure that quitting smoking may offer and by underestimating the social costs of smoking cessation, health marketers have a strong potential for stimulating health protection reactions. Health marketers should work against the fear appeal approach that some tobacco companies are using in order to keep their customers, by demonstrating the manipulative nature of this type of approach and at the same time highlight the importance of health benefits -not dangers- associated with smoking cessation using real data figures.

Companies that market substitutes for smoking should also consider the dark-side effect of perceived risk on smoking cessation intention and focus on the perceived risk to quit smoking when communicating the benefits and positive outcomes for customers using their products.

It should be noted, though, that a limitation of the study is related to the focus of the particular study on perceived risk. Therefore, the consideration of other variables that, according to literature, could have an impact on consumers' intention to quit smoking are not considered in this research. However, a more detailed model would be more complicated and less useful for understanding the effect of contradicting perceived risks.

Further research, aiming to explore in detail the effect of each single factor that affects consumers decision to quit smoking, could integrate and enrich the current model adopting a more holistic approach of the particular health behaviour.

TABLES

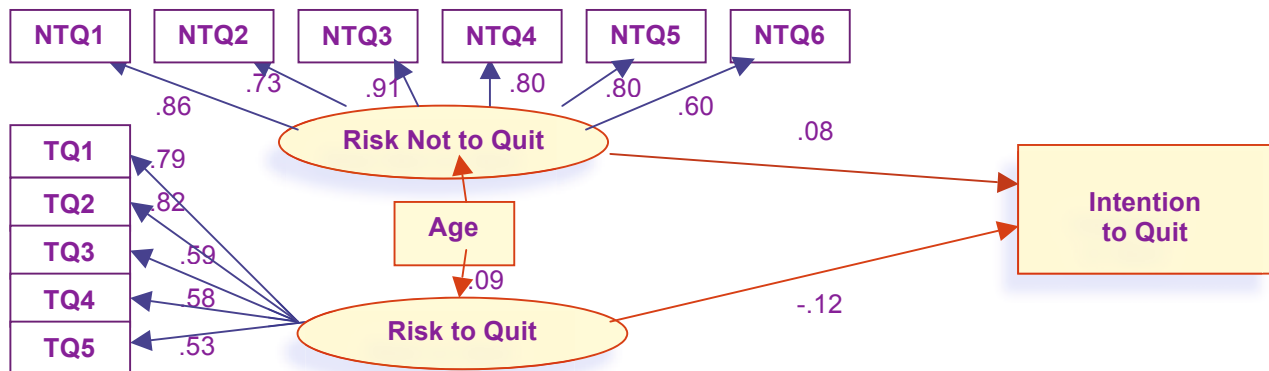
Table 1. Summary of fit indices of the model

VARIABLE	χ^2	p.	$\chi^2/ d.f.$ ratio	GFI	AGFI	TLI	CFI	RMSEA
VALUE	239.749	.000	3.806	.961	.944	.953	.962	.056
SUGGESTED VALUES		>.05	< 5.00	> .90	> .90	> .90	\geq .95	< .070

$\chi^2/ d.f.$ ratio < 5 (Wheaton et al., 1977), GFI > 0.90, AGFI > 0.90, TLI > 0.90 (Hair et al., 1995), CFI \geq 0.95 (Hu and Bentler, 1999), RMSEA < 0.07 (Hair et al., 2006)

FIGURES

Figure 1. The model



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SESSION 3.3: RETAILING STRATEGY

Session Chair: Julie Baker, TCU, USA

“Vertical Allocation of Brands in Retail Shelf-Space and its Effect up on Sales”

Valdimar Sigurdsson, Reykjavik University, Iceland

Halldor Engilbertsson, Reykjavik University, Iceland

“Prompt Gift Card Redemption could Facilitate Business Growth”

Mario J. Miranda, Victoria University, Australia

László Kónya, Victoria University, Australia

“The Provision of Financial Services by Retailers to their Customers—Is it Sustainable?”

Steve Worthington, Monash University, Australia

VERTICAL ALLOCATION OF BRANDS IN RETAIL SHELF-SPACE AND ITS EFFECT UP ON SALES

Valdimar Sigurðsson, Reykjavik University, Iceland
Halldór Engilbertsson, Reykjavik University, Iceland

ABSTRACT

Shelf space is considered to be valuable in retailing since allocation of brands is believed to have an effect upon sales. In-store buying behaviour involves unplanned purchases which brands should be able to capitalize on with the right placement strategy. The purpose of this study was to assess how, and to what extent, it is possible to use behavioural experimentation and relative sales analysis to study the effects of product shelf placements on consumers' brand choices in the retail environment. An in-store experiment was performed in two supermarkets to investigate the effects of different product shelf placements on consumers' relative buying behaviour using an alternating treatment design with a baseline. The intervention consisted of periodically placing a particular target brand on the lowest, middle and highest shelf in its product category. The results showed that the target brands' relative sales against its product category were similar across the different placements.

The in-store experiment also revealed that it is possible and efficient to perform in-store experiments, e.g., with alternating treatment design, to identify important behaviour-environment relationships in a retail setting or to test consumer behaviour theories. The results reveal steadiness of consumers' choices in this setting and resistance to change regardless of different shelf placement of the target brand. The product category was crisps and is considered to be an "instant" unplanned buying product category. Sales are therefore generally considered to be sensitive to their placement in store shelves. As this intervention changed behavioural effort it should alter the substitutability of brands. The results, however, showed in contradiction to the literature that the different vertical placing of the brand on different shelves in the two supermarkets had no significant effects. The results of the in-store experiment go against the notion that eye level placement has dominating influence on point of purchase buying behaviour as theories of visual perception and peripheral eye imply. Although the experimental condition did control for most elements of the marketing mix, unknown external factors are still having an impact on relative sales.

References available upon request

PROMPT GIFT CARD REDEMPTION COULD FACILITATE BUSINESS GROWTH

Mario J Miranda, Victoria University, Melbourne, Australia
Laszlo Konya, La Trobe University, Melbourne, Australia

ABSTRACT

There is evidence that significant number of prepaid gift cards remain unredeemed for considerable periods. This study identifies that store promotions can facilitate quicker redemption of gift vouchers. The results of this study suggest that store promotions facilitate moving gift card recipients from a state of volition control to elaborating on the potential of adding value to the gift vouchers, thereby bringing forward the hierarchy of effects that expedite consumers becoming regular store patrons and gifting the store's vouchers to others. Consequent increase of the churn rate of gift cards will result in higher return on stock investment than revenue, from sale of gift cards, used as "floats".

INTRODUCTION

For some time now retailers have been offering their patrons the facility of gifting cash vouchers purchased from their stores. Most often gift vouchers or cards are purchased when the patron is constrained either by time or information on buying an appropriate gift. It is believed that over \$70 billion in prepaid gift cards were sold during 2006 alone (PaymentNews.com, 2006), with some seeing the figure approaching \$100 billion in 2007. The popularity of gifting store vouchers appears to have increased with rising number of shoppers making their purchases from virtual stores. Boyte (2008) reports that a survey conducted by Nielsen Online Retail Monitor of the online Christmas shopping habits of New Zealanders in 2007 showed that 49 percent of active Internet users aged 18+ anticipated making an online gift voucher purchase in 2007. PaymentNews (2006) reports that for the first time gift cards will supplant toys, games, music and movies as the gift of choice and will rival even the perennial favourite, apparel, as the gift to give.

According to Horne (2007), there is evidence that in many instances, these prepaid gift cards stay unredeemed for long periods of time, with a few even reaching their use-by dates before being liquidated. The irony is that there is no visible indication that retailers are actively encouraging the "redemption" of gift cards. In fact there is a suspicion that some retailers make it difficult for consumers to use the prepaid cards, because these retailers covertly want to hold on to the "money for nothing" or the unredeemed balances of gift cards. Horne's (2007) estimate that consumers spend an additional \$1.40 on average in the store for every \$1.00 of face value of the gift card that they redeem suggests that retail merchants should be encouraging gift voucher recipients to trade in their gift vouchers as soon as possible. In order to facilitate the speeding up of gift card conversion, it is moot point whether retailers need to get shoppers to consider elements that go beyond their holistic perceptions of gift card redemptions and cognise with the benefits of early redemptions. It is reasonable to assume that the *accelerated conversion by recipients of gift cards* to merchandise in designated stores would hasten these people becoming *regular* customers of the stores and potentially themselves giving store gift vouchers as presents.

LITERATURE REVIEW AND THEORETICAL CONSTRUCT

Heretofore little attention has been paid to the reason for gift card recipients delaying the redemption of their vouchers. Delaying an activity habitually is not an uncommon human trait according to Jones (1981) and is widely practiced when people believe that putting-off doing a job may not be procrastinating if the job can legitimately wait. Jones (1981) considers procrastination most likely to happen when one is associated with low involvement decisions instead of higher involvement ones. Gift card recipients' procrastination in redeeming gift vouchers suggests that processing gift cards may be part of a low involvement decision protocol where consumers follow *peripheral routes* of decision-making that take reliance only on the secondary aspects of early redemption, like gift card value and gift card validity period, in a passive way where little cognition is applied. Most often, consumers are familiar with these factors and the shopping protocol is through, as Petty and Cacioppo (1983) call in the "Elaboration Likelihood model (ELM)", the peripheral route of decision-making. According to Murphy and Enis (1986), consumers adopt a low involvement mode when they believe that the product category in question is of "generic" nature. They see little risk in following conventional wisdom, purchasing what is convenient, and not considering untried alternatives. Ajzen and Fishbein (1980) averred that during consumers' low involvement buying protocols, their passive processing of holistic perceptions might be encouraged by the principle of "volition control", i.e. when consumers believe that they *lack the incentive* to perform the behaviour of their own desire or will, they are not likely to form strong intentions to perform that behaviour. In effect, Ajzen and Fishbein (1980) suggest that providing an incentive will motivate consumers to act as per their volition. Jones (1981) also asserts that providing the benefit of a specific reward

may bring about an attitude change that can counteract procrastination. Petty and Cacioppo (1983) corroborate this assertion by arguing that consumers develop a high involvement in their purchase when they follow the *central route* of decision-making, “elaborating” on product benefits and base their attitudes and choices on *specific* offerings.

The mentality of consumers to procrastinate and restrict themselves to the peripheral route of decision-making that inhibit them from participating in high involvement buying protocols, according to Butz (2004), may be because of “anticipatory obstructers” that represent consumers’ conventional wisdom. In the absence of research evidence of anticipatory mechanisms that control gift card redemptions, it is reasonable to consider *anecdotal* factors that may hinder the redemption of the gift vouchers. Typically, gift card value, transferability of gift card, gift card validity period, lapsed time of gift card receipt and previous visits to the store are some of the factors that influence the consumer attitudes to redeem their gift vouchers. Nonetheless, Petty and Cacioppo (1983) believe that specific promotions directed at targeted consumers can create a “hierarchy of effects” where consumers first change their beliefs and then their attitudes in their decision making protocol and eventually feel impelled to change their behaviour.

Studies by Janiszewski (1988) and Rossiter *et al.* (1991) indicates that high involvement with an issue requires the intensity or the quality of the proposition used in the message to be engaging or persuasive in order to influence the decision process. In order to move consumers from the peripheral route of decision making to the central route, Rothschild and Houston (1977) have suggested that it is useful to link the ostensibly low involvement choice with a high involvement issue and cite the example of choice of disposable napkins (low involvement) with biodegradability (high involvement issue) to illustrate the shift from the peripheral route to the central route of decision making. Miniard *et al.* (1988) caution that involvement is an expansive emotion and often it is not of a single dimension but may include several factors.

RESEARCH PROBLEM

Empirical evidence, such as the PaymentNews (2006) report, suggests that considerable number of gift card recipients exchange gift vouchers only after a significant lapse of time from receiving them. It is reasonable to assume that gift card recipients generally feel little motivation to really *think about the conversion* of the voucher to physical merchandise/service. On the other hand, it would be perverse that retailers are comfortable in holding on to the “float”¹ as long as they could and not be interested in gift card redemptions. Piquantly, there is no empirical indication that retailers make demonstrated efforts to have prepaid gift cards redeemed. Perhaps retailers would encourage early redemption of gift vouchers if they had evidence of a relationship between post redemption store-patronage behaviour and the low involvement of the gift card recipients, in the decision to redeem gift cards characterised by the lack of urgency in trading them.

Butz’s (2004) study of cognition include investigation of the type of anticipatory mechanisms and stimulus drivers that *together* help to condition behaviour and learning outcomes. In this research we will similarly examine if anticipatory mechanisms and stimuli jointly influence the *interregnum* between receiving gift cards and redeeming them, namely,

1. Anticipatory mechanisms like, the lapsed time of gift card receipt, value of gift card received, transfer of gift card, knowledge of gift card validity, intention to redeem gift card, amount of gift card redeemed, previous visits to the store and the last time store was visited. Some of these anticipatory mechanisms are identified in this literature review, while others could ostensibly underpin the redemption of gift cards.
2. Stimulus drivers in form of store promotion that motivate gift card redemption and possibility of gifting store vouchers.

The scant marketing literature on decision making of gift card redemption does not specifically refer to these variables. However, Miniard’s *et al.* (1988) contention that *involvement* is an expansive emotion that often is not of a single dimension has encouraged us to consider a range of anticipatory and stimulus factors together with demographics of the respondents, like age, occupation, household size, residence postcode and language spoken at home. We believe that these variables may have a mediating influence on the level of consumer involvement while deciding when to trade in the gift cards.

Research method

A pre-tested structured questionnaire was verbally administered among randomly selected adult shoppers across Melbourne, exiting the main entrances of two of Australia’s biggest shopping centres in Melbourne, Chadstone and High Point. Both

¹ The finance definition of “float” as per <http://www.yourdictionary.com/float> is the difference between the funds that a bank has on deposit and the funds that have been paid out of its account.

these shopping malls house retail stores that sell a large variety and assortments of goods across a wide price range of brands that include household durables, lifestyle and entertainment products, apparel, fresh and packaged food products, groceries, and services like hairdressing and fitness clinics. The administration of the survey was constrained to a limited time of two weeks. Within this time there was a need to actively interview a reasonable number of respondents who had received store vouchers as gifts, in order to ensure reliable empirical results. Several of these stores offer vouchers in various denominations. There is no evidence of these stores documenting the name and contact details of purchasers or intended recipients of the gift cards. The survey was administered at the mall exit points that offered greater catchments size rather than at the checkout counters. For the same reason of bolstering the number of participants in the time the field research was conducted, the survey queried those who had gift vouchers over a period of three years instead of a shorter time period. However, only those 252 shoppers, 172 females and 80 males, were included in the data analysis who actually confirmed having redeemed the store gift card. The survey was conducted at varying times on different days of the week over a fortnight in May 2008. No incentive was offered for participating in the survey, but the respondents were made aware that the investigation was part of academic scholarship.

In this study the respondents were specifically asked how long it took them to redeem the voucher after receiving the gift card. Since the aim of this study is to ascertain the interregnum between receiving the gift voucher and trading it in for merchandise/service, we focussed on the following variable: WHENREDEEM: *How long after receiving the gift card did you redeem it?* (less than 3 months, 3-6 months, 6-12 months, more than 1 year). Since the variables included in the anticipatory mechanisms and the stimulus drivers have a qualitative character, they are represented in the analysis by dummy variables. Dummy variables give us the scope to encompass appropriate qualitative variables in our analysis. By employing dummy variables we can take account of the effects of important qualitative factors that might influence the dependant variable.

DATA ANALYSIS

Although we approached several hundreds of shoppers, as mentioned earlier, we managed to survey only 252 shoppers who satisfied our criteria of receiving a gift card in the last three years and actually having redeemed it. Unfortunately, several respondents failed to answer some key questions, or their answers for some conditional questions excluded them from further analyses. Consequently, depending on the survey questions and the selected method of analysis, our effective sample size varies between 225 and 252. The key descriptive results that emerged from our initial data analysis are as follows:

- a) Just about 60% of gift card recipients cash in their gift voucher within 3 months. Around 28% of gift card recipients redeem their vouchers between 3-6 months, while 12% take more than 6 months to trade-in their vouchers.
- b) About half of gift recipients redeemed their vouchers when the store was running a promotion.
- c) About 48% of respondents claimed to have made additional purchases in the store after cashing in their gift voucher. Among these, approximately 33% and 39% of gift card recipients confirmed having purchased about 50% and 100 % additional merchandise of their gift card value respectively. There is also evidence that females are far more likely to make supplementary purchases in the store after redeeming their gift vouchers than males (53 % versus 38%).
- d) About 67% of respondents regularly shopped at the store before they cashed in their gift cards; and nearly 76% of respondents continued to make repeat visits to the store after they had traded in their gift voucher in that store.
- e) Around 61% of respondents confirmed having given gift vouchers as presents.
- f) Approximately 82% of respondents considered gift vouchers as an appropriate gift compared to a tangible present.
- g) There is significant correlation (p -value = 0.00) between redemption of gift cards during store promotion and gift vouchers presented to others.
- h) There is evidence of significant correlation (p -value = 0.00) between gift cards being considered as an appropriate alternative to a tangible gift and gift vouchers presented to others.

Following this preliminary descriptive analysis, we estimated regression models of our key variable, WHENREDEEM. We started with an unrestricted model, which included all our potentially important independent variables mentioned above. Later, however, we gradually eliminated those variables, which happened to be insignificant at the 10% level, both individually and jointly. In these regressions we coded each quantitative response by the corresponding interval mid-point value, and used White heteroscedasticity-consistent standard errors. The final, restricted regression is shown in [Table 1](#).

DISCUSSION

It is clear from this study that gift card recipients who are inclined to exchange the store vouchers without delay appear keen to trade in the store vouchers during a store promotion (SPECIAL). On the other hand, the findings in this study suggest that higher the value of gift cards (AMOUNT), the longer they take to be exchanged. It appears that recipients of higher value gift

cards are prepared to wait awhile for the opportunity to negotiate exchange of these instruments. Recipients of higher value gift cards do not treat the redemption casually, but seem to apply their minds as to when be a good time to get maximum advantage from cashing in the gift vouchers. This good time may be related to the arrival of the perfect item at the store, to something special they want to buy, or to a store promotion. From the findings of this research it appears that consumers who received gift cards least recently (LASTCARD), are not enthusiastic about redeeming gift cards promptly. The corollary of this finding is that infrequent gift card recipients are not inclined to quickly redeem their gift vouchers. It is reasonable to assume that infrequent gift card recipients are not familiar with the scope of extracting additional value from store vouchers and in the absence of explicit motivation from the concerned stores will simply act on their natural volition and trade in the gift cards according to their convenience or holistic wisdom.

We observe that those shoppers who themselves have gifted store cards (EVERGAVE) delay redeeming the gift cards that they receive. It seems that these consumers try to extract greater value from their vouchers, even if it means that they have to wait longer for an opportunity. Notably, the significant correlation between gift vouchers presented to others and redemption of gift cards during store promotion, observed in our initial data analysis, suggests that seeking additional value from gift cards is an endemic consumer trait. Finally, the evidence from our initial data analysis that gift card recipients become regular patrons of the store, demonstrates the hierarchy of effects, where beliefs and attitudes towards getting additional value from store vouchers during store promotions, influence consumers to become regular patrons of the store and present the stores' vouchers as gifts. It is apparent that stores that actively encourage gift card recipients to redeem their vouchers as soon as they receive them on the promise of incentive for early trade-ins are likely to hasten positive beliefs among gift card owners of taking advantage of opportunities to maximise the vouchers. We have seen from this study that such consumers most often become ongoing patrons of the store sooner and begin gifting the store's vouchers. This study vindicates Butz's (2004) postulates of learning and cognition, which suggest that *anticipatory mechanisms* of lapsed time (frequency) of gift card receipts, value of gift card received, together with the *stimulus drivers* of the opportunity to redeem the gift card during store promotions and gifting store vouchers *ex-post facto*, influence the *behaviour* of gift card owners' timing of trading-in their vouchers.

IMPLICATIONS AND CONCLUSION

There is evidence in this study that about 40% of gift card recipients take at least three months to redeem the vouchers. There is no empirical evidence of retailers encouraging recipients of their store vouchers to trade in their vouchers, which suggests that retailers may in a perverse way be clinging on to this "free money" that in times of credit crunch can ostensibly used as a useful "float". It appears that active promotion of gift card redemption with programs that are seen as personal or relevant to gift card owners invariably motivates people to expend the cognitive effort required to distil the personal benefits arising from early redemption of the gift vouchers. Notably, store promotions seem to act as a lever to encourage quicker gift card redemption, draw more patrons quicker to the store and boost the retail firm's sales.

Store promotions facilitate moving gift card recipients from a state of "volition control" to elaborating on the potential of adding value to the gift vouchers and thereby inevitably bringing forward the hierarchy of effects that expedite consumers becoming store patrons and gifting the store's vouchers to others. Retail stores could therefore consider including on the gift cards an incentive, like a price discount on merchandise or service purchased with the store voucher, if it is redeemed soon enough, say, within 30 days. This inducement for early trade-in of the gift voucher is likely to bring increased store traffic and business earlier than if gift recipients were allowed to apply holistic wisdom on the timing of voucher redemption. It is to be acknowledged however that some gift card recipients will still wait for the perfect item to arrive at the store regardless of the incentive to trade in the gift voucher. There is no gainsaying that actively engaging gift card recipients in maximising the value of store vouchers through store promotions effectively increases the redemption rate of gift cards and consequently promises to give a rate of return on stock investment to stores that is higher than if gift card receipts were used as "floats".

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Table 1: Regression of WHENREDEEM

Dependent Variable: WHENREDEEM				
Method: Least Squares; Included observations: 231				
White Heteroscedasticity-Consistent Standard Errors				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.4519	0.4180	3.4738	0.0006
LASTCARD	0.0912	0.0226	4.0393	0.0001
AMOUNT	0.0082	0.0040	2.0603	0.0405
SPECIAL	-0.7933	0.3016	-2.6304	0.0091
EVERGAVE	0.7234	0.3120	2.3189	0.0213
R-squared	0.1713	F-statistic		11.6762

THE PROVISION OF FINANCIAL SERVICES BY RETAILERS TO THEIR CUSTOMERS –IS IT SUSTAINABLE?

Steve Worthington, Monash University, Australia

ABSTRACT

With the deregulation of the financial services sector in many countries and the proliferation of different channels of distribution for financial services products, non-traditional providers have sought to enter what they perceive as this lucrative market. Retailers are amongst those non-traditional providers who have sought to enter the market for financial services, using their brand strength and ever widening consumer proposition, to enable them to do so. This article discusses why and how leading European retailers and in particular, those based in the United Kingdom, have diversified into retailing financial services to their customers. It questions whether financial services really are a good fit with mass-market retailing and considers the case both for and against retailers diversifying into financial services. The article concludes by arguing that such diversification may leave retailers in a strategically ambiguous position, both co-operating with, whilst at the same time competing with the traditional banks and that this new source of competition is only likely to be successful for a limited range of financial services.

INTRODUCTION

There has already been some published research into why, how and with what effect, retailers have broadened their consumer proposition, by moving into the provision of financial services. Bliss, M (1988) considered the case of the store card, where a retailer issues payment cards to its customers, which can only be used in the stores operated by that retailer. Worthington, S (1994) offered an international comparison of how different retailers were seeking to enhance their position in the plastic card payment systems supply chain. Subsequent to these early reflections there have been a series of articles from Alexander and Colgate, (1998, 2000); Colgate and Alexander, (1998, 2002a and 2002b) and Alexander and Pollard, (2000) which have explored the relationships between retailers, banks and their customers, focusing both on the Business to Business relationships between retailers and their banking partners and the Business to Consumer relationships between retailers and banks, with their sometimes mutual customers.

More recently Martinelli and Sparks (2003) have provided a framework to consider the issues arising from the entry of British food retailers into the financial services sector. They explore in particular the relationship between the retailers and their banking partners, suggesting that this is a case of co-opetition, a concept which refers to the concomitant presence of competition and co-operation in a relationship, as is described by Brandenburger and Nalebuff (1996). Subsequently, Worthington and Welch (2007) reported on the international trends that have taken retailers into the provision of financial services products to their customers. These are, that for large European and North American retailers, their core businesses are mature and growing slowly. Maintaining growth therefore depends on a combination of expanding internationally, particularly into the fast developing markets of Eastern Europe, Asia and Latin America, and on expanding the range of goods and services offered. The latter is particularly important to sustain growth in the retailers' domestic markets.

Among the additional goods and services, banking and insurance products have appealed to many of the major retailers. Leading European chains such as Tesco, Sainsbury's, Marks & Spencer, Carrefour and Auchan have diversified into retail financial services. More recently, Wal-Mart, the world's largest retailer, has announced plans to expand its provision of financial services. Worthington (2008) has reported on their choice of target customers for Financial Services – the unbanked and the underbanked. Given their strong brands and responsiveness to customer needs, retailers have been seen as a threat to retail banks. But are financial services really a good fit with mass-marketing retailing or have the differences between the two sectors been under-estimated?

This paper examines the arguments and evidence, drawing in particular on the experience of leading UK retailers during the last decade. The article is structured as follows:

- It starts with an overview of the experience of the leading UK retailers as providers of financial services during the last decade.
- It then considers the case for retailers diversifying into financial services, and the case against.
- On the basis of this assessment, the article examines which retail financial services are most suited to being 'retailed'.

Retailers And Financial Services: The UK Experience

Leading UK retailers have taken up the challenge of diversification and been offering financial services for many years. Marks & Spencer (M&S), the leading clothing, food and household goods retailer, entered the market as far back as the late 1980s. Tesco and Sainsbury, then the two largest UK supermarket chains, launched banking services in the mid-1990s. Their record offers a valuable case study of the strengths and weaknesses of retailers as providers of financial services.

In terms of size, the retailers' banking arms are now substantial businesses. Each has several million customers and loan / deposit portfolios of several billion pounds. However, the impact of the retailers on the UK retail financial services market has not been transformational. The retailers' banking arms remain small compared to both the major UK banks and insurance companies and to their own core retail businesses. Looking at their track record in financial services, two characteristics in particular stand out.

Selective Offers

First, the retailers have been highly selective in the financial services offered. Indeed, the retailers have conspicuously avoided what are arguably the most important financial services used by most of their customers. No retailer is present in the current (cheque) account market, and no retailer is currently present in the residential mortgage market. Tesco Personal Finance and Sainsbury's Bank have focused on credit cards, unsecured loans, savings and insurance. Neither supermarket has competed head on with the banks by offering a full suite of products based around current accounts. And both TPF and Sainsbury's Bank have withdrawn from the mortgage market, with neither building a large portfolio.

Small Market Shares

Even in their chosen markets, the second characteristic to note is that the retailers' market shares remain small. Both TPF and Sainsbury's Bank have retail deposit portfolios of more than £2 billion. But these are marginal in the context of a U.K. deposit market of more than £600 billion. Comparing the retailers against the total market may be a little misleading given that they have grown organically from a standing start. But comparisons suggest that the supermarkets have grown more slowly than other new entrants – for example ING Direct's UK arm in retail deposits.

RETAILERS AND FINANCIAL SERVICES: THE CASE FOR.....

The actual experience of UK retailers as providers of financial services offers a valuable case study. There are particular features of their experience that reflect the structure and development of the UK retail financial services market. These include the boom in consumer credit in the UK during the decade to 2004/05 which drew providers to credit cards and unsecured loans. They also include the UK tradition of "free" banking, which makes it difficult for new entrants to compete on current accounts. But overall, given the size and sophistication of both the UK market and its largest retailers, the track record of M&S, Tesco and Sainsbury's offers wider lessons on the cases for and against retailers offering financial services. Looking first at the case for, the proposition that the provision of financial services makes commercial sense for large, successful, mass-market retailers remains superficially persuasive. There are several arguments that appear to support the case.

Successful Diversification

First, the retailers had already expanded into adjacent sectors. Marks & Spencer successfully moved from being a non-food (primarily clothing) retailer into providing food and other products to its customers. The supermarkets had already diversified to varying degrees into petrol retailing, newspapers and magazines, health and beauty goods, kitchenware, household appliances, CDs and videos/DVDs. The concept of the "one-stop shop" extends the parameters of lateral diversification from the retailing of goods to the retailing of services. The offer of financial services adds to the cluster of adjacent household goods and services around the core grocery range.

Market Position And Infrastructure

Second, the offer of financial services builds on the retailers' existing position in the market, their store networks and other infrastructure. At a general level, there are similarities. Both the retailing and banking sectors serve personal customers (though banks also serve the corporate market). Both have a physical presence in shopping locations. The provision of credit is important to both banks and (some) retailers. The retail stores are a valuable resource for promoting and supporting the

offer of financial services. In comparison with new entrants having to use channels such as direct mail or advertising, they offer a readily available and low-cost marketing channel for the display of product leaflets and other literature. For example, when M&S was launching the '&more' credit card, it compared its £8-10 in-store recruitment cost (and £2-3 for the store card migration recruitment cost) with the £50+ typical credit card recruitment cost. Thus, those retailers issuing store cards in-house already have a platform capable of supporting other financial services.

Market Opportunity

Third, the financial services market is attractive to retailers because of the combination of banks' high profitability (banks earning high returns on equity from their retail operations) and their often poor reputations among customers. Retailers' stronger brands and expertise in marketing and customer service appears to give them a source of competitive advantage over the banks.

RETAILERS AND FINANCIAL SERVICES: THE CASE AGAINST.....

A more detailed comparison of retailing and retail banking suggests that the commercial rationale for retailers offering financial services is less compelling than it first appears.

Core Skills

First, the core skills remain very different in retailing compared with retail banking. Retailers' core skills are sourcing products, buying well, merchandising and fulfilment of the purchase by the consumer. These skills may transfer readily to other retail sectors. For example, supermarkets may use their superior buying power to secure competitive advantage over specialists in health and beauty retailing. But they transfer less easily to financial services. The buying power of large retailers is a much less effective competitive weapon when competing against banks and insurance companies.

Retailing Financial Services

Second, financial services are not merchandised in the same way as tangible products sold in retail outlets. Only a limited number of financial services such as one-off travel insurance and foreign currency are purchased through a single transaction at a set price comparable to a retail transaction. Core personal banking services such as current (checking) accounts and mortgages involve the provision of an account on a long-term basis for the customer. Customers have to go through an application process, with the possibility of rejection. The pricing of financial services is also more complex, and often expressed as a percentage of the loan or deposit balance. The discounts, special offers and sales that are fundamental to retailing work less well when applied to financial services. Perhaps the nearest a retailer has come to literally retailing a financial service is Tesco's travel insurance, where its Clubcard holders can pick up a pack in-store and take it to the checkout with the rest of their shopping. As soon as the insurance pack is scanned along with the Clubcard, the customer is insured. TPF's delivery of travel insurance is probably as close as financial services can get to grocery shopping. But there are very few financial services that can be sold in this way. Indeed, whatever retailers' aspirations to cut through the complexity of financial services, compliance requirements related to data protection, identity confirmation and money laundering often push in the other direction.

Stores Vs Branches

Third, despite the fact that they may be neighbours in the local shopping centre, retail stores are very different from bank branches. Retail shops are outlets for the sale of goods. Customers come to browse and/or purchase specific items. Retailing is more of a visual business than banking. Factors such as the presentation of the store and packaging and display of goods are central to business success. Bank branches are sometimes described as a distribution channel, but this is in many ways a misleading description. Banks are not in the distribution business (other than perhaps for cash itself). Customers may visit a branch to enquire about or apply for a banking service, but people take out new financial services infrequently. Mortgage agreements, current and credit card accounts may last for many years. Compare this with the frequency of visits to the supermarket for core grocery items.

Retailers, particularly supermarkets, have successfully combined retailing and cash acquisition at the checkout through offering 'cashback' on debit card purchases. Their financial services customers can perform other limited transactions.

However, there are practical limits to the use of checkouts as proxy branch tills. For large retailers, and particularly for supermarkets, it is essential to maintain throughput at the checkout. Allowing what may be time-consuming transactions at the checkout of the kind often undertaken in bank branches would significantly disrupt the core retail business. The differences in function apply across the other channels – notably the telephone and internet – through which both retailers and banks communicate with their customers. A retailer’s ecommerce site is designed principally to enable customers to purchase goods online. An e-banking site is designed principally to enable customers to manage their bank accounts online.

Similarly, the offer of credit is important to the business of both banks and retailers (or at least retailers in certain sectors). But again, this should not disguise the fundamental differences. In retailing, the offer of credit is used to support the core business. In banking, it forms part of the core business of financial intermediation - turning savings into loans (ie credit). Retailers can buy in the necessary banking infrastructure and expertise. Tesco and Sainsbury’s both moved into financial services through partnership with banks. In theory, the banking expertise can then combined with the retailer’s brand strength and reputational advantage to winning effect. But having to buy-in operational expertise from a bank may restrict the scope for the retailer to do banking in a different way. Banking partners may be reluctant to sanction financial services that are critical (even implicitly) of their own services.

Credibility

Fourth, a retailer’s brand needs to be broad and flexible enough for it to be credible with consumers as a supplier of financial services not directly linked to the retail business. But this brand strength and reputational advantage may not prove sustainable. For example, in the case of Marks & Spencer and Sainsbury, their credibility as providers of banking services was damaged by the well-publicised decline in performance of the parent retailers during the late 1990s. This points to an inherent problem for retailer banks. The retailer’s strength as a consumer brand has to be sustained over time if it is to provide its banking business with ongoing support. Though a strong consumer brand may take a retailer into markets several steps removed from its core business, a healthy core business is needed to sustain the platform provided by the brand in other sectors. When the core business is performing strongly, the retailer’s strong reputation provides the incentive and functions as a platform for investing in the supply of other consumer goods and services. But when the core business performs poorly, senior management will inevitably be under pressure from investors to focus on sorting out its problems. The retailer’s senior management may conclude that ventures such as financial services are too peripheral to the core business and decide to withdraw.

WHAT WORKS FOR RETAILERS?

Even if a retailer’s brand is broad and flexible enough for it to be credible with consumers as a supplier of financial services, success is likely to depend on the retailer being selective in the services offered.

Credit Cards

Credit cards are in many respects a special case. Retailers with no, or very limited further ambitions in financial services (and/or who lack a sufficiently broad and flexible brand to support the wider offer of financial services) may want to issue a credit card because of the importance of credit as a support service to the core retail business, and because of the value of the card as a loyalty tool and source of data on customers. It is worth noting that many companies in other sectors (from airlines and hotel chains to football clubs) offer co-branded credit cards for similar reasons without wider ambitions in personal banking and insurance.

Beyond Credit Cards

Beyond credit cards, the challenge is to identify those financial services that are closest to retailing – that can benefit most from the application of the retailer’s core skills. In summary, those financial services most attractive to retailers are likely to be:

- Simpler, transactional services (as opposed to those requiring complex, ongoing account management)
- Services already “disengaged” from traditional banking and insurance models and delivery structures (such as many types of insurance in the UK) while offering opportunities for growth and competitive pricing

CONCLUSIONS

In conclusion, from a strategic perspective how is diversification into financial services by retailers to be understood and positioned? The provision of financial services takes retailers beyond the natural boundaries of horizontal diversification based on sector expertise. In some respects, retailers moving into financial services is most comparable to the way in which disruptive value brands such as Virgin and EasyGroup move between structurally diverse consumer sectors (air travel, music retailing, mobile telephony, hotels). The 'value' brands enter a market where they see high prices and consumer dissatisfaction, bringing a fresh, convention-challenging approach.

The implication is that diversification into financial services can leave retailers in a strategically ambiguous position. They are unlikely to succeed as full-service competitors to banks and insurance companies. The greatest opportunities lie in simpler, transactional financial services that best fit their core skills and competitive approach. A selective approach to financial services may make good business sense. Marks & Spencer built a highly profitable, if niche financial business based largely on using its in-house store card platform to expand into personal loans. The economics of current accounts in the UK work against new entrants.

Also a pragmatic willingness to launch and, if unsuccessful, discontinue particular services applies in many ways traditional grocery retailing behaviour to the financial services market. Food and other grocery products are continually being launched, tested and withdrawn by large supermarkets. But at the same time, the gaps in their banking product ranges sit a little uncomfortably with the supermarkets' 'one stop shop' approach to core household shopping. Unlike with groceries, an unwillingness to offer current accounts and mortgages leaves the supermarkets unable to meet their customers' core financial needs.

Ultimately, while it may make good business sense, a selective approach limits the retailers to being niche players in financial services. Further, with all of the major UK retailer financial services ventures now at least partly-owned by a major bank, they remain firmly within the ambit of their notional competitors. The willingness of the major banks to partner the retailers (HSBC's acquisition of M&S Money leaves three of the big five UK banks with retailer partnerships) suggests that the banks see the direct competitive threat to their own core retail businesses as limited.

However with the acquisition by Tesco of the Royal Bank of Scotland's (RBS) 50% share in TPF, in late July 2008, there has been a change in the dynamics of these relationships and whilst it is still too early to see what difference, Tesco's complete ownership of TPF means for the consumers of its Financial Services, there may well be new products launched which are significantly different from those previously offered under the RBS partnership. Then we might see a real direct threat to the core retail business of the major banks.

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SESSION 3.4: BEHAVIOUR WITHIN CULTURAL SUBGROUPS

Session Chair: Bodo Schlegelmilch, Wirtschaftsuniversitat,
Austria

*“Animosity towards Religious Minorities: A Conceptual
Model of Antecedents and Intentions to Purchase Products
with Religious Endorsements”*

Bodo B. Schlegelmilch, Wirtschaftsuniversitat,
Austria

Mubbsher Munawar Khan, Wirtschaftsuniversitat,
Austria

*“Antecedents to Immigrants’ Consumer Ethnocentrism: The
Case of Russian Immigrants to Israel”*

Dalia Velan, Haifa University, Israel

Aviv Shoham, Haifa University, Israel

Ayalla Ruvio, Haifa University, Israel

ANIMOSITY AGAINST RELIGIOUS MINORITIES: A CONCEPTUAL MODEL OF ANTECEDENTS AND INTENTIONS TO PURCHASE PRODUCTS WITH RELIGIOUS ENDORSEMENTS

Bodo B. Schlegelmilch, Vienna University of Economics and Business, Austria
Mubbsher Munawar Khan, Vienna University of Economics and Business, Austria

ABSTRACT

The world is fraught with conflicts between countries, regions, religions, ethnic groups, political beliefs, social convictions, groups with different sexual orientations, to name but a few. The animosity that can result from such conflicts affects consumers' purchase decisions. While the international marketing literature is awash with studies that look at the impact of different country images on the purchase of products originating from different countries (cf. the entire country-of-origin literature), there are comparably few contributions that looked at the impact of conflict and animosity on purchase intent *within* a given country.

In this paper, we look at animosities within country-markets and their impact on purchase intent. Specifically, we analyse situations in which a company would like to increase the appeal of its products through an endorsement directed towards a particular subgroup. While such an endorsement is most likely appealing to the targeted subgroup, we suggest that it may lead to a *decrease* in purchase intent among other market segments, if they harbor animosities against the very subgroup targeted through the endorsement.

Thus, in such situations an endorsement could become potentially controversial in character and, from a purely economic point of view, the company faces a trade-off between an expected revenue gain through the endorsement (additional sales from the subgroup targeted by the endorsement) versus a potential revenue loss (lower purchases by segments that associate the endorsement with subgroups towards which they harbor animosities).

While inter-group animosities within country-markets and their impact on purchase intent of products carrying potentially controversial endorsements is applicable to a wide variety of different controversies, we have developed our arguments in the context of potential conflicts between different religious sub-groups. There are two reasons for this: first, the discussion is more tangible; second, there are ample examples for religious endorsements (e.g. Kosher or Halal) and, unfortunately, there is also evidence of animosity between different religious sub-groups.

Taking the route described above, we are proposing a conceptual model and associated hypotheses which attempt to capture the antecedents of animosity towards religious minorities as well as the impact of the latter on the willingness to purchase products with religious endorsements.

The contribution of our paper is threefold: First, we offer a literature review on different types of endorsements with the help of a classification table. Second, we draw attention to a neglected research area which, we believe, will gain importance in increasingly multi-cultural country environments. Third, we provide a conceptual basis for the development of measures and the empirical investigation of the consequences of animosity on the willingness to purchase products with potentially controversial endorsements. Finally, we also hope that our contribution will stimulate further research in a hitherto neglected field which is both of practical and theoretical relevance.

ANTECEDENTS TO IMMIGRANTS' CONSUMER ETHNOCENTRISM: THE CASE OF RUSSIAN IMMIGRANTS TO ISRAEL

Dalia Velan, Haifa University, Israel
Aviv Shoham, Haifa University, Israel
Ayalla Ruvio, Haifa University, Israel

ABSTRACT

As immigration has become a growing worldwide phenomenon, the notion of migrant ethnicity is attracting growing interest in social sciences research. In marketing, scholars have studied if and how ethnicity influences consumer behavior. Ogdan's (2004) comprehensive review supported the influence of culture and acculturation on consumers' purchase decisions through *ethnic identity*, *acculturation* into the host culture, *culture conflict*, *marginalization*, *ethnocentrism*, and *consumer ethnocentrism* (CE). While studies have examined ethnocentrism and CE and their antecedents and consequences, immigrants' CE has been under-researched. We focus on ethnocentrism and CE of Russian immigrants to Israel.

Given that CE deals with preference for domestically-made products and opposition to imported products, people with strong positive attitude toward their home country tend to exhibit higher levels of CE toward imports than others (Durvasula et al. 1997). For immigrants, attitudes toward the country of origin and the host country should be distinguished. Positive attitudes toward the host country are likely to typify more acculturated immigrant, who identify with the host country. In contrast, positive attitudes toward a country of origin are likely to exist for individuals with strong ethnic identity and weak attachment to the host country. Furthermore, for immigrants with positive attitudes toward the host country, acting in CE-consistent way gives them a sense of identity and feelings of belongingness (Shimp and Sharma 1987). Additionally, conflicts of groups with different cultural values influence the creation of the "marginal man" (Cuéllar et al. 1995). Thus, we examine the relationship between CE and difficulty of accepting each culture (the host culture and culture of origin), ideas, values, behaviors, customs, or individuals from another ethnic group as friends.

The literature has addressed the relationships between demographics and consumers' perceptions of imported products. In general, age and education have been related to attitude toward foreign or imported products. For immigrants, the length of time in the new country is important, as newcomers have not had sufficient time to form well-founded attitudes about imported or domestic products. As they become familiar with their new culture and its products, immigrants can develop and manifest ethnocentric attitudes.

The level of CE varies across countries and cultures (Sharma et al. 1995; Steenkamp and Baumgartner 1998). As immigrants are bi-cultural, it is necessary to examine the effects of CE considering the characteristics of both cultures (Hyokjin et al. 2006). This study deals with Russian immigrants to Israel. Since the former USSR was communist and Israel is a democracy, it is not surprising that they differ on two of Hofstede's cultural dimensions (1991): individualism/collectivism and power distance (Naumov and Puffer 2000). Both dimensions are relevant to the study of CE across cultures (Hyokjin et al. 2006).

The unique context of Russian immigrants to Israel contribute to the literature on immigrants' consumption behavior in several ways. First, Jews returning from the Diaspora perceive the host country (Israel) as their ancestry land. This feeling of belonging coupled with Israel's view of them as returning sons, give immigrants special power in their new culture (Shuval 2000; Shuval and Leshem 1998). Moreover Jews viewed themselves as a superior ethnic group in the former USSR. In Israel, some of these intellectual Russian immigrants try to preserve this superiority through holding on to Russian culture values.

Hence, this article examines attitudes about the culture of origin (difficulty to identify with Russians) and host culture (difficulty to identify with Israelis); demographic (age, time of living in Israel, and education); and cultural values (power distance, individualism/collectivism) as antecedents to CE of Russian immigrants to Israel. Utilizing a survey of 292 first-generation Russian immigrants to Israel, the study mostly supported the role of these antecedents. The significant regression model explained 31.2% of the variance in CE and five independent variables had a significant impact (all except difficulty to identify with Israelis and individualism/collectivism).

References available upon request

SESSION 3.5: EFFECTIVE DELIVERY TECHNIQUES IN MARKETING EDUCATION

Session Chair: Annie H. Liu, Loyola Marymount
University, USA

*“Perceptions on Student-Centered Approaches in
Transitional Economies: A Case of Client-Based Group
Learning in Croatia”*

Elzbieta Lepkowska-White, Skidmore College, USA

Amy L. Parsons, King’s College, USA

Jurica Pavicic, University of Zagreb, Croatia

*“Teaching Ethics in the Classroom: Lessons Learnt from a
Business Reality Simulation Exercise”*

John Fraedrich, Southern Illinois Univ at Carbondale, USA

Deepa Pillai, Southern Illinois Univ at Carbondale, USA

Kesha K. Coker, Southern Illinois Univ at Carbondale, USA

**PERCEPTIONS ON STUDENT-CENTERED APPROACHES IN TRANSITIONAL ECONOMIES:
A CASE OF CLIENT-BASED GROUP LEARNING IN CROATIA**

Elzbieta Lepkowska-White, Skidmore College, USA
Amy L. Parsons, King's College, USA
Jurica Pavicic, University of Zagreb, Croatia

ABSTRACT

Historically, teaching in universities in Croatia has been heavily based on lectures and students have been taught to memorize the material with less emphasis on encouraging student creativity and independent thinking. Most recently however, new student-centered approaches have begun to be implemented in the country. In this study we evaluate how students in Croatia react to one of these approaches to see if their reactions vary from the reactions of students in the United States where student-centered approaches are more common.

The purpose of this research project is to test reactions of students in Croatia to client-based learning in undergraduate business courses. In our case, client-based learning involves group projects where students work on developing marketing plans for real businesses. The existing literature suggests that students enjoy using real life clients and organizations. Client-based learning offers students a chance to apply their theoretical knowledge to real business situations and problems that can vary in scope, type of client, level of client involvement, intensity of contact, and type of task. Client-based projects provide a more enjoyable learning experience and motivate students to work harder. Previous studies suggest that group projects help students develop the communication, critical thinking, teamwork, reporting, problem analysis, small group collaboration, and problem solving skills that they need in order to succeed in their future jobs.

The study utilized a survey distributed to a convenience sample of 192 subjects that included 68 students from Croatia (35% males) and 122 students from the US (41% males). Subjects completed a survey consisting of single item measures (with Likert scale responses ranging from 1-strongly disagree to 5-strongly agree) at the end of the semester after presenting a client-based project in their marketing undergraduate courses. In both countries the projects were of similar scope, lasted one semester and their purpose was for students to develop a marketing plan for a local client. The data were analyzed using t-tests.

The results of the study indicate that client-based learning is highly appreciated by the Croatian students and therefore should be used by the faculty there. Specifically, Croatian students liked the client-based approach more than lectures and cases. They felt that the projects made the discussion in class more enjoyable and interesting and helped them integrate the concepts through application, illustration, and hands on experience. They also felt that the projects helped them improve their analytical, report preparation, team-working and interpersonal skills. Finally, they were excited about listing these projects on their resume to apply for future jobs.

This excitement about client-based learning in Croatia should be noted by the faculty at Croatian universities and perhaps schools in other post socialist countries since teaching environment in many of these countries is rather similar. If students are that motivated by interactive approaches, they are likely to study more and work harder and therefore interactive approaches may be more effective. The results of this study should encourage faculty to use client-based learning in Croatia and possibly in other post socialist countries where the opportunities for interactive and applied learning are still limited. In the future more research in this area should be conducted since effective business education is vital in these countries for economic development and success.

References available upon request

**TEACHING ETHICS IN THE CLASSROOM:
LESSONS LEARNED FROM A BUSINESS REALITY SIMULATION EXERCISE**

John P. Fraedrich, Southern Illinois University, U.S.A.
Deepa Pillai, Southern Illinois University, U.S.A.
Kesha K. Coker, Southern Illinois University, U.S.A.

ABSTRACT

The Association to Advance Collegiate Schools of Business (AACSB) has called for the integration of ethics into business school curricula. In addition, there has been a general increase in interest in this issue, which many have accredited to corporate scandals and their media coverage. Evidence also suggests that integrating ethics into the classroom brings about positive and socially desirable outcomes. To help instructors better understand the ethics education debate, we list various teaching methods currently used to teach ethics. One method, in particular, appears to have increased merit -- simulations. Specifically, we discuss the simulation "Business Reality" in greater detail. Results from the analysis of data obtained from the simulation suggest various areas for improvement in methodology as well as in evaluation criteria for business ethics instruction.

The basic purpose of the "Business Reality" simulation is to sensitize the participant to perceived unethical/illegal issues and dilemmas found in business and at home, and to demonstrate how their values may shift when real consequences are given. The simulation is capable of yielding relatively non-biased data on what individuals may actually do when faced with the reality of business. In order to determine whether students' understanding and application of ethical principles improves as a result of the simulation, we analyzed data collected from actual simulations ($N = 145$). We expected that students would perform better on questions related to key principles of ethics in a post-test as compared to the same questions in a pre-test. However, while the results show a significant difference between the ethics pre and post-test scores, the direction of the difference was in the opposite direction, indicating that students actually performed poorer on the post-test. This result is possibly due to a lack of reward or punishment -- by not explicitly stating that performance would be judged on a specific criterion, students seemed not to have put in the extra effort into showing that they could actually apply ethical principles.

One implication of the results of the analysis is that when instructors are concerned with whether learning occurs in the context of a simulation, explicit statements of performance criteria can affect actual performance. Another issue is that of what to measure. We suggest that when measuring ethics content from a text or lectures, essay and short answer questions using Bloomberg's evaluative criteria at the third level will yield a better understanding of student application based ethics knowledge. With respect to the measurement of value changes, we suggest that they should not be measured relative to moral philosophy type because of various measurement issues. We suggest that instructors also measure an "integrity quotient" based on a comparison of the students' initial division of time between work and home and their terminal values for the same.

SESSION 3.6: INTERNATIONAL CONSUMER DEVELOPMENT AND BRAND MANAGEMENT

Session Chair: Saeed Samiee, University of Tulsa, USA

“Consumer Preferences for Brands in International Markets”

Sanjoy Ghose, Univ. of Wisconsin-Milwaukee, USA

Oded Lowengart, Ben-Gurion Univ of the Negev, Israel

“Sources of Superior Brand Equity: The Effects of Country Image, Product Category and Brand Image”

Yi-Min Chen, National University of Kaohsiung, Taiwan

Yu-Ting Chiu, National University of Kaohsiung, Taiwan

Chia-Yu Shen, National University of Kaohsiung, Taiwan

I-Chun Kuo, National University of Kaohsiung, Taiwan

“The Difference between Brand Origin Knowledge and Brand Origin Perception: An Examination of Country-of-Origin Effects in the LCD TV Industry”

Peter Magnusson, Northern Illinois University, USA

Stanford A. Westjohn, Saint Louis University, USA

Srdan Zdravkovic, Bryant University, USA

CONSUMER PREFERENCES FOR BRANDS IN INTERNATIONAL MARKETS

Sanjoy Ghose, University of Wisconsin-Milwaukee, USA
Oded Lowengart, Ben Gurion University, Israel

ABSTRACT

In this study we explore how does the entrance of new international brands affect market dynamics where national, international and private brands are present. In such a situation, it is very important for managers to understand consumers' preferences and perceptions of these brands as it allows them to better understand how to address consumers' needs in the setting of differences in product quality, price, prestige, etc. It also allows marketers to better position these brands as well as to explore opportunities for introducing new products. This whole issue becomes even more important when the market is exposed to a reduction in international trade barriers and an increase in consumers' spending power at the same time. It is not clear how the imported international brands should position themselves in such a complex situation. We relate consumer perceptions to choice, in the context of these different categories of brands using a choice model. The estimated model provides us with several diagnostic findings of managerial interest.

SOURCES OF SUPERIOR BRAND VALUE: THE EFFECTS OF COUNTRY IMAGE, PRODUCT CATEGORY AND BRAND IMAGE

Yi-Min Chen, National University of Kaohsiung, Taiwan
Yu-Ting Chiu, National University of Kaohsiung, Taiwan
Chia-Yu Shen, National University of Kaohsiung, Taiwan
I-Chun Kuo, National University of Kaohsiung, Taiwan

ABSTRACT

Understanding the determinants of brand value is a key theoretical and empirical issue in the fields of international marketing and international business. Researchers investigating the sources of brand value have most often focused on three primary levels of analysis: (1) brand image; (2) product category; and (3) country image. Despite an extensive literature on brand image, product category and country image effects, an examination based on a theoretical variance decomposition framework for investigating the relative influences of each effect on brand value is lacking. Therefore, acknowledging the increasing important role of brands, this study applies the variance components approach on the BusinessWeek/ Interbrand Best Global Brands database to explore the question of what matters most to superior brand value. In addition, this study also extends recent variance decomposition research by investigating three levels of effects using both the multilevel approach of hierarchical linear modeling and the conventional variance components approach. A variance components model is fitted to a new data set, and findings indicate that brand image effects dominate brand value while product category and country image effects have smaller but important impact on brand value. These findings support the suggestions of resource-based view of the firm.

THE DIFFERENCE BETWEEN BRAND ORIGIN KNOWLEDGE AND BRAND ORIGIN PERCEPTION: AN EXAMINATION OF COUNTRY-OF-ORIGIN EFFECTS IN THE LCD TV INDUSTRY

Peter Magnusson, Northern Illinois University, United States
Stanford A. Westjohn, University of Toledo / Saint Louis University, United States
Srdan Zdravkovic, Bryant University, United States

ABSTRACT

Recent research suggests that most consumers are not very concerned about the national origin of products (Arndt 2004; Liefeld 2004). Arndt (2004) reports that in a study by TeleNation, 70% of respondents do not care to find out where a product was made and 57% reported that it had no influence on their purchase decision. Liefeld (2004) found that only 1.4% of consumers explicitly acquired a product's country of origin prior to purchase, and only about 6% knew prior to the purchase. In contrast, 88.8% reported that they did not know a product's origin and suggested that they had no interest in finding out. Similarly, two recent studies examining consumers' brand origin recognition accuracy showed that consumers' knowledge of brands' origin is rather limited. Samiee, Shimp, and Sharma (2005) found that US respondents were only able to identify the correct country origin for 35% of examined brands. In a similar examination albeit of UK consumers and focusing exclusively on microwave oven brands, Balabanis and Diamantopoulos (2008) found that their respondents were only able to correctly identify 27% of the brands' origin in their study. These studies suggest that consumers have very little knowledge of where brands are from, and more importantly they really do not seem to care.

If this is indeed the case, then it is worth asking why so many global firms continue to manage their consumers' country-of-origin (COO) perception in their promotion campaigns. Chevrolet's recent "Our Country" campaign and Budweiser's "The Great American Lager" campaign in the US emphasizes the companies' American roots and their importance as a part of American history. Volkswagen emphasizes that their cars are "German-designed" even though most VW cars sold in the US market are made in Mexico or Brazil. Mercedes-Benz emphasizes its German origin by using a German-accented narrator in many of their US commercials. Perhaps most interestingly, Toyota has in both print and TV campaigns highlighted its role as a responsible provider of US manufacturing jobs with slogans such as "more US manufacturing jobs, cleaner US manufacturing plants." When Toyota surpassed GM as the world's largest auto company, Toyota chose to emphasize its US manufacturing operations in their US ad campaign, in order to avoid a national-identity driven backlash against the company.

Clearly, a disconnect exists between recent academic COO research and current company practices. The objective of this study is to reconcile these competing perspectives. Based on category learning theory, we posit (and find) that, consistent with recent research, consumers' ability to correctly identify brands' country of origin is indeed weak, and that it is not related with attitude toward the brand. However, consumers' (inaccurate) perception of where brands are from does influence product evaluations. We find that consumers who inaccurately believe that a brand is domestic evaluate brands more favorably and also that consumers who inaccurately believe that a brand is from a dominant country (Japan) evaluate brands more favorably. The relationship between domestic misperception and brand attitude is stronger for highly ethnocentric consumers. Finally, the effect of misperception is strongest for brands from countries with weak country image. This study advances our understanding of the country-of-origin phenomenon and helps reconcile the recent emergence of two conflicting bodies of research.

References available upon request

SESSION 4.1: E-MARKETING THEORY AND PRACTICE FROM AROUND THE WORLD

Session Chair: Kathleen Krentler, San Diego State
University, USA

“Internet Mavens in India”

Kathleen Krentler, San Diego State University, USA
Nripendra Singh, JIIT University, India

*“Investigating the Virtual World Dynamics using AST: A
Research Agenda”*

Esther Swilley, Kansas State University, USA

*“A Proposed Conceptualization of Electronic Service
Quality as a Higher Order Formative Construct”*

Marios Theodosiou, University of Cyprus, Cyprus
Katerina Makri, Athens University of Economics and
Business, Greece
Saeed Samiee, University of Tulsa, USA
Evangelia Katsikea, Athens University of Economics and
Business, Greece

INTERNET MAVENS IN INDIA

Kathleen Krentler, San Diego State University, USA
Nripendra Singh, JIIT University, India

ABSTRACT

Internet penetration is growing dramatically in the emerging economy of India. Between 2000 and 2007, India's Internet penetration grew by 700%. Still, it remains at an estimated 3% (Sinha, 2007). Although the overall penetration rate in the country remains small, Indian e-commerce, which reached \$130 million USD in 2004-2005 was predicted to quadruple in the following three years (Internet & Online Association of India, 2005). With the overall Indian retail market expected to increase by almost 90% by 2012 (Krishnamurthy, 2008) it follows that the potential and ultimate growth of e-commerce in the sub-continent should be significant. Reflecting on a 27% increase in Indian users on the Internet between May 2007 and May 2008, Jack Flanagan, Executive Vice President of comScore, a global Internet information provider, commented, "India truly represents one of the most promising emerging Internet markets, given both the size and technological sophistication of the population" (comScore, 2008).

This study examines whether the Internet maven construct, first identified in the United States, exists amongst the online population in India. Internet mavens, an extension of the market maven, are savvy Internet users who act as sources of consumer information for others. Just as the market maven has been found to have more knowledge of and interest in the overall marketplace, Internet mavens, relative to others online, have developed similar characteristics in the virtual world and as a result are perceived as Internet mavens. As such, they are expected to exhibit greater knowledge of the virtual marketplace, greater interest in and enjoyment of using the Internet, have higher levels of usage of the Internet for a variety of purposes, and have acquired more information on products/services from this medium.

In this study, Internet mavens are identified in the Indian population. Various aspects of Internet usage (amount, purpose, and enjoyment) are found to be predictors of Internet mavenism. Further, Internet mavens are found to more fully trust the Internet as a source of consumer information and to see the Internet as more essential to their day-to-day life than do non-mavens. Mavens were found to have significantly higher household incomes than non-mavens however despite looking across a variety of additional variables, no clear demographic profile of the Indian Internet maven emerged.

The study offers support for the existence of Internet mavens amongst the population of Indian Internet users. These individuals might be expected to play a valuable role in guiding other Indian consumers through a period of great growth in consumer opportunities and retail activity in the country. Thus their continued study should be valuable.

References available upon request

INVESTIGATING VIRTUAL WORLD DYNAMICS USING AST: A RESEARCH AGENDA

Esther Swilley, Kansas State University, USA

ABSTRACT

The purpose of this paper is to develop a research agenda that will assist in deepening our understanding of the social dynamics of virtual worlds. Virtual worlds are computer-based simulated worlds that are populated by human-controlled avatars, or graphical representations of individuals. These worlds are real-time, interactive societies based on three-dimensional Internet technology. Interaction in virtual worlds has developed a set of behaviors, which are unique to each world.

Structuration Theory and Adaptive Structuration Theory are the springboards used to uncover the social dynamics in virtual worlds in this research. Structuration Theory was developed by Giddens (1984) to explain a balance between structure and agency. According to Giddens (1984), structure is rules and resources of a society, and agency is the human action. DeSanctis and Poole (1994) extended these ideas with adaptive structuration theory to study these dynamics with the interactions of information technologies within organizations. In doing so, they examined organizational change in terms of the types of structures provided by information technologies, as well as the structures that emerge as individuals interact with these technologies (DeSanctis and Poole 1994). We take this a step further in looking at the structures developed for virtual worlds and their evolvement as individuals (or avatars) interact within these worlds.

This paper develops a framework that highlights how decisions are made, as well as decision outcomes that can affect marketing in virtual reality worlds. Propositions are developed with the intention to raise questions and start a dialogue to further the research in virtual world behaviors. This should ultimately give an understanding of how marketers can pursue their programs in this new environment.

References available upon request

A PROPOSED CONCEPTUALIZATION OF ELECTRONIC SERVICE QUALITY AS A HIGHER-ORDER FORMATIVE-INDICATOR CONSTRUCT

Marios Theodosiou, University of Cyprus, Cyprus
Katerina Makri, Athens University of Economics and Business, Greece
Saeed Samiee, University of Tulsa, U.S.A.
Evangelia Katsikea, Athens University of Economics and Business, Greece

ABSTRACT

The conceptualization and measurement of service quality delivery through electronic channels has attracted significant research attention in recent years. Electronic commerce in general and online retailing in particular continue to expand at a staggering rate. The enormous growth in the number of companies that engage in online activities has resulted in an extremely competitive electronic marketplace. Whereas low price and Web presence were initially considered as the key drivers of success, firms soon realize that the provision of high quality services is the primary source of competitive advantage in online channels. By providing a high level of electronic service quality (e-SQ), companies can strengthen customers' satisfaction and loyalty, and encourage repeat visits and purchases. Naturally, the definition and measurement of e-SQ became a primary issue of concern among academic researchers and business practitioners. In light of these developments, the main objective of this study is to develop and empirically test a measurement model of e-SQ.

A thorough review of the relevant literature reveals a wide consensus among researchers that e-SQ is a multidimensional construct. Accordingly, most previous studies focused on identifying the key quality dimensions that serve as the basis for customers' evaluation of electronic services. As a result of these efforts, various conceptual models of e-SQ emerged in the literature. Early studies in this area focused exclusively on the website interface. More recent studies, however, adopt a broader conceptualization of e-SQ that examines the whole purchase process. In addition, it is now recognized that customers' perceptions, attitudes and behavioral intentions are based on an overall assessment of the quality of a website and not on the assessment of individual quality dimensions. Therefore, e-SQ is commonly conceptualized as a higher-order construct, comprising a number of first-order quality dimensions. An important issue, however, that requires further clarification is whether e-SQ should be specified as a reflective- or formative-indicator construct. Whether a multi-item construct should be specified as reflective or formative is a critical decision which has direct implications for the robustness of structural parameter estimates. A number of methodological studies conducted during the past few years investigated more systematically the issue of measurement model specification and proposed a set of key criteria that should be used to determine whether a construct is formative or reflective. Drawing upon a thorough examination of these criteria, we propose that e-SQ should be conceptualized as a second-order formative-indicator construct.

In order to develop a robust measurement scale for e-SQ we initially undertook an extensive review of the e-SQ literature. We concluded that there is a great diversity in the e-SQ dimensions examined by different authors. However, at least four dimensions, namely *fulfillment/reliability*, *privacy/security*, *website design* and *customer service*, are included in most recent studies. Moreover, there is ample evidence that information aspects and opportunities for website customization play a critical role when evaluating e-SQ. Therefore, *informativeness* and *customization* were added to the four quality dimensions mentioned above to form a six-dimension conceptualization of e-SQ.

We used an online intermediary in the travel industry as the context for testing our measurement model. Our sampling frame consisted of all customers that made a hotel reservation from a specific site during the 12 months period that preceded this study. We received 139 usable responses for a response rate of 13.9%. We measured our constructs using existing scales, which we adapted to suit the context of the specific study. We performed confirmatory factor analysis in order to verify the hypothesized factor structure and assess constructs' validity and reliability. In order to empirically assess the hypothesized factorial structure of e-SQ we followed available guidelines regarding the estimation of formative-indicator models. Particularly, the following critical issues were addressed: content and indicator specification, identification, indicator collinearity, and nomological validity. Following standard psychometric scale construction procedures we found that the proposed second-order e-SQ construct, as well as its underlying first order dimensions, performed excellently on all relevant validity and reliability tests. Moreover, our results confirmed the appropriateness of specifying e-SQ as a formative-indicator construct. Furthermore, all six quality dimensions we examined had a significant contribution on forming e-SQ perceptions. Future research should further assess the external validity of the e-SQ scale through replication studies in different online contexts, using larger samples. Another fruitful research avenue is to examine whether different customer segments, defined in terms of demographic, psychographic and other characteristics, have similar perceptions of e-SQ.

SESSION 4.2: EMERGING ISSUES IN GLOBAL MARKETING

Session Chair: Anne Balazs, Eastern Michigan Univ., USA

“Determinants of Entry Modes and Performance of Entrepreneurial Born Global Firms”

Kalanit Efrat, Ruppin Academic Center, Israel
Aviv Shoham, University of Haifa, Israel

“Values and Entrepreneurial Orientation of Early Stage Entrepreneurs”

Fredric Kropp, Monterey Institute of Int. Studies, USA
Noel Lindsay, The University of Adelaide, Australia

“Socially Responsible Practices of Australian SMEs: A Marketing Perspective”

Gary Mankelow, University of Newcastle, Australia
Ali Quazi, University of Canberra, Australia

“Sustainable SMEs Network Utilization”

Päivi Jämsä, University of Oulu, Finland
Jaana Tähtinen, University of Oulu, Finland
Annmarie Ryan, Lancaster University, UK
Maarit Pallari, MIT Agrifood Research Finland, Finland

DETERMINANTS OF ENTRY MODES AND PERFORMANCE OF ENTREPRENEURIAL BORN-GLOBAL FIRMS

Kalanit Efrat, Ruppin Academic Center, Israel
Aviv Shoham, University of Haifa, Israel

ABSTRACT

This paper focuses on “Born Globals” (BGs) – small and entrepreneurial firms that become international soon after inception (Aspelund, Madsen, and Moen 2007; Kuivanlainen, Sundquist, and Servais 2007). Knight and Cavusgil (1996:11) defined BGs as “small, technology-oriented companies that operate in international markets from the earliest days of their establishment”. The closeness between inception and first foreign market entry is the unique trait of BGs and defines the constraints they face. Although differences between BGs and Gradually Globalizing firms (GGs) have been researched, most studies have concentrated on the internationalization process and the factors contributing to it. Less is known about the factors influencing BGs internationalization, and market selection, as well as their post-inception international operations, two aspects which are the focus of this conceptual paper. Previous research provided a model identifying three factor groups influencing firms' international strategy and performance (Aaby and Slater 1989). Based on this model we outline several propositions regarding the impact of three environmental factors, namely psychic distance, competition, and country risk, on BGs choice of entry mode, and on their performance as their outcome.

VALUES AND ENTREPRENEURIAL ORIENTATION OF EARLY STAGE ENTREPRENEURS

Fredric Kropp, Monterey Institute for International Business, USA
Noel J. Lindsay, The University of Adelaide, Australia

ABSTRACT

This exploratory study builds upon individual values research from the marketing area and entrepreneurship theory. It represents an initial effort at developing an Individual Entrepreneurial Orientation (IEO) scale and comparing values of people who had started a business to those who had not. The results support high reliability, and face, construct, and criterion validity of the scale. They show different values between entrepreneurs and non entrepreneurs. At the theoretical level, this study extends existing knowledge by examining entrepreneurial orientation and values at the individual level. At the applied level, the scale can serve as a diagnostic to measure an individual's natural orientation to be an entrepreneur.

INTRODUCTION

Entrepreneurs create jobs and wealth for society and for the individuals starting the business (Kropp et al. 2008). More than ten million adults, in the US alone, start a business at any given time (Ewing and Marion Kauffman Foundation Website, 2005). Yet, less than half of new businesses exist within four years after start-up (Timmons and Spinelli 2007). Firms with a higher entrepreneurial orientation (EO) tend to be more successful (Lumpkin and Dess 1996; Kropp et al. 2006).

EO is the "strategy-making processes that firms engage in [to support] entrepreneurial activities" (Lumpkin and Dess 2001, p. 429). Almost all of the literature on EO examines it as a firm-level construct. Traditional measures of a firm's EO do not adequately capture an individual's EO. This exploratory study examines the EO of the lead or founding entrepreneur and we construct a scale to measure an individual's EO. We also examine the values of the individual entrepreneur and examine the relationships between these constructs and those of non entrepreneurs.

INDIVIDUAL ENTREPRENEURIAL ORIENTATION (IEO)

Lumpkin and Dess (1996) conceptualize EO as a multidimensional construct containing five dimensions: proactiveness, innovativeness, risk-taking, autonomy, and competitive aggressiveness. We believe the proactiveness, innovativeness and risk-taking dimensions are the most relevant to an IEO. Although important on the firm level, autonomy takes place within the construct of an organization and competitive aggressiveness is more important in later or mature stages of a firm. Therefore, we examine the first three dimensions as the basis of our IEO scale.

Proactiveness is an opportunity-seeking forward-looking perspective (Lumpkin and Dess 1996, 2001) that includes opportunity identification, recognition, evaluation and exploitation (Kropp et al. 2006). Schumpeter described innovativeness as "a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes" (Lumpkin and Dess 1996: 142). Risk relates to the uncertainty and potential gains or losses associated with a set of outcomes and strategies (Forlani and Mullins 2000), and involves new activities and the associated commitment of resources (Baird and Thomas 1985). There is often a willingness to take greater risks in return for greater potential rewards.

The IEO scale is based on self-efficacy theory, developed by Bandura (1977). Respondent were presented with a series of tasks that are important to each of the three EO dimensions selected for this study: proactiveness, innovativeness and risk-taking. Respondents are asked to evaluate how confident they are that they could perform the task. The study was conducted in South Africa. Descriptions on the method, the measures and the samples are presented in subsequent sections of this paper. Our underlying logic is that people who have a higher IEO will be more likely to start a business. Therefore,

H1: People who start businesses will have a higher individual entrepreneurial orientation than people who do not start a business.

VALUES

Values are higher order social cognitions that shape consumer attitudes and behaviors (Homer and Kahle 1988) and are cognitive representations of universal human requirements (Schwartz and Bilsky 1987). They are "enduring beliefs that a

particular mode of behavior or end-state of existence is preferable to opposite modes of behavior or end-state” (Rokeach 1973, p. 5). In marketing, values shape brand choice, gift-giving, shopping, consumption of organic foods, and many other consumer behaviors (Kropp 2003). We believe values have explanatory power in entrepreneurial motivations and that entrepreneurs may have different value sets than non entrepreneurs.

A literature review by the authors of this paper identified that most of the academic values research in marketing was conducted using one of three value schemes: Rokeach (1973), Kahle (1983), or Schwartz and Bilsky (1987) or variants on these approaches. The List of Values (LOV; Kahle, 1983) dominates the marketing literature on personal values. LOV is a multidimensional construct that contains nine basic values. Previous research identifies that these values load onto three different dimensions: internal values, external values and interpersonal values. Internal values contain self-fulfillment, self-respect, and sense of accomplishment. They are internally validated and do not require the real or imagined presence of an “other” (Kropp et al. 2005). External values generally require the presence, judgments, or opinions of others (Kahle 1983), and include security, sense of belonging, warm relationships with others, and being-well respected. Interpersonal values - fun and enjoyment in life and excitement -combine aspects of internal and external values, focusing upon interactions between people (Kahle 1983).

Entrepreneurs primarily are driven by three factors (Schumpeter, 1934, p.93) ...“the dream and the will to found a private kingdom; ...the will to conquer ... to succeed for the sake, not the fruits of success, but of success itself; and ... the joy of creating.” Motivations are internal rather than external. Entrepreneurs place a higher value on internal values. Since entrepreneurs are not any more extrinsically motivated than non entrepreneurs, there are no differences in external values. As interpersonal values capture a dynamic aspect of both internal and external values, entrepreneurs will place a higher value on interpersonal values than non entrepreneurs. Therefore,

H2: There is a direct relationship between internal values and individual entrepreneurial orientation.

H3: There is no direct relationship between external values and individual entrepreneurial orientation.

H4: There is a direct relationship between interpersonal values and individual entrepreneurial orientation.

RESEARCH METHOD

The study was conducted using a convenience sample of executive MBA students in three South African cities. The questionnaires were administered at the beginning of the first lecture of the MBA program so the responses would not be contaminated by course materials. As it was part of the first class, all respondents completed the questionnaire.

The respondents spanned a variety of the major racial backgrounds found in South Africa. One hundred forty-five respondents participated in this study by completing questionnaires. As is typical with an EMBA program, the students were more mature, 75% were 26-40 years old. The sample was skewed on a gender basis, 121 (84%) males and 23 (16%) females; 98 were married and 46 were not married. All had extensive work experience, 76 had started their own businesses and 67 had not but had other substantial work experience.

Individual entrepreneurial orientation was measured using a 23-item scale that asked respondents to rate how confident they felt in performing specific tasks related to the three components of proactiveness, innovativeness and risk taking (see [Table 1](#)). The scale asked “how confident are you that you could:” (followed by the specific tasks), on a seven-point scale, and was anchored where 1 = “not confident at all” and 7 = “very confident.” The initial list of items were identified through a literature review, discussions with academics and a brainstorming session. The items were pre-tested, then refined to enhance clarity and some items were deleted. An exploratory factor analysis was conducted, using a principal component analysis and a varimax rotation. Dimensions were selected based on eigenvalues and scree plots.

The List of Values (Kahle, 1983) was used to measure individual values (see [Table 2](#)). Demographic measures and variables related to past entrepreneurial experience were included in the questionnaire. Examples of entrepreneurial experience includes questions relating to current employment status, whether a subject had started his or her own business, what type of business, whether they started it by themselves or with partners, and what was the major source of funding.

RESULTS

Four factors explaining 57.0 % of the variance were identified in the IEO scale (the rotated factor loadings are shown in [Table 1](#)). There is a general correspondence to the firm-level construct and some differences. The first two factors are similar to proactiveness and risk-taking, however, the components of innovativeness also loaded on proactiveness. The third and fourth factors, opportunity analysis, and relational skills would typically be considered a part of proactiveness. As the four factors are highly correlated, we combine the four dimensions and use a single scale. The overall Cronbach alpha for the scale is 0.91 indicating high reliability.

There were significant differences on the IEO scale between people who had owned their own businesses (mean = 5.11, std. dev. = 0.72, based on a 7-point scale) and with people who had not owned their own business (mean = 4.79, std. dev. = 0.82, $p = 0.108$). People who own a business scored higher on the IEO scale than people who had not, demonstrating face validity. Given the extremely high reliability and the face validity, we feel confident to use the scale as a basis for further analysis. H1 is supported, people who start a business have a higher IEO than people who do not start a business.

Differences in values for people with a high versus low individual entrepreneurial orientation are shown in [Table 2](#). H2 states that there is a direct relationship between internal values and individual entrepreneurial orientation. Two of the three internal values are significantly different at the 0.10 level, self-respect and sense of accomplishment. There was no significant difference between the two groups on self-fulfillment. Therefore, H2 was partially supported.

H3 states that there is no direct relationship between external values and startup. Three of the four values were not significantly different between the two groups: sense of belonging, being well respected and sense of security. Only warm relationship with others was different between the two groups ($p = 0.04$). Therefore, H3 was partially supported.

H4 stated that there is a positive relationship between interpersonal values. Sense of excitement was different between the two groups ($p = 0.006$), however, fun and enjoyment was not different ($p = 0.40$). Therefore, H4 was partially supported.

CONCLUSION

This study is exploratory and represents an initial effort at developing an IEO scale and comparing values of people who had started a business to those who had not. The results are encouraging. The scale demonstrates high reliability and face, construct, and criterion validity. One of the four hypotheses is fully supported and three are partially supported. Values are substantially different for entrepreneurs than for non entrepreneurs. A better understanding of the role of values in venture creation offers the possibility of enhancing success rates and for developing training programs. There are, however, limitations to this study. First, the IEO scale needs to be better developed and reapplied to values. Subsequent efforts should attempt to better mirror the dimensions of the Lumpkin and Dess (1996) dimensions. Next the study needs to be replicated using representative samples in different locations. Larger representative samples in multiple locations allow for generalizability. Future research needs to incorporate these changes.

TABLES

Table 1: Rotated Component Loadings Matrix

	Proactiveness	Risk-taking	Opportunity Analysis	Relational Skills
Start your own business	.669			
Develop vision for business			.598	
Identify an opportunity			.614	
Identify market needs			.571	
Assess strengths and weaknesses of an opportunity			.657	
Identify strengths and weaknesses in yourself			.654	
Put together a team of the right people			.469	
Start a business without adequate resources	.667			
Develop relationships with new customers				.746
Maintain relationships with existing customers				.801
Obtain financing for a new business	.509			.537
Work with limited resources		.436		
Manage your own business	.740			
Achieve high growth in your business	.768			
Work long hours and weekends				
Take the risks necessary to start a new business		.554		
Be an innovative problem solver		.755		
Live with uncertainty		.637		
Evaluate downside risk		.624		
Be creative in using and controlling resources		.765		
Make a large profit when you sell your business		.524		

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 11 iterations.

Table 2: Difference in Values by Entrepreneurial Orientation

Value	High Orientation (Std. Dev.)	Low Orientation (Std. Dev.)	T-Values	Probability
Sense of Belonging	6.22 (2.52)	5.98 (1.96)	0.50	.621
Sense of Excitement	7.10 (1.78)	6.02 (1.85)	2.79	.006*
Warm Relationships with Others	6.83 (1.43)	6.09 (1.86)	2.14	.035**
Self-Fulfilment	8.36 (1.25)	8.06 (1.09)	1.18	.293
Being Well-Respected	6.69 (1.79)	6.66 (1.86)	0.07	.944
Fun and Enjoyment in Life	7.60 (1.65)	7.20 (1.84)	1.07	.400
Sense of Security	6.55 (2.30)	6.89 (1.91)	0.77	.346
Self-Respect	8.62 (0.79)	8.26 (1.05)	1.85	.068***
Sense of Accomplishment	8.57 (0.67)	8.19 (1.36)	1.70	.094***

*significant at the .01 level

**significant at the .05 level

***significant at the .10 level

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SOCIALLY RESPONSIBLE PRACTICES OF AUSTRALIAN SMES: A MARKETING PERSPECTIVE

Gary Mankelaw, University of Newcastle, Australia

Ali Quazi, University of Canberra, Australia

ABSTRACT

While issues of corporate social responsibility (CSR) and practices of large corporations have been widely addressed, the CSR practices of small and medium enterprises (SMEs) in an Australian context have remained largely unexplored in the literature. Australian SMEs are making significant financial contributions to community welfare which is reflected in their annual contribution of A\$251 million to the Australian community (ABS: Generosity of Australian Businesses, 2002). This paper applies a modified version of an empirically tested CSR framework (Quazi and O'Brien, 2000) and uses a case study methodology to map the state of CSR practices of SMEs in Australia. The findings indicate that SMEs demonstrate their social obligations in terms of two contrasting orientations; profit versus non-profit and marketing versus altruism. These findings highlight important implications for marketing theory and practice.

INTRODUCTION

Small and medium enterprises (SMEs) are increasingly playing a significant role in the economic and social development of nations. This is evident from the increasing participation of SMEs; especially in rural and regional areas within countries such as Australia. SMEs's contribution to the economy includes the generation of employment opportunities and income for regional communities. Furthermore, SMEs are also active in fulfilling their obligations on the social front (Mankelaw, 2006). Conventional wisdom may suggest that CSR is an expensive exercise; hence large corporations have the required resource base to be involved in CSR activities. SMEs are generally believed to heavily emphasize economic imperatives because of their survival strategy with a relatively limited financial base (Gibb, 2000). We argue that individual SMEs may lack financial strength but the SME sector as a whole does not. Australian SMEs's annual contribution of A\$251 million to the Australian community (ABS: Generosity of Australian Businesses, 2002) clearly shows the financial ability of the sector to contribute to CSR activities. Therefore, the paucity of research on Australian SMEs's CSR performance has prompted this study which is aimed at broadening an understanding of SME CSR as well as developing its implications for marketing in an Australian regional context.

LITERATURE REVIEW

Over the last several decades the contemporary CSR thoughts have reflected heavily on diversity relating to its pattern, motivation and impact on communities (Williamson, Lynch-Wood, and Ramsay, 2006). CSR has been popularly defined as "obligations to constituent groups in society other than stockholders and beyond that prescribed by law and union contract" (Jones, 1980: p. 59-60). Fry (1977) observed that large and small enterprises are under increasing community pressure to be responsive to societal needs. Some authors have argued that CSR can lay the base of competitive advantage for SMEs in local and global markets (Fuller and Tian, 2006; Garriga and Mele, 2004). There is a need for enterprises to restructure objectives to reflect economic goals in line with society-based goals. Carroll (1991) placed economic category as the base, a fundamental upon which legal, ethical, and philanthropic responsibilities of businesses depends. This perspective supports the neoclassical paradigm that the real business of business should be business, meaning that the principal responsibility of a business would be to make profit (Friedman, 1970). Quazi and O'Brien (2000) provided empirical evidence in favour of the argument that CSR is a two dimensional phenomenon: cost-to-benefit driven views and narrow-to-wider CSR perspectives. Quazi (2003) further argued that perceived managerial views of CSR are positively linked to the managerial demographics in Australian corporate sectors. These observations point to multiple layers of CSR participation. Accordingly, enterprise stakeholders' needs are interlinked, which in turn emphasises a need for SMEs to develop different strategies for each group of stakeholders (Maignan, Ferrell, and Ferrell, 2005). A recent study by Schaper and Savery (2004) revealed that small businesses played a major role in supporting local communities. The ABS Generosity of Australian Businesses (ABS, 2002) developed the concept of "total giving" that included philanthropy, donations, sponsorship, and enterprise strategic decisions. A New Zealand study by Knuckey, Johnston, Campbell-Hunt, Carlew, Corbett, and Massey (2002) also included sponsorship which, like the ABS (2002), 'blurred' the concept of CSR. Mankelaw (2006) identified motivational aspects of SME CSR in the context of regional Australia. In particular, the study examined managerial perceptions of CSR participation and the driving forces shaping the status of SMEs in terms of their actual behaviour. An enterprise profit motive and the CSR perspective of an enterprise were found to represent a range of views. At one extreme CSR participation was viewed by SMEs as an extension of profit-making activities and, at the other extreme, CSR participation was undertaken with community stakeholders based on purely altruistic motives. Consequently, motivations for SME CSR participation

represented a continuum which ranged from a strategic perspective involving an extension of marketing activities (serving societal needs for profit through marketing action), to pure altruism (charitable donations on humanitarian grounds). The framework employed in the present study is based on the findings and conclusions drawn by Mankelov (2006) and the model developed by Quazi and O'Brien (2000). The objectives are to explore possible enterprise orientation; traditional marketing, marketing with CSR, socio-marketing, and the altruistic practices of small enterprises in an Australian regional context.

OBJECTIVES

The objectives of the paper include (1) focusing on the overall range of CSR practices of SMEs in an Australian regional setting, (2) identifying underlying dimensions of practice orientation of SMEs in economic, marketing, social and altruistic terms, (3) positioning the small businesses in the four quadrants of the two dimensional model on the basis of their orientation of business practices, and (4) drawing implications from the practices for marketing.

RESEARCH METHODOLOGY

The study utilizes a qualitative research method and employs an interpretivist ontology with a realist epistemology to access a 'hidden slice of reality,' (i.e. facts that are covert in the deep of one's mind). Further, to facilitate an understanding of managerial perceptions where meanings are socially constructed. Case research methodology was considered appropriate at a pre-paradigmatic stage for 'investigating contemporary phenomena within real-life contexts when the boundaries between phenomenon and context are not clearly evident' (Yin 1994, p. 13). Theoretical replication was used to purposefully select 10 cases that were descriptively named: Butcherco (retail butcher), Floristco (retail florist), and Musico (retailer of music and musical instruments). A semi-structured face-to-face interview was undertaken using a research instrument comprising eight research questions examined through qualitative, open-ended questions. Qualitative data, words or groups of words, was analyzed within a context of a research problem with software used for axial coding.

THEORETICAL FRAMEWORK

The model presented in this paper has two axes: pure-marketing versus pure altruism and profit versus non-profit. These axes represent the current complexities in the CSR debate that are generating a great deal of coverage in contemporary CSR literature.

Four quadrants have been identified in this model. These include traditional marketing perspective, marketing with CSR perspective, socio-marketing perspective, and altruistic perspective.

Quadrant 1, Traditional marketing perspective

This classical marketing quadrant is rooted in the traditional notion of CSR. A marketing orientation was reflected and validated by copious comments made by respondents. For example, Musico CSR participation was strategically integrated into marketing activities in which communities, schools, and sponsored music groups were viewed as segments. Each segment focused on tailored and strategic CSR participation to facilitate enterprise growth and profitability. For example, music groups introduce discounts for schools and teachers, gift vouchers, and stock for school fund raising activities. Musico commented: *"We support them in what they do and in return they support us by purchasing music materials and sending their students here; so we have a good relationship with our teachers"*. Musico's understanding of the importance of relationship marketing was aimed at building and maintaining a long term relationship with customers. However, their principal aim remained traditional in nature where economic imperatives were placed before CSR. Floristco, a small business firm where traditional marketing orientation was also illustrated by their CSR participation with the Cancer Council and Vision Australia was motivated by a range of commercial and marketing objectives including the need to attract customer support, maintain customer loyalty, expectations of the community, and enhance enterprise reputation. Floristco commented, *"I'll give for something that's personal to me or something that has something to do with one of my corporate customers because you just can't give to everybody."* This attitude of the firm reflects its deliberate attempt to satisfy their customer needs in order to maximize profit.

Quadrant 2, Marketing with CSR perspective:

This quadrant represents a more "progressive" role of SMEs in discharging their social responsibilities. SMEs endorsing this view accept the notion of CSR but consider it a secondary factor to marketing imperatives. Marketing with a CSR perspective is illustrated by Butcherco who viewed charities (in this case the Toy Appeal) as an extension of Butcherco's market via the

idea “*you’re doing a little, you get a good name around the town*”. Another example of marketing with a CSR perspective is illustrated by Jewelerco whose CSR was motivated by marketing and altruism, partly based on traditions established by the previous owners (parents) of Jewelerco; “*it’s simple: it’s to carry over what my parents did. Potential recipients don’t come with a great expectation but saying, ‘we need help, I need to ask...’ and you go, ‘well, OK’ because with a small amount, at least you’re trying to do something - we can give them a small article of jewelry*”. CSR participation contains a market orientation based on geographical distance that specifically excludes more distant locations and emphasizes localness. For example, a market orientation: “*we’d prefer to make it somewhere where it goes to the clients who generate our income*”; against a remote location, “*it doesn’t make sense spending what little money you have for this (CSR) in Sydney or wherever*”. There was no written CSR policy but there were criteria to determine a favourable response: “*We have a definite criterion. We prioritise and give to things that are local*”.

Quadrant 3, Socio-marketing perspective

This quadrant nurtures CSR in a primary sense which places CSR before marketing as a matter of strategic choice. The SMEs that endorse this perspective not only tend to integrate non-profit maximization goals but also give them almost equal weighting with a strategic objective to maximize profits in the long term. A socio-marketing perspective was clearly evidenced by the favourable responses of Pharmco and Clothesco. For example, Pharmco stated: “*I am interested in getting involved in making the environment better... I’ve given talks to them about their medication... to me that’s some sense of community. It’s integral to my business in that you’ll probably come back to me*”. Similar sentiments were expressed by Clothesco who stated that she was motivated to participate with local schools. This was driven by marketing, enterprise recognition, and a sense of mutual obligation in that “*a lot of that comes down to personal responsibility*”.

Quadrant 4, Altruistic perspective

This view places the highest emphasis on behaving in a way that ensures fulfilling the social obligations of SMEs in philanthropic terms. For example, this perspective assumes that if SMEs allocate funds for social and philanthropic purposes, the community is likely to be supportive of SMEs in terms of showing a favorable attitude towards buying from those SMEs. Religiosity may also come to play a role in the altruistic behaviour of many businesses (Quazi, 2003). For example, receiving God’s favour in running a successful and profitable business may also provide impetus for many SMEs to be humanistic and philanthropic in their actions. For example, Bakerco with a humanistic orientation commented, “*it’s a good community spirit to give and not want anything in return. People appreciate what we do. I think it just changes the purpose of giving*”. The motivation is exemplified by the following comment; “*I think that’s one of the biggest things and I never look at it as a marketing ploy*”. A religious orientation was clearly illustrated by Fruitco who commented; “*if you are going to donate, donate your best...I have helped everyone that’s always asked because I’m a Catholic by religion but a Christian by faith*”. Fruitco further commented; “*it’s a gift from the heart, with no expectation of a financial return, if you expect something back, you’re going to be very, very disappointed, and a personal desire to help because it’s a nice thing to do... help the community at large*”. The underlying motivations by Bakerco and Fruitco are “other worldly” with an emphasis on humanistic and religious orientations and altruism, based on doing the right thing for fellow human beings with secondary considerations given to profit maximisation.

CLASSIFICATION OF ENTERPRISES USING THE MODEL

An analysis of the data facilitated the development of the two dimensional model of small enterprise CSR. Each enterprise was then appropriately placed within the model (see [figure 1](#)). The determination of the positions of the various enterprises will provide a clear picture of the nature of commitment of an individual enterprise to CSR. The location of an enterprise within the schema uses a two step process involving a holistic analysis of primarily qualitative data. The first step involved determining the strategic position, namely, which features of a particular quadrant does the enterprise best align with. For example, Floristco was classified as having a traditional marketing perspective because of an overwhelming profit orientation. Alternatively, because of a desire *to do the right thing*, Fruitco, based on holistic interpretation of qualitative responses, was deemed to have an altruistic perspective.

The second step involves deciding the position of the companies within the framework of the four quadrants of the model. The authors argue that it is not possible to determine a discrete, unambiguous position for an enterprise within a quadrant. However, it is possible to determine a relative position in relation to other firms within that particular quadrant. For example, Jewelerco has a greater marketing orientation and less non-profit orientation than Giftco which means that Giftco is lower in terms of its non-marketing orientation than Jewelerco and therefore should be placed to the left of Jewelerco (see [Figure 1](#)).

CONCLUSION

The model provides a framework through which SMEs can be classified according to their CSR behaviour. The range of CSR behaviour can also be seen from the discussion and arguments made within the four dimensional properties in an Australian regional context. As such, the framework provides significant advantages over uni-dimensional frameworks that essentially provide simple measures of the extent of CSR commitments by enterprises. Past, contemporary and emerging views of CSR can also be explored through the model for small enterprises in a regional context in Australia. In this sense this research can be considered an advancement over the existing knowledge and wisdom in broadening an understanding of SME's commitment to CSR. The frequency of enterprises within each quadrant of the model was relatively similar: traditional marketing (Statco, Musico, Floristco), marketing with a CSR perspective (Butcherco, Jewelerco, Giftco), socio marketing (Pharmco, Clothesco), and altruistic (Fruitco, Bakerco). From these findings it can be concluded that SMEs were located within a two dimensional schema with such consistency to suggest an appropriate terminology of model, namely a 'two dimensional model of small enterprise CSR', (Figure 1).

IMPLICATIONS FOR MARKETING

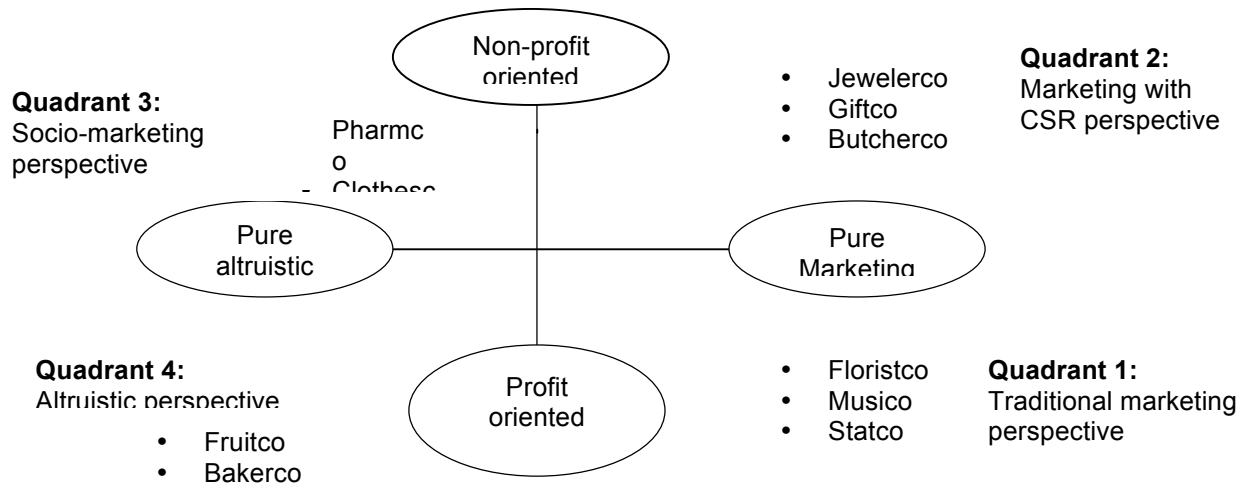
The major findings of the study suggest that SMEs are diverse in terms of their attitudes and practices relating to CSR. Some SMEs perceive profit making as the basis for survival in the market and tend to either ignore or attach less importance to CSR. Other groups of SMEs view CSR from a social perspective and use CSR as a product and means to promote goodwill and build a unique image in the market with the objective to maximize profit in the long run. Another group looks at CSR from a purely philanthropic standpoint and allocates funds towards contributing to the welfare of the community with no apparent intention to make a profit. The community may reward such socially sensitive corporations financially in the long term by way of making buying decisions in favour of those SMEs or providing positive word of mouth reference to peers. Furthermore, SMEs in regional Australia traditionally associate themselves very closely with the local community and express their solidarity - "we're in it together"- and provide support for the welfare of the community of which they are a part (Mankelov, 2006). For example, Fruitco provides fruit and vegetables bundled in amount and quality that best meets the needs of those on welfare benefits. Fruitco also provides part-time employment and supports and encourages workers with their positive work ethic. The commitment of the SMEs to the social cause is not only driven by altruistic motives but also by economic and marketing imperatives. They contribute in order to maintain long term business survival in an increasingly competitive environment. Besser and Miller (2001) argue that businesses can establish a distinctive image in the marketplace and enjoy the benefit of a differentiated strategy by positioning themselves uniquely in the minds of customers in terms of their social giving. Another implication for marketing stems from the development of a better understanding of the closely related areas of social, altruistic and CSR marketing. Within the CSR framework, organizations often contribute to social initiatives for the reasons of financial gain and relative market advantage. Therefore, the findings of this study would guide marketing practitioners and academics to differentiate between the distinct motivations that drive these strategic imperatives in the CSR arenas.

Small businesses can use their CSR image to develop relationships with the target market segment that are sensitive to responsible behavior. However, SMEs need to create a sense of trust in the minds of their customers by committing themselves to social causes. Allocation of funds for these causes on an altruistic basis would help market their goods/services alongside their demonstrated intention to address social concerns. However, a failure to evoke the feeling of honest intention may render consumers to believe that SMEs are not actually committed to CSR. The socially responsible action of SMEs can help create a unique image in society because the businesses that care for the community would be perceived by customers as contributors to the welfare of the greater community. Furthermore, the favorable perception of customers about CSR oriented businesses is likely to influence the purchase decision of socially sensitive customers in favour of those businesses.

LIMITATIONS AND FURTHER RESEARCH

This research centered on small retail enterprises in Newcastle, Australia and its environments and thus findings and conclusions relate to a specific set of retailers within a particular geographical area. Therefore, the results of this study may not be readily generalisable across other industries, regions and countries even if some of the findings can be perceived to be typical of any SME CSR practices in any community. This raises the possibility of further research in different locations, industries, within or across countries to focus on the possible differences in SME CSR practices that may emerge. Furthermore, the model can be empirically tested with data collected from SMEs across the various regional areas of Australia and beyond.

Figure 1: Positioning enterprises within the two-dimensional model according to CSR performance



Source: Adapted from the original model by Quazi, A and D. O'Brien. 2000. "An empirical test of a cross-national model of corporate social responsibility." *Journal of Business Ethics* 25: 33-51

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SUSTAINABLE SMES NETWORK UTILIZATION

Päivi Jämsä, University of Oulu, Finland
Jaana Tähtinen, University of Oulu, Finland
Anmarie Ryan, Lancaster University, UK
Maarit Pallari, MTT Agrifood Research Finland, Finland

ABSTRACT

Integrating environmental concerns into marketing practice poses many challenges for different enterprises regardless of their size. Even though studies on sustainable development have primarily focused on large organizations, there is also a growing body of research in Micro, Small and Medium sized enterprise (SME) context. For example, environmental issues (referring to natural environment) have been addressed in SMEs by Clemens (2006) and Hussey and Eaghan (2007). In spite of these contributions the topic has received less research interest in the field of marketing. The overall approach has been to encourage SMEs to become more or less 'green', and thus more responsible (Jenkins 2006). What are less understood therefore are the positive changes SMEs are already making as well as the impact these changes are having on the network level. This paper contributes to this by reporting on an empirical study of two Finnish enterprises that are making ecologically sound business practices part of their core marketing strategy. Moreover, these enterprises are explicitly taking a network approach. Of central importance to the study therefore is a development of our understanding of how the sustainability of the SMEs influences and is influenced by the network in which they are embedded.

The possibilities to obtain resources, to specialize, to increase cost efficiency and to learn from others are, for example, important reasons why SMEs network. The network helps SMEs to compete with large organizations in the market. (Varamäki, Pihkala, Järvenpää & Vesalainen 2004.) In addition to that, networks are social structures, which often create opportunities for SMEs (O'Donnell 2004; Shaw 2004). The network structure enables SMEs to learn from experiences and share information with other members of the network (Chetty & Blankenburg Holm 2000). To sum up networks are both a source of resources for the resource constrained SMEs and a provider of information and opportunities, which help the enterprises to develop their businesses.

An empirical study of two Finnish enterprises, Kurmakka and Tuoreverkko, was conducted for this study. Both enterprises operate in food markets and are micro sized. The enterprises were chosen for this study because they both focus on selling and operate between customers and producers. Networks and networking are, therefore, important for their businesses. Kurmakka specializes in exporting organic food products and Tuoreverkko sells both conventionally produced vegetables and products as well as organic products. The primary empirical data was gathered by interviewing. The interviews contained several themes and some probe questions were formed in advance to aid the interviews. The interviews were thus semi-structured and the themes were addressed in any order, which makes it possible to explore other relevant and interesting issues as they emerge (Kumar, Aaker & Day 2002, 179; Shaw 2004).

The sustainable SMEs utilized their network in two ways. Firstly, they utilized the network as both sources of opportunities and resources, not only to themselves, but also to other members of the network. The utilization of opportunities, which emerged from the network, reflects the entrepreneurial nature of SMEs and the flexibility of their organization structure. For example, Tuoreverkko realized the potential of selling organic vegetables when a farmer contacted the enterprise and asked whether selling the vegetables was possible. Sharing information was in a key role also in the different activities in the network. The activities related much to developing the functionality of the network, which often acquired sharing information. For example, in Kurmakka, these activities included familiarizing producers, who previously did not have organic production, with the requirements of organic production. This brings us to the second form of utilization; the sustainable SMEs' influence to the network sustainability. They not only enhanced the economic viability of the network by sharing information, teaching and learning but also the social and ecological dimensions of the network level sustainability. For Tuoreverkko network development was perceived as a means to drive sales, and through higher sales, to improve the wellbeing of farmers. Creating and sustaining ecologically sound business practices was of primary importance for Kurmakka. Both enterprises brought their previous experiences and values to bear on managing the enterprise and through their networks, these approaches reflected on their network partners. To sum up, the case study shows that SMEs can impact their surrounding network and use it as an avenue for societal change.

References available upon request

SESSION 4.3: NEW APPROACHES FOR MEASURING CONSUMER EXPERIENCES AND PURCHASE BEHAVIOR

Session Chair: S. Adam Brasel, Boston College, USA

“Real-Time Data Collection and Online Service Transactions: Matching Methodology and Marketplace”
S. Adam Brasel, Boston College, USA

“Dynamic Models for RFM Variables: A Forward Looking Approach”
Pablo Marshall, Pontificia Universidad Católica de Chile, Chile

“Preliminary Investigation to Operationalise Employee Brand Equity”
Ceridwyn King, Griffith University, Australia
Debra Grace, Griffith University, Australia

REAL-TIME DATA COLLECTION AND ONLINE SERVICE TRANSACTIONS: MATCHING METHODOLOGY AND MARKETPLACE

S. Adam Brasel, Boston College, USA

ABSTRACT

Many online service transactions, such as purchasing airline or concert tickets, are multi-stage experiences involving a series of webpages. This serial service presentation suggests that post-hoc survey measures of service experience and quality will obscure transitory thoughts and affect that are centered around individual segments of the service transaction. By using real-time data collection methods such as eyetrackers, mouseloggers, and digital voice recorders, affective and cognitive responses to individual segments of the service process can be captured, and the effects of manipulations more directly measured. In one example, real-time data in an online study showed strong differences between web novices and experts in their affective and cognitive reactions to varying marketing efforts within a service transaction; these differences were obfuscated in post-stimulus survey measures. Real-time measures were especially well-suited to exploring reactions to changes in segment order and questions of segment bundling versus contiguity.

DYNAMIC MODELS FOR RFM VARIABLES: A FORWARD LOOKING APPROACH

Pablo Marshall², Pontificia Universidad Católica de Chile, Chile

ABSTRACT

On the database marketing literature, it is common practice to summarize customers' past behavior in terms of their Recency, Frequency and Monetary Value (RFM) characteristics. Recency is the time of most recent purchase, Frequency is the number of past purchases and Monetary Value is the average purchased amount per transaction. RFM variables constitute basic ingredients for the estimation of customer lifetime value. The traditional approach to the analysis of RFM variables considers a descriptive statistical analysis while, in scoring models, these variables enter as fixed regressors.

In recent years, there has been an interest in the development of stochastic models to represent and predict RFM variables. In this context, the models presented in the literature are static in the sense that the purchase activity of a customer does not change over time.

In this paper we present a dynamic version of the Beta–Binomial model. Our model allows the probabilities of response to evolve over time in order to capture changes introduced by marketing actions, economic fluctuations, or any other influence that may have an effect on customers' short-term behavior.

We apply the proposed model to a department store in the use of a credit card. The results show the advantage of the dynamic model over the static Binomial-Beta alternative.

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PRELIMINARY INVESTIGATION TO OPERATIONALISE EMPLOYEE BRAND EQUITY

Ceridwyn King, Griffith University, Australia

Debra Grace, Griffith University, Australia

ABSTRACT

This paper builds on the internal brand management literature and, in particular the concept of “employee brand equity” to commence preliminary investigation into the conceptualisation and operationalisation of this construct. The development and validation of the Employee Brand Equity (EBE) scale followed a 3 stage process, including 4 data collections using a total of 755 respondents. The exploratory data analysis indicates that the resulting 11-item (3-factor) EBE scale has face, content, convergent, discriminant validity and the EBE scale is reliable across the samples. The EBE scale is a multidimensional, yet parsimonious scale that has the potential for significant use in the development and testing of internal brand management theory, as well as a key performance measure for practitioners seeking greater accountability.

SESSION 4.4: HEALTH CARE QUALITY, PERFORMANCE AND CONSUMER CHOICE

Session Chair: Stefan Lagrosen, Högskolan Väst, Sweden

*“Alternative Quality Measures and Profitability of Hospital
Inpatient Services Offered”*

Donald R. Self, Auburn Univ-Montgomery, USA

Charles E. Hegji, Auburn Univ-Montgomery, USA

Robin M. Self, Alabama State University, USA

*“Mission Statements and Performance in Non-Profit Health
Care Organisations: An Exploratory Study”*

Isabel Maria Macedo, Universidad de Beira Interior,
Portugal

José Carlos Pinho, Universidad de Beira Interior, Portugal

“Purchase Factors of Functional Foods”

Katja Tornberg, Tampere University of Technology, Finland

ALTERNATIVE QUALITY MEASURES AND PROFITABILITY OF HOSPITAL INPATIENT SERVICES OFFERED

Donald R. Self, Auburn University Montgomery, U.S.A.
Charles E. Hegji, Auburn University Montgomery, U.S.A.
Robin M. Self, Alabama State University, U.S.A.

ABSTRACT

Hospital quality may be measured using structural, process, and outcome variables. The objective of this research is to determine the relationship between certain quality measures and hospital profitability.

Process quality is measured by three groups of procedures performed on newly admitted patients being admitted with heart attack, pneumonia, or heart failure. These procedures are suggested as quality indicators by the Center for Medicare and Medicaid Services and the Health Quality Alliance and include such measures as administering beta blockers, giving antibiotics, and offering smoking cessation advice or counseling.

Profit is measured for eight hospital services including Cardiology, Medicine (non-surgical medical treatment), Pulmonology, Urology, Cardiovascular Surgery, Orthopedics, Gynecology, and General Surgery. For this study, profit is computed as total revenue for the hospital service minus Case Mix Index (CMI) adjusted costs. The CMI index is a procedure implemented by Medicare to make costs across hospitals more comparable and is computed using several factors, including average costs of services and length of patient's inpatient stay.

The sample includes self reported data from 88 Alabama (USA) hospitals obtained through quality reports from the American Hospital Directory. Two sets of regression analysis are used in this study. The first to relate quality to each of the inpatient services studied, and the second to discover determinants of hospital quality. The measure for quality used in this study is the fraction of patients on which each of these procedures was performed.

Profits from cardiac care were most responsive to the quality measures studied. Moreover, profits from six of the inpatient services increased with increases in the weighted quality measure. The exceptions were Cardiovascular Surgery and Gynecology. Finally, in two cases quality increased with the relative number of employees a hospital utilized, which is a measure of structural quality.

MISSION STATEMENTS AND PERFORMANCE IN NON-PROFIT HEALTH CARE ORGANISATIONS: AN EXPLORATORY STUDY

Isabel Maria Macedo, University of Minho, Portugal
José Carlos Pinho, University of Minho, Portugal

ABSTRACT

The interest among both academics and practitioners in the mission statement has given rise to a large body of research that has attempted to determine the core elements that a successful mission statement need to incorporate in order to produce sounding outcomes. Such efforts have however, resulted in contradictory evidence regarding the link between mission statement and organisational performance. Against this backdrop, the present study examines the role of organisational commitment in explaining and clarifying the mission-performance link. The study provides evidence that the relationship between mission statement and organisational performance is better understood if taken into account the influence of organisational commitment which proved to act as a mediator variable in the aforementioned relationship. The article concludes by suggesting several avenues to further research.

INTRODUCTION

For the past decades, the mission statement has been regarded by relevant management literature as highly crucial to the overall success of an organisation. Defined as a formal written document intended to capture an organization's unique and enduring purpose, practices, and core values (Bart and Hupfer, 2004), the mission statement gives a sense of purpose and direction to the organisation, legitimates its existence while providing the context for the development and implementation of a successful strategic plan (Pearce and David, 1987). In addition, a well conceived mission statement is refereed to as a tool to facilitate the communication of the organisation's direction and purpose, to provide a control mechanism over the behaviour of employees, to assist the organisation to create a balance between the competing interests of various stakeholders as well as to contribute to a more focused resource allocation (Bart, 1998a, 1998b; Bart and Baetz, 1998). As sustained by Bart and Tabone (1998, 54) "mission statements have become recognized in modern management theory as one of the cornerstones of an organization." Yet, much of what has been written about mission statements, results in different views regarding its purpose and content. In particular, attention has been given to what constitutes a good mission and to the elements or components that indeed should be included in a mission statement (Bart, 1996a, 1998a, 1999; Campbell and Yeung, 1991; Pearce and David, 1987; Hitt *et al.*, 2002).

Yet, as some authors point out, further empirical evidence is needed to support the links between the content of mission statements and performance outcomes (Bart and Hupfer, 2004). In this regard, previous research accounts for inconsistent relationships between financial performance measures and the existence of a formal mission statement (Bart and Baetz, 1998). Other studies reported conflicting evidence linking mission statements to financial performance (Bart, 1997; Bart and Baetz, 1998; Bart and Hupfer, 2004; Bart and Tabone, 1998; Coats *et al.*, 1991; Pearce and David, 1987). One possible justification for this deals with the fact that a mission's impact on firm success/failure appears to be much more indirect than reported in earlier studies. Driven by the need to overcome these limitations, some researchers acknowledge the need to introduce other intervening variables to fully understand the mission-performance link (Bart, Bontis and Taggar, 2001: 20). This is also in line with other authors who, more recently, have emphasised that to fully understand this relationship, mediating variables need to be considered (Sheaffer, Landau and Drori, 2008). Following this reasoning, the gap that exists between mission statement and organisational success raises important research questions which relate to factors that can either promote or inhibit the potential role of mission statements in the organisations' success or its performance. The main purpose of this research, therefore, is to present new empirical data on the relationship between mission and organisational performance. In particular, the paper attempts to examine the role of organisational commitment in explaining and clarifying the mission-performance link. The research was guided by the following questions:

- What is the relationship between mission and organisational performance?
- To what extent does the level of organisational commitment, considered as a mediating variable, influence the relationship between mission and performance?

By attempting to answer these questions, this research warrants a potential contribution to existing knowledge as far as such endeavour can only be achieved by conceiving a model in which the various interactions among mission, performance and organisational commitment are, to our best knowledge, being empirically tested for the first time. Moreover, extant research

has mainly focused on for-profit organisations while other contexts such as the non-profit health sector as been less researched (Bart, 1999; Bart and Tabone, 1998; Bart and Hupfer, 2004; Forbes and Seena, 2006). Therefore the need to empirically examine other organisational contexts justifies our focus on non-profit health care organisations. The remainder of the article is organized as follows. First, we introduce our theoretical framework, discuss the existing literature while presenting the hypotheses that guides this study. Next, the methodology section describes the sampling population, data-collection procedures and measurement of constructs. The following section reports the analytical steps taken and the results obtained. In our concluding section, we present possible future directions for further research.

THEORETICAL BACKGROUND

Mission Statements Components

Previous research has emphasised the benefits that an organisation can achieve by having an effective mission statement. This has led numerous researchers and writers to propose typologies addressing the core elements that should be present in a mission. Yet, a general lack of consensus exists regarding the identification of mission statements that effectively contribute to the organisation's success. Moreover, contradictory empirical evidence fails to support the link between mission statement and performance. Along these lines, the literature shows a growing consensus on the view that some elements of mission statements do have a greater impact on performance than others (Bart, 1998a), and that the exact nature of the link between mission statements and performance remains a controversial issue (Bart, 2007). In this respect, the importance in determining the key mission statements that have a direct impact on performance has been recently highlighted (Sheaffer *et al.*, 2008). For the purpose of the present study and deriving from relevant literature which has addressed the concept of mission statements and its measurement, mission statements are herein considered as the set of core elements associated with the main rationales or drivers for developing a mission identified by Bart (1996b; 1997a, 1998a) in previous studies.

Organisational Commitment, Mission Statement and Performance

Organisational commitment has been a frequently studied construct attracting scholars from various theoretical perspectives. While some authors have deeply examined the effects of organisational commitment on job performance and turnover (Farrell and Rusbult, 1981; Gregson, 1992, Meyer *et al.*, 1989), others have focused their analysis on the antecedents and outcomes of organisational commitment (Steers, 1977). Insofar as organisational commitment involves a) a strong belief in and acceptance of the organisation's goals and values; b) a willingness to exert considerable effort on behalf of the organisation and c) a desire to attain membership in the organisation (Porter *et al.*, 1974: 604), the members would be considered as committed to the organisation by being emotionally attached and identified with the organisations goals and values. In a similar vein, such behaviour implies, to some extent a sense of loyalty and commitment in relation to the organisation's mission. This is in line with extant research in which the link between mission and organizational member behaviour has been generally supported (Bart *et al.*, 2001). Previous studies have examined the way in which various mission-related constructs were actually related with employee behaviour (Bart, 1998a; Bart and Baetz, 1998) and with employee commitment to the mission (Bart *et al.*, 2001). Their studies not only demonstrated the association between mission commitment and employee behaviour but also corroborate the positive effect of employee behaviour on performance.

Departing from the assumption which states that mission statements define the firm's purpose and set the 'behaviour standards' for organizational members (Campbell and Yeung, 1991), it can be then expected that mission statements exert an influential role on the way members become committed to the organisational goals and values. By adhering to the values pertaining to the organisational mission, the organisation's members would likely conform to the established organisational objectives. In this respect, previous studies have posited that a significant effect of organisational commitment is that individuals tend to adhere to the organisation's norms (Salancik, 1977). Such behaviour would then lead to the achievement of employee performance (Benkhoff, 1997) which ultimately would also have an impact on organisational performance. In a nutshell, the essential virtue of any mission statement is its capacity to motivate individual and organisational behaviour (Williams *et al.*, 2005). This is in line with authors who maintain that the organisation's success will be jeopardised if its members fail to accept the firm's missions, goals and objectives (Unzicker *et al.*, 2000). In fact, several studies have generally supported the relationship between an organisation's mission and the behaviour of its members (Bart, 1996a, Bart, 1997; Bart and Baetz, 1998). However, despite their generally recognised importance to firm success, the exact nature of the relationship between mission statements and member behaviour remains largely unexplored (Bart, 2004). Furthermore, previous studies have examined this relationship by assessing the extent to which an employee is committed to the mission,

which is different from considering the degree of employee commitment to the organisation. In light of the above arguments the following hypotheses are proposed:

H1: Performance will be significantly and positively related with the degree to which mission statement is perceived to be effectively achieved by the organisation.

H2: The degree of mission statement achievement will be significantly and positively related with the level of organisational commitment.

H3: Organisational commitment will be significantly and positively related with the degree of performance

METHODOLOGY

The present study employs a quantitative approach since it accomplishes the research aims more adequately. A self-completion questionnaire was developed addressing the following issues: organization profile, performance and mission. Before pre-testing the questionnaire, the content and face validity of the items were assessed by three marketing professors and three practitioners in the area of non-profit health care organisations (DeVellis, 1991). Next, an introductory letter and questionnaire were sent to the CEOs of a national-wide population of 250 non-profit health care organisations in Portugal. Thus, the final sample comprises 112 organisations, which corresponds to a 44% response rate.

Measurement Scales

Mission statement rationale/ achievement: To assess the degree of mission statement achievement, managers were asked to rate (using a 5-point scale 1=not at all; 5 = to the greatest possible extent) the degree to which they felt their organisations were actually achieving the various mission statement rationales. Given the specific characteristics of the organisations under study, the mission statement rationale was measured using the 10 item scale proposed by Bart (1998a).

Organisational commitment: We adopted the Jaworski and Kholi (1993) measure of organisational commitment. The proposed items were measured in a 5-point Likert scale where 1= strongly disagree, and 5= strongly agree.

Performance: Deriving from both relevant literature and exploratory research, several measures of performance were used in the present study. A first concern was to adopt the performance measures that better apply to the specificity of non-profit organisations (*see* Palmer and Randall, 2002). Financial and non-financial measures were used. Respondents were asked to evaluate, reporting on the last three years, the extent to which each of the above referred measures performed very poorly (1) or excellent (5).

DATA ANALYSES AND RESULTS

The organisations represented in this sample cover different types services, which mostly includes hospital admissions (57.7%), day health centres (40%), external medical care/ counselling services (20%) and health home care (42%). A structural equation modelling technique called Partial Least Squares (PLS) was chosen to conduct data analysis. This technique combines principal components analysis, path analysis and regression to simultaneously evaluate theory and data (Pedhazur, 1982). The proposed PLS model is analysed and interpreted in two stages: 1) the assessment of the reliability and validity of the measurement model (outer model); 2) the assessment of the structural (or inner model).

The Measurement (or outer) model: The term measurement (or outer) model relates to the connections between each of the latent variables and their reflective or formative items. The first step in interpreting the results is to examine the reliability and validity of measurement scales. In line with previous studies we analyse the inter-construct correlations, construct to item correlations, alpha coefficients, composite reliabilities and average variance extracted (AVE). For those constructs with reflective measures (i.e. latent constructs) one examines the standardized loadings or correlations between the indicators and their respective constructs. The following step in interpreting the results is to examine measures of reliability and validity. SPAD-PLS computes directly measures of internal consistency (Cronbach's alpha) and composite reliability (Dillon-Goldstein). The proposed constructs evidence unidimensionality, that is, all composite reliability values and Cronbach's alpha coefficients exceed the 0.70 (Nunnally and Bernstein, 1994). The AVE for all constructs can be considered satisfactory (AVE > 0.50). Discriminant validity indicates the extent to which a given construct is different from other latent variables. Most retained items present a correlation higher than > 0.46 on their respective construct, thereby providing support for a high degree of individual item reliability (Hulland, 1999).

The structural (or inner) model: [Table 1](#) indicates the hypotheses, weights and confidence limits, and T-values in the dependence constructs. Goodness-of-fit in a PLS estimation is demonstrated, according to Chin (1998) by strong factor

loadings (or correlations), significant weights, high R-square values and statistically significant structural paths. For hypotheses testing, the bootstrapping procedure (500 sub-samples) was adopted (generating a large number of random samples from the original dataset by sampling with replacement). Most weights for the main pathways were statistically significant which is consistent with Chin (1998) recommendation.

In order to assess the predictive validity of the parameter estimates, the cv-redundancy index (i.e. Stone-Geisser Q2 test) was computed. As this test (Q2 test) is > 0 (0.190) it can be concluded that the model has predictive relevance. As indicated in Table 1, the proposed research hypotheses were supported. Interestingly to note that, although the direct relationship between Mission \rightarrow Performance is significant ($\gamma_{21} = 0.19$; $p < 0.05$), if we consider organizational commitment as a mediating variable (Mission \rightarrow OC \rightarrow Performance) the relationship between mission and performance seems to be higher, that is 0.268 compared to 0.195. In broad terms, these results were in line with the general positive stance assumed by managers concerning the importance of mission statements in the organisational behaviour of both managers and employees. For instance, when managers were specifically asked about their degree of satisfaction with regard to some mission related issues, their answers evidenced an overall consensus regarding the crucial effect of mission statements either on the behaviour of the organisation members or on the managers. Interestingly to notice that, for nearly 70% of the managers, the application of mission statements was very well implemented as far as their organisations were perceived as highly achieving their mission statements rationales.

CONCLUSION

The purpose of this study was to empirically explore the mediating role of organisational commitment in explaining and clarifying the relationship between mission statement and performance in the non-profit health care setting. In a context within which mission statements are increasingly popular, managers have made impressive efforts to keep up to date with having adequate and effective mission statements. Yet, not always these efforts have produced visible outcomes in the sense that for an organisation to be successful, simply presenting a well conceived mission statement does not suffice. Such consideration has led some authors to contend that a mission's impact of the organisation success appears to be much more indirect than previously imagined (Bart *et al.*, 2001). In a similar assertion Sheaffer *et al.* (2008) claim that to fully understand the link between mission statement and performance, the potential effect of mediating variables need to be conceptually considered. The empirical research reported in the present article provides strong support for the hypothesised model and thus lends support to the assertion made by the above referred authors.

Overall, the findings of the study suggest that organisational commitment is an important mediator on the linkage between mission and performance. In this regard, the present study adds to existing knowledge as far as the results clearly indicated that organisations in which their employees evidence a higher degree of organisational commitment, will leverage the potential positive effects of their mission statement on performance. This is in line with current research which suggests that organisations whose mission statements are most associated with financial performance are likely to be more socially responsible (Bartkus, Glassman and McAfee, 2006). As such, managers should strive to reinforce the organisational commitment of their employees in their efforts to enhance the impact of their mission statements on organisational performance.

TABLES

Table 1: Main pathways based on bootstrap estimation of path coefficients

	Structural Relations	Weights (Intervals)	t-Value	Mean (S.D)		1-Mission	2-Org. Com.	3-Perf.
H1: γ_{21}	Mission \rightarrow Performance	0.195 [0.07-0.327]	2.96	3.91(0.79)	1	0.70		
H2: γ_{11}	Mission \rightarrow Org. Com.	0.583 [0.487-0.686]	11.36	3.67(0.70)	2	0.58	0.75	
H3: β_{21}	Org. Com. \rightarrow Performance	0.460 [0.330-0.598]	6.86	3.58(0.53)	3	0.46	0.57	0.70

Notes: Org. Com. (Organizational Commitment); Perf. (Performance); * $p < 0.01$ (2-tailed);

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PURCHASE FACTORS OF FUNCTIONAL FOODS

Katja Tornberg, Tampere University of Technology, Finland

ABSTRACT

Consumers have moved beyond choosing foods simply to maintain everyday health. Food is now used to optimize performance and reduce risk of diseases. Functional foods are a new innovative product category aiming at fulfilling this consumer need. Functional foods are foods which claim to, in addition to their nutritional value, have specific health effects.

In practice, the marketing strategies of functional foods have been based on the notion of the specific health effects. However, evidence whether the specific health effects constitute the main purchase factors of these products is limited. Nonetheless, to design and execute effective marketing strategies, the most salient purchase factors of functional foods must be recognized. Thus, the aim of this study was first, to identify the most salient purchase factors of functional foods, and second, to demonstrate how this information could be used in designing effective marketing strategies.

To identify the salient purchase factors and to elaborate on how these should be used to design effective marketing strategies, the SEC framework was applied. This framework is based on the point in the purchase process in which the consumer is able to verify product qualities. Thus, search qualities are those which the consumer can determine by inspection prior to purchase, while experience qualities can be determined only after purchasing and using the product. Furthermore, credence qualities can never be verified by the consumer because of the lack of technical expertise or because the expenses of acquiring the information needed would exceed the benefits. Thus, in verifying credence qualities, consumers must rely on information given by others.

Previous studies have identified taste, healthiness, security, habit, family preferences, convenience, and price as purchase factors of functional foods. In this study, two new possible purchase factors were added, namely the desire for variety and the use as a supplement or substitute for medicine. Price and desire for variety were determined as search factors because consumers can determine these prior to purchase. Family preferences and habit, on the other hand, require experience, as do taste and convenience. Thus, these were determined as experience factors. Health related factors, which in this study were positive influence on health, reduction of disease risk and use as a supplement or substitute for medicine, were determined as credence factors, as the consumer can never really ascertain these factors.

The data for the study were obtained in spring 2004 from a questionnaire mailed to 3,000 households in Finland, of which 778 replied, a response rate of 26 %. Four different products were used: cholesterol-lowering spread, cholesterol-lowering yoghurt, probiotic juice, and probiotic cheese.

The results of the study show that in general, the most important purchase factors of functional foods were positive influence on health, reduction of disease risk, desire for variety, and taste. While positive influence on health was almost equally important for all products, lowering the risk of disease was clearly the most important for cholesterol-lowering spread and moderately important for cholesterol-lowering yoghurt. For probiotic products, lowering the risk of disease was clearly less important. Taste was an important purchase factor of probiotic juice and somewhat important for cholesterol-lowering yoghurt and probiotic cheese. However, for spread, taste was not important. Desire for variety was the most important purchase factor of probiotic cheese, and moderately so for probiotic juice, cholesterol-lowering yoghurt, and cholesterol-lowering spread.

As health-related purchase factors (positive influence on health, reduction of disease risk) are credence-type factors, on which the consumer must rely on information given by others, credible and trustworthy marketing communication becomes a major concern for product marketers. Furthermore, taste being an experience type factor, it is imperative to get the consumer to try the product. Free samples etc. are useful marketing tools in this respect. In addition, good taste should be ensured in the product development process. Moreover, as desire for variability is a search type attribute, the products must be placed in a way that consumers who like to vary between brands can easily spot them. *References available upon request.*

SESSION 4.5: RELATIONSHIP MARKETING

Session Chair: Göran Svensson, Oslo School of Management, Norway

“Assessment of Relationship Quality in Supply Chains in Norway”

Tore Mysen, Oslo School of Management, Norway

Göran Svensson, Oslo School of Management, Norway

“Extra-Role Behavior in a Channel Context: Its Predictors and Consequences”

Esther Li Ling Yee, Lingnan University of Hong Kong, HK

“Brand Retention in B2B Markets—The Role of Prior Experience and Choice Context in Repurchase Decision”

Dorith Mayer, Technische Universität München, Germany

Christoph Ihl, Technische Universität München, Germany

Ralf Reichwald, Technische Universität München, Germany

“Is There More to Sales than Inertia? Marketing Activities, Purchase Intentions, and Sales”

Heiner Evanschitzky, University of Strathclyde, UK

David Woisetschlager, University of Dortmund, Germany

Alexander Eiting, University of Dortmund, Germany

Verena Vogel, Bayer Business Services GmbH, Germany

ASSESSMENT OF RELATIONSHIP QUALITY IN SUPPLY CHAINS IN NORWAY

Tore Mysen, Oslo School of Management, Norway
Göran Svensson, Oslo School of Management, Norway

ABSTRACT

Although the meta-construct relationship quality attracts a growing number of empirical researches, there is no consensus on the conceptualization and measurement of the construct. This study addresses this gap in literature by investigating how various relational norms, structural and contextual factors affect relationship satisfaction. The objective is to contribute to the development of a RELQUAL-construct. This study is based upon a survey and random sample of small and medium sized companies in Norway. It was performed in the late 2007 and early 2008. Initially, respondents were contacted by phone and a total of 581 surveys were mailed. Two hundred and twelve surveys were returned, a response rate of 36.5%.

Two principal findings are: (i) business relationships characterized by commitment/continuity and coordination/cooperation indicate a higher degree of a company's perceived satisfaction of the supplier; (ii) business relationships characterized by opportunism/distrust and dependence indicate a lower degree of a company's perceived satisfaction of the supplier.

This study is of managerial interest to executives since it provides a framework of dimensions to be considered in corporate efforts in maintaining satisfactory levels of relationship quality in business relationships. The study also makes a contribution to the development of the conceptual framework encompassing future research within B2B relations.

EXTRA-ROLE BEHAVIOR IN A CHANNEL CONTEXT: ITS PREDICTORS AND CONSEQUENCES

Li Ling-yee, Lingnan University, Hong Kong

ABSTRACT

In export businesses where overseas agents enjoy much better knowledge of customers, competitors and institutional environments, a major challenge facing export channel management is encouraging extra-role behavior in forms of agents' spontaneous, cooperative, and innovative actions when formulating and executing strategic decisions for export markets. This study addressed this major challenge by developing an integrated model of agents' extra-role behavior which proposed that the exercise of economic, social, and justice related sharedness mechanisms when making and executing strategic decisions of channel partnerships can be expected to have a positive effect on channel relationship performance. The model was tested by a sample of 353 exporting manufacturers. The empirical evidence showed that channel relationship performance was strongly and positively affected by agents' extra-role behavior over strategy formulation and implementation. Exporting firms are advised to enhance likelihood of agents' extra-role behavior over strategy formulation and implementation by expanding inter-organizational sharedness mechanisms in the forms of agency contracts' inclusiveness, agency relationships' trust, and agency decision-making procedures' justice.

BRAND RETENTION ON B2B MARKETS – THE ROLE OF PRIOR EXPERIENCE AND CHOICE CONTEXT IN REPURCHASE DECISIONS

Dorith Mayer, Technical University Munich, Germany
Christoph Ihl, Technical University Munich, Germany
Ralf Reichwald, Technical University Munich, Germany

ABSTRACT

With the paradigm shift from transactional to relational purchasing, suppliers are confronted with considerable restraints on the customers' side. The relational paradigm in industrial markets assumes that most industrial sales are repurchases of products or services from a focal supplier. In consequence, it is critical for suppliers to understand switching behaviour in business-to-business (B2B) markets in order to enter long term relationships with new customers in all branches of industries. Therefore, it is elementary to analyze the determinants which are relevant for repurchasing products or services from the focal supplier. The importance of branding is still neglected in a B2B setting. As a matter of fact, branding has rather been ignored in the context of B2B switching behaviour, although previous research shows that branding gets increasingly important in B2B markets as a differential factor. While organizational buying behaviour research offers rich empirical evidence, concepts and methodology, little conceptual and empirical effort has been aimed at research on a framework considering how brand retention is affected in B2B markets.

Therefore, we contribute a framework for brand retention in B2B markets which accounts for context dependent preferences of switching decisions. We take into account prior experience with the focal supplier brand as well as context variables describing the purchase situation and alternatives. Thereby, prior experience is captured by overall satisfaction with the supplier brand as well as with the attributes of the service offering. In turn, product-related and relationship-related switching costs describe the context variables affecting the link between prior experience and brand retention. Using choice-based conjoint and survey data collected from industrial buyers of telecommunication solutions, we are able to identify the effects of prior experience and choice context on brand retention. Previous studies analyze mainly repurchase intention, but this approach shows to be highly fragile to predict actual choice behaviour. In favour of analyzing brand retention, a choice-based conjoint experiment is conducted to test actual choice behaviour instead of intention. Furthermore, we model the choice decision as a mixed logit model. Modelling the choice decision through a mixed logit model allows us to consider unobserved heterogeneity in switching preferences in addition to the portion of heterogeneity which is explained by the observed context variables. Considering preference heterogeneity guarantees a more realistic prediction of choice behaviour. We find that including survey-based individual-specific preference measures allows for a better prediction and model fit due to explaining "observed" heterogeneity rather than only accounting for unobserved heterogeneity. Particularly, the effect of brand retention would be overestimated in standard models as individual-specific aspects would be neglected. Consequently, the bias can be reduced by incorporating preference heterogeneity.

The results indicate under which circumstances firms are more likely to repurchase the former supplier brand or switch it, alternatively. Thus, ensuring overall satisfaction with the supplier brand and with the attributes of the service offering will increase brand retention. Furthermore, switching costs strengthen brand retention and there is also an interaction effect between switching cost, satisfaction and brand retention. That means, when perceived switching costs are low, dissatisfied customers are more likely to switch than satisfied customers. Respectively, when perceived switching costs are high, dissatisfied customers might stay despite their dissatisfaction due to the perception that switching costs compensate switching benefits. Interestingly, it is revealed that relationship-related switching costs are important for brand retention and product-related switching costs are not. This finding underlines the importance of relationship marketing activities.

In summary, it is shown that overall and attribute satisfaction as well as switching costs affect brand retention of business customers. Consequently, branding does matter in B2B markets and should legitimate investments in brand marketing. Based on the results, brand managers are able to investigate which determinants reinforce brand retention and those customers with high probability of switching. So they could either build switching barriers or drive value of the service offering based on the business customers' preferences. Finally, brand managers are able to address their customers' needs adequately in order to strengthen brand retention.

References available upon request

IS THERE MORE TO SALES THAN INERTIA? MARKETING ACTIVITIES, PURCHASE INTENTIONS, AND SALES

Heiner Evanschitzky, University of Strathclyde, UK
David M. Woisetschläger, University of Dortmund, Germany
Alexander Eiting, University of Dortmund, Germany
Verena Vogel, Bayer Business Services GmbH, Germany

ABSTRACT

Customers are believed to be key to company success and therefore, the question of how to manage these assets becomes ever more important. There is a strongly held belief that if companies can direct their marketing activities to increase customer attitudes, the result will be an increase in sales. Based on this assumption, we develop three interrelated models to investigate drivers of loyalty intentions as well as drivers of actual purchase behavior. The basic conceptual model of this research is inspired mainly by Rust, Zeithaml, and Lemon (2000) and Vogel, Evanschitzky, and Ramaseshan (2008). Their approaches consider three primary elements: customer perceptions of a company's marketing activities (equity drivers), loyalty intention, and future behavior. We try to expand the original model in three ways to predict future sales.

(1) Time-lag model: Empirical results on the link between intention and actual purchase behavior are not conclusive. Studies considering the impact of intention on self-reported behavior (e.g., Armstrong, Morwitz, and Kumar 2000; Morwitz and Schmittlein 1992; Olsen 2002), as well as actual purchase behavior (e.g., Bolton, Kannan, and Bramlett 2000; Smith and Wright 2004) find a positive relationship between the two. However, the strength of the relationship between intention and subsequent behavior varies substantially across studies and little is known about the potential time lags between intention and behavior (Morwitz, Steckel, and Gupta 2007). Therefore, model 1 tests the impact of perceptions of marketing activities and loyalty intention on sales not as a direct impact, but as a lagged impact.

(2) Consumption system model: In service settings, customers experience multiple consumption episodes (Mittal, Kumar, and Tsiros 1999). Evaluations, attitudes, and intentions are not formed without a historical basis. Rather, current evaluations depend on prior evaluations (Johnson, Herrmann, and Huber 2006). The effects of prior ratings of equity drivers on loyalty intention are mediated by current ratings of these equity drivers.

(3) Sales patterns model. Research on inertia suggests that it is neither marketing efforts and loyalty intention, nor their interplay in a consumption system that predicts future sales levels. Much more, current sales are predominately determined by past sales. Hence, perceptions of marketing efforts and purchase intentions might not explain much of the variation in sales. Much more, if inertia is in place, we would expect sales to only gradually change over time. Intentions however can contain individual-specific information about the future. As a consequence, intention data might be viewed as appropriate to predict structural changes over longer time periods (Verhoef and Franses 2002; Louviere, Henscher, and Swait 2000).

Our research tries to contribute to the literature by (1) investigating drivers of loyalty intention and (2) assessing the impact of intention on purchase behavior. We test the three model developed above using survey data from two points in time and purchase data over a 30-month period from a sample of 2,478 retail customers. In an attempt to answer question 1, we note that our results show strong support for customer equity drivers predicting loyalty intention. We also find that equity drivers and loyalty intention of one period are significant predictors of the same constructs in the next period, offering strong support for consumption-system approaches. Answering question 2 is less clear: While we find some significant impact of loyalty intention on future sales, we need to acknowledge that the strongest predictor of future sales is in fact past sales. It seems that inertia is the driving force behind purchase behavior. Therefore, results of our analyses are somewhat sobering from a marketing perspective. We do find a significant impact of loyalty intentions on future sales, but the predictive power is rather low. When it comes to predicting changes in sales patterns, results do not look much better: loyalty intention does not seem to explain much of the in changes in sales patterns. If inertia is the driving force behind purchase behavior, companies need to augment their emphasis on increasing initial customer contact and along with that, on initial product trial (or service experience). Maybe it is time for a new balancing of customer acquisition and customer retention efforts.

References available upon request

SESSION 5.1: THE MARKETING STRATEGY AND PERFORMANCE RELATIONSHIP

Session Chair: Artur Baldauf, Univ. of Bern, Switzerland

“Market Driving and Firm Performance”

Markus Stolper, ARDEX, Germany

Markus Blut, University of Dortmund, Germany

Hartmut H. Holzmueller, University of Dortmund, Germany

“The Effect of Organizational Capabilities on Marketing Strategy Performance”

Tomokazu Kubo, Chuo University, Japan

MARKET DRIVING AND FIRM PERFORMANCE

Markus Stolper, ARDEX GmbH, Germany
Markus Blut, University of Dortmund, Germany
Hartmut H. Holzmueller, University of Dortmund, Germany

ABSTRACT

Marketing theory suggests market orientation to be one of the most effective strategy of achieving and maintaining competitive advantage (Jaworski, Kohli, and Sahay 2000). Current understanding of market orientation relates to the organization-wide generation and dissemination of customer and competitor information and is associated with a firm's ability to learn and respond to the market (Kohli and Jaworski 1990). Reviewing prior research on market orientation, Jaworski et al. (2000) criticize most conceptualizations of the construct to be too narrow. They extend understanding of market orientation through distinguishing between two complementary approaches: The first approach which is characterized as 'market driven', describes market orientation as a reactive concept, where companies intend to keep the status quo by focusing mainly on existing customers and their current needs. The second 'market driving'-approach is a more proactive understanding of the concept, where companies shape not only customers' but also other market participants' behaviors and/or market structure in a direction that enhances the competitive position of a firm (Jaworski et al. 2000). In our research, we focus on the latter market driving-approach, as so far the relevance of this approach has not been investigated empirically. Therefore, our study develops a measurement instrument of the market driving construct based on the recent conceptualization developed by Jaworski et al. (2000), discusses and empirically tests antecedents and performance outcomes of the market driving construct, and finally, examines the moderating effects of market turbulence and technological change on the market driving-performance linkage, using a sample of 181 managers from electronics industry.

Antecedents of Market Driving:

- H₁: The greater a firm's strength of vision, the greater is its market driving.
- H₂: The greater a firm's sensitivity for change, the greater is its market driving.
- H₃: The greater a firm's innovativeness, the greater is its market driving.
- H₄: The greater a firm's market orientation, the greater is its market driving.
- H₆: The greater a firm's risk taking, the greater is its market driving.
- H₇: The greater a firm's willingness to cannibalize, the greater is its market driving.
- H₈: The greater a firm's organizational commitment, the greater is its market driving.

Consequences of Market Driving:

- H₉: The greater the market driving of a firm, the greater is its performance.

Moderators of Market Driving-Performance Linkage:

- H₁₀: The higher the market turbulence, the greater is the positive effect of a firm's market driving on its performance.
- H₁₁: The higher the technological change, the greater is the positive effect of a firm's market driving on its performance.

We use PLS to estimate the main and interaction effects in our model. The hypotheses are partially supported by our findings. Specifically, the results indicate that a firm's visionary power (H₁) as well as a firm's innovativeness (H₃), marketing orientation (H₅) and risk taking (H₇) each have a highly significant positive effect on market driving. Investigating the consequences of market driving, a positive effect on performance was found (H₉). To determine under which conditions market driving strategies should be established, moderators of the link between market driving and firm performance are tested. The results indicate that market turbulence (H₁₀) and technological turbulence (H₁₁) influence strength of market driving-performance linkage. Overall, seven of eleven hypotheses were supported by these findings. Our model explains 32.4% of the variance in the market driving construct. The contributions of our findings are at least twofold. First, our study provides measurement of market driving construct and as a second contribution, antecedents, outcomes and moderators affecting a market driving's effectiveness are tested empirically.

References available upon request

THE EFFECT OF ORGANIZATIONAL CAPABILITIES ON MARKETING STRATEGY PERFORMANCE

Tomokazu Kubo, Chuo University, Japan

ABSTRACT

This paper examines the effects which organizational capabilities exert on firm's marketing strategy and performance, and classifies organizational capability concepts "activity-based capability" for each marketing activity to be defined, and "market orientation", in which firm activity is fitted to the turbulent market environment. The hypothesis about organizational capability and firm performance is developed, and empirical analysis is conducted using the questionnaire data of Japanese firms. Results of analysis shows that activity-based capability and market sensing capability give a positive effect to firm performance, and that market orientation effects change with the degree of competitiveness of the industry.

INTRODUCTION

Marketing strategies of the firm are conducted primarily in product markets. Marketing strategies used in the actual product markets, however, largely depend on internal factors of individual firm (Aaker 1989). This is because producing superior products and services and developing innovative marketing strategies require internal factors unique to each firm that cannot be easily imitated by other firms (Wernerfelt 1984). Such uniqueness of a firm disappears if the factor market is perfect and management resources and organizational capabilities are contestable (Barney 1991), and all firms in the market would then become homogeneous. For this reason, marketing strategy research must focus not only on product markets but factor markets that control the procurement of management resources. Recent studies emphasize that internal factors of a firm have strong positive effects on its performance (Aaker 1989; Day 1994), and present a concept called organizational capabilities. Organizational capabilities are unique behavioral patterns developed by each firm over time and constitute the source of heterogeneity among firms (Chandler 1992).

It is noted that two types of organizational capabilities with different mechanisms coexist in marketing strategy theories. First type is called "activity based capability" that represents the ability to carry out diverse marketing activities. This refers to the abilities defined as each of the marketing activities such as logistics, advertising, collection of receivables and sales activities. Firms with a high level of activity based capabilities are able to perform each activity more efficiently and effectively than others (Aaker 1989). Second type is called "market-sensing capability" (Day 1994). This corresponds to the findings of the literatures of "market orientation", which is the ability to adjust firm's activities to changing market conditions. These two concepts have different mechanisms deriving from each one's theoretical root, while they share the view that a firm's internal factors have positive effects on its business performance. The coexistence of different organizational capability concepts confuses the theories of marketing strategies and requires conceptual refinement. This paper examines the differences between the two types of organizational capabilities, focusing particularly on the differences between their rent-creation mechanisms.

TWO TYPES OF ORGANIZATIONAL CAPABILITIES AND RENT-CREATION MECHANISMS

Two types of organizational capabilities have different rent-creation mechanisms. Resource-based view of the firm implies that positioning school that focuses on product markets and monopolistic rents based on firms' market power (Porter 1980) in the evaluation of marketing strategies to be expanded (Wernerfelt 1984). The rents assumed by the studies are those that result from organizational capabilities of individual firms (Chandler 1992).

However, note that organizational capabilities are divided into two types with different roots. One type of organizational capabilities is called "activity based capability." A firm is considered to have a combination of production, development, distribution, advertisement, material procurement and other various activities. An activity based capability is defined as the ability of a firm to perform its individual activities more efficiently and effectively than competitors (Aaker 1989). The other type of organizational capabilities is called "market-sensing capability," which is defined as the ability to respond quickly to customer needs and competitors, rather than individual activities. Market-sensing capabilities partly correspond to the concept that has been called "market orientation" and studied by marketing scholars (Narver and Slater 1990, Day 1994). Marketing strategy theory has to distinguish between these two types of organizational capabilities.

These two types of organizational capabilities differ in their rent-creation mechanisms. First, the rents based on activity based capabilities are those that can be earned from firm's activities performed more efficiently than competitors due to exclusive

possession of important management resources, regardless of whether tangible or intangible. Such rents are called “Ricardo-rents” because they have the same nature as the rents highlighted by a classical economist, Ricardo, which are gained through exclusive possession of management resources that supply fertile land and other assets only inelastically (Barney 1986). Ricardo-rents are generated when the factor market from which each firm procures strategically important management resources is imperfect (Barney 1986) or when routines and organizational capabilities that an individual firm has developed over time are difficult for other firms to imitate (Chandler 1992).

Secondly, the rents based on market-sensing capabilities are those that are gained by making responses to the economic change and firms provide products that meet customer needs more quickly than other firms. A Neo Austrian School economist, Kirzner (1973), argued that imperfect information and knowledge about sellers and buyers comprising a market, placed the market in constantly chaotic disequilibrium that was far away from equilibrium. He maintained that what would direct the market to equilibrium was alert actions of each entrepreneur. The rents based on market-sensing capabilities can be hypothesized to have the same nature as the rents discussed by Kirzner, which are earned through the use of business opportunities more quickly than other competitors; thus called “Kirzner-rents” in this paper.

ACTIVITY-BASED CAPABILITIES AND RICARDO-RENTS

An activity based capability, among other organizational capabilities, is a concept that indicates the level of skills in each marketing activity. The term “activity based capability” is a name adopted uniquely for this paper to avoid confusion with market-sensing capabilities. Aaker (1989) who inquired into the effects of firms’ internal factors on sustainable competitive advantage, and emphasized that maintaining assets and skills that were difficult to be imitated by competitors were essential for building sustainable competitive advantage. Among other organizational capabilities, the skills on which Aaker focused were those connected to proficiency in each activity, which can be considered the same as activity based capabilities.

Recent studies support the notion that the level of capabilities in marketing activities has positive effects on competitive advantage. For example, one of the organizational capabilities in marketing is arguably the ability to manage marketing mix elements (Dutta et al. 2002). The studies have analyzed the efficiency of using management resources such as marketing business operation and R&D (Dutta et al. 1999); and the importance of resources in price strategies (Ailawadi et al. 2001, p. 46). In addition, Slotegraaf et al. (2003) emphasized the value of exclusively holding resources by focusing on intangible marketing assets such as relationships that create and maintain competitive advantage and brands (p. 297).

High activity-based capabilities have the effect of reinforcing firms against the pressure from the competition to reduce prices. Ricardo-rents can be earned by exclusively having unique activity-based capabilities and preventing such capabilities from spreading to and being imitated by other firms. This leads to a hypothesis that marketing routines accumulated in each firm positively affect its business performance. Marketing activity-based capabilities are defined as “being superior to other firms in achieving customer satisfaction,” which are integrated into the firm as a team and thus having obscure causal relationships that are difficult to be imitated (Oktemgil et al. 2000, p. 64) and requiring unacceptably high dynamic transaction cost (Langlois and Robertson 1995). This paper defines particularly the activity-based capabilities for products and those for the sales of the products as the core of marketing, and names these capabilities “product power” and “selling power” respectively. Because these activity-based capabilities strengthen firms in price competition, they can be hypothesized to positively influence firm’s performance as follows.

H1: Product power has positive effects on firm’s performance.

H2: Selling power has positive effects on firm’s performance.

MARKET SENSING-CAPABILITES AND KIRZNER-RENTS

The other type of organizational capabilities is the market-sensing capabilities (Day 1994). This corresponds to the research area that has been studied as “market orientation.” Market orientation has been drawing attention because it has positive effects on firm’s performance. Kohli and Jaworski (1990) defined market orientation as “creating market knowledge about the present and future customer needs by the entire organization, sharing such knowledge across departments and responding to such knowledge by the entire organization” (p.6), which prioritizes particularly customers among other factors that comprise the market. Narver and Slater (1990) defined market orientation as a combination of three behavioral factors – customer orientation, competitor orientation and interdepartmental adjustment – and tested causal model of profitability. Market orientation has an important impact on strategy research because of its aspect of organizational capabilities. Webster (1992) emphasized the importance of customer knowledge and customer-oriented culture as an example of the source of

competitive advantage that would be “costly to imitate” based on firm’s knowledge (p.13). Day (1994) considered market orientation as one of organizational capabilities and called it a “market sensing capability,” and concluded that market orientation was a valuable intangible asset that could not be imitated by other firms (p. 43). Hunt and Morgan (1995) likewise stated that learning the information about consumers and competitors and responding to it (i.e., market orientation) constituted important management resources that would bring about better results and further innovation. As this indicates, market orientation is said to be one of the factors that comprise organizational capabilities.

The rents addressed in the market orientation literatures are thought to be different from those rents earned by maintaining activity-based capabilities that are superior to those of other firms. The reason is that while activity-based capabilities derive from the imperfectness of factor markets, market-sensing capabilities derive from the disequilibrium in product markets where business opportunities yet to be exploited. Rents acquired through alert actions based on market orientation correspond to the argument of Kirzner, a Neo Austrian School economist. According to him, in an economy in disequilibrium, alert arbitrage by entrepreneurs not only generates profits, but brings the market closer to equilibrium. This paper calls such type of rents brought about by market orientation “Kirzner-rents.” Slater and Narver (1994) asserted that market orientation corresponds to the economic functions of the entrepreneur described by Kirzner (p.53). A market in disequilibrium is likely to have been a reflection of the process of creating sustainable competitive advantage because business opportunities can be gained in advance of the competition by adjusting divisions within an organization while paying attention to customers and competitors.

The extent of market orientation is indicated by the behavior of the Kirznerian entrepreneur. This is an ability to distribute the information about customers and competitors within the firm and promptly proceed to the desired action. This allows a hypothesis that market orientation has positive effects on firms’ performance to be presented. This paper assumes the collection of information about customers and competitors and changes to marketing for making immediate response to such information as components of market orientation. These are defined as constructs called “customer orientation,” “competitor orientation” and “speed of response,” and the following hypotheses are formulated.

H3: Customer orientation has positive effects on firm’s performance.

H4: Competitor orientation has positive effects on firm’s performance.

H5: Speed of response has positive effects on firm’s performance.

EMPIRICAL ANALYSIS

The constructs are defined as follows. Firm’s performance utilized Oktemgil et al. (2000)’s scale. Product power represents the superiority of product development over competitors, and selling power represents the superiority of product sales over competitors. Measurement scale was originally developed. Customer orientation and competitor orientation utilized Jawolski and Kohli (1993)’s scale. Speed of response was derived from Oktemgil et al. (2000).

As previously stated, the positioning school cannot explain the variance of firm’s performance among firms. However, it is considered unlikely that a firm has an organizational capability that is consistently effective regardless of external environments. In reality, organizational capability may somehow change in response to environmental conditions. Thus, we conduct regression analyses with respect to the intensity of competition.

A questionnaire was sent to 1,713 leading manufacturing firms listed on the first section of the Tokyo Stock Exchange in December 2003 to collect data. Responses were obtained from 190 firms, and the number of valid responses excluding incomplete responses with missing values was 174 at the valid response rate of 10.1%.

Analysis was proceeded first by extracting factor scores through factor analysis, then multiple regression analysis was applied using factor scores. Multiple regression analysis was performed for each level of intensity of competition within the industry. First, factor analysis was implemented on a group of independent variables to develop the constructs to be used for causal analysis. After varimax rotation, a simple structure of factors was obtained. Cronbach’s alpha, which suggests reliability of the construct turned out to be slightly low (0.67) for product power, but fairly high for other concepts at over 0.7. The same procedure of factor analysis was applied to dependent variable. Factor analysis extracted one factor, with contribution of 46.71% at Cronbach’s alpha of 0.71. Following the factor analysis, cluster analysis was applied to the sample according to the intensity of competition in the industry. Prior to performing this analysis, factor analysis was applied to the variables of industry classification and factors, ease of entry and price competitiveness were extracted. With these two factors being categorical variables, cluster analysis was conducted and two clusters, “competitive industries” and “non-competitive

industries” were identified. Finally, for the purpose of testing the causal hypothesis, three multiple regression analyses were conducted with firm’s performance being a dependent variable. For the independent variables respective factor scores were used, which makes the independent variables independent from each other, and accordingly avoids the problem of multicollinearity. The result was shown in [Table 1](#). All of F values of the regression model proved to be favorable with statistical significance at the 1% level.

The first point to note is that from the regression analysis conducted among the total sample (n=174), all coefficient estimates obtained supported the hypotheses with exception of the estimate for competitor orientation, which was not significant at the 5% level. Standardized regression coefficients indicate that selling power and product power had a high effect on firm’s performance. Second, from multiple regression analysis conducted among the cluster of competitive industries (n=80), as among the total sample, all estimates were consistent with the hypothesis except for the estimate for competitor orientation which was not significant. In this model, customer orientation had the strongest impact on firm’s performance. Third, from multiple regression analysis conducted among the cluster of non-competitive industries (n=94), contrary to the competitive industries, all estimates were significant at the 5% level except for that for customer orientation which was insignificant and rejected. The estimate for competitor orientation turned out to be significant only among this group.

Interesting consequences were found in the above empirical analyses. First, speed of response, selling power and product power have strong effects on firm’s performance in all industries surveyed. Second, it was revealed that the effect of customer orientation and competitor orientation varies according to the difference in the intensity of competition in the industry. This can be interpreted that in the competitive industries, it would be important to capture drastically changing needs with a strong sense of customer orientation, whereas in the non-competitive industries, it would be important to keep aware of competitors’ movements to maintain its market share in the industry. Contrary to a discussion by Slater and Narver (1994) that concludes the intervening effect of the intensity of competition in the industry to be very minor, our analysis delivered the result that supports the presence of the intervening effect of the intensity of competition in the industry.

CONCLUSION

Future research issues that need to be addressed are as follows. First, patterns to accumulate organizational capability, which is necessary to implement marketing strategies, need to be examined. The Japanese firm system is not an integrated system, but is formed based on inter-firm relationships advanced in the division of function. From this point of view, relating inter-firm relationships including distribution channel to marketing strategies can be an interesting research topic. Second, we need to identify a relationship between industry conditions and market orientation. Findings in this paper is only an outcome of explanatory analysis, not yet qualified to be a theoretical hypothesis. We need to further theoretically explore this issue, since it is considered unlikely that superior strategy or organizational capability can exist independently from all environmental conditions.

TABLES

Table 1: Regression Analysis

	Total			Competitive industries			Non-competitive industries		
	b	t	p	b	t	p	b	t	p
Competitor orientation	0.10	(1.82)	0.07	0.04	(0.41)	0.69	0.15 ^c	(2.04)	0.04
Speed of response	0.27 ^a	(4.66)	0.00	0.20 ^c	(2.00)	0.05	0.31 ^a	(4.29)	0.00
Selling power	0.36 ^a	(6.27)	0.00	0.23 ^b	(2.40)	0.02	0.41 ^a	(5.89)	0.00
Product power	0.35 ^a	(6.11)	0.00	0.31 ^a	(3.21)	0.00	0.39 ^a	(5.52)	0.00
Customer orientation	0.18 ^a	(3.22)	0.00	0.32 ^a	(3.34)	0.00	0.05	(0.77)	0.44
F value	28.69			7.18			24.51		
p value	0.00			0.00			0.00		
Adjusted-R ²	0.44			0.28			0.56		
Sample size	174			80			94		

a□Significance at .001; b□Significance at .01; c□Significance at .05.

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SESSION 5.2: GREEN MARKETING & SUSTAINABLE PRACTICES

Session Chair: Jean Boisvert, American Univ. of Sharjah,
UAE

“Ecolabelling: A Development Framework”

Heather K. Mak, Canadian Business for Social
Responsibility, Canada

Andrew Crane, York University, Canada

*“Shades of Green—A Content Analysis of Green
Advertising, and Proposed Experimental Research on
Consumer Perceptions”*

David Di Zhang, University of Saskatchewan, Canada

Marjorie A. Delbaere, University of Saskatchewan, Canada

*“An Interaction and Networks Approach to Sustainable
Marketing: A Research Agenda”*

Annmarie Ryan, Lancaster University, UK

Ingrid Kajzer Mitchell, Royal Roads University, Canada

Sofia Daskou, Hellenic American University, Greece

ECOLABELLING: A DEVELOPMENT FRAMEWORK

Heather K. Mak, Canadian Business for Social Responsibility, Canada
Dr. Andrew Crane, Schulich School of Business, York University, Canada

ABSTRACT

This paper uses case study research to identify key success factors in the development of ecolabels. It is divided into three sections – first, background is provided on ecolabels and green marketing. The second section provides cases on labels for various products, with success defined as ecolabel longevity and consumer uptake. The third section, based on patterns of development from these case studies, presents a framework outlining key success factors in all stages of ecolabel development.

Ecolabels have been seen as an important part of sustainable marketing due to their provision of environmental information to consumers. They are seen to facilitate comparability between products and stimulate market development for new products. From the side of firms, ecolabels provide reputational assurance and credibility. With an increasing number of ecolabels appearing every day, case study research was performed on these well-known ecolabels to determine key success factors:

(i) the Environment Canada/TerraChoice EcoLogo, a longstanding, voluntary, country-specific label; (ii) the Canadian organic label, which enabled exploration as to how a previously voluntary label has become a government regulated label; (iii) the Energy Star label, which has gained wide consumer awareness; (iv) the Fair Trade label, which adheres to global standards; and (v) the EU ecolabel, with particular focus on its development in the UK.

The third section, based on patterns of development from these case studies, presents a framework that outlines key success factors for ecolabel development. First is the need for favourable political, economic, social and/or technological drivers. Next, a competent body must manage the process of ecolabel development. Provided that these conditions are satisfied, there are several key success factors in the stages of development. First, in the formation stage, there must be a specific need for the ecolabel, a common goal, engagement of all necessary stakeholders, and the usage of consensus based decision making.

In the criteria building stage, the criteria should use a life cycle analysis; be challenging, easy-to-understand, and meaningful; and lastly, provide benefit that exceeds cost for participating parties.

In the execution stage, a strategic execution plan must be completed that includes a plan to educate consumers, as well as ensuring compliance and enforcement. Lastly, in the post-execution phase, product performance must be monitored to prevent label dilution and criteria must be updated regularly to reflect technological developments.

Implications are outlined in the paper as it relates to the proliferation of other ecolabels.

References available upon request

SHADES OF GREEN - A CONTENT ANALYSIS OF GREEN ADVERTISING

David Di Zhang, University of Saskatchewan, Canada
Marjorie A. Delbaere, University of Saskatchewan, Canada

ABSTRACT

Corporate social responsibility has been increasingly an important aspect of business management, and as such, firms are engaged in the communication with customers, through advertising, projecting socially-responsible corporate images. This paper reports a content analysis of print magazine advertising in 1987, 1997, and 2007, which reveals that there has been a dramatic increase of advertising projecting socially responsible corporate image.

LITERATURE REVIEW

Corporate social responsibility (CSR) refers to the management of stakeholder concern for responsible acts related to environment, ethical and social phenomena in a way that creates corporate profit (Vaaland, Heide, & Gronhaug, 2008). Socially responsible corporations voluntarily assume responsibilities beyond its economic and legal obligations (Boatright, 1997), respond to societal needs (L'Etang, 1994), and meet society's expectations in their practices (Gossling & Vocht, 2007). Therefore, CSR is not merely for corporate image and good corporate citizenship, but also means for moving merchandise and boosting the bottom line. In other words, CSR is about doing well by doing good (Smith, 2008).

While some have argued that the sole responsibility of the firm is to seek profits for its shareholders (Friedman, 1970); and that altruistic CSR violates shareholder property rights, unjustly seizes stockholder wealth, bestows general welfare at the expense of the company; and that CSR initiatives should only take place when such activities are legally mandatory, or potentially enhance the value of the firm (Lantos, 2002). Such views of the firm lead to public criticism of corporations' disregard for social and environmental implications. The majority of scholars believe that corporations have the obligation to protect and improve welfare of the society through its various business and social actions, and ensure that it generates equitable and sustainable benefits for the various stakeholders. And as such, CSR can serve as an effective marketing tool to compete and sustain competitive advantage (Chahal & Sharma, 2006) As more corporations have begun to embrace CSR, the potential pitfalls should be warned. These CSR risks include legitimacy destruction, issue ownership, and poor risk communications (Heugens & Dentchev, 2007).

The impact of CSR is multifaceted, that crosses the consumption, employment, and investment domains (Sen, Bhattacharya, & Korschun, 2006). While the most dedicated and passionate readers of corporate CSR communication might have been the organizational members, and that the corporate communication of CSR efforts has been one of the most promising vehicle for building internal loyalty and identification (Morsing, 2006), the vast majority of the research on CSR has been focused on the communication between the corporation and its stakeholders, particularly, the customers. The economic performance tends to be positive correlated with CSR communications (Balabanis, Phillips, & Lyall, 1998).

CSR represents a high-profile notion that has strategic importance to many companies (Luo & Bhattacharya, 2006). CSRs are not made equal, however. There is a continuum from strategic, or institutional CSR program to the more superficial promotional CSR (Pirsch, Gupta, & Grau, 2007). Strategic level CSR initiatives can benefit the corporation by immediate cost saving through using fewer resources, and generating good will that increases profitability and market value in the long term. It may also dissuade government from imposing harsh regulations through proactively establishing more manageable self regulation (Bird, Hall, Momente, & Reggiani, 2007). Strategic level CSR programs are more effective at increasing customer loyalty, enhancing attitude toward the company, and decreasing consumer skepticism, while promotional CSR may generate purchase intent. Prior studies have demonstrated that strategic CSR initiatives can lead to a sustainable first-mover advantage when such initiatives are central the firm's mission and made visible to external audience (Sirsly & Lamertz, 2008). That means the firms must actively engaged in communicating its CSR initiatives with the consumers and give the consumers yet another reason to buy their products (Smith, 2008). The association between the products and cause can have a long lasting effect (Simmons & Becker-Olsen, 2006). Research shows that CSR increases customer satisfaction, which in turn leads to long-term improvement on firm market value, as well (Luo et al., 2006).

It has been argued that the increasing trend in CSR is responding to the desire and demands for socially responsible consumption in consumers. There has been an increasing segment of consumers that are committed to recycling and reducing environmental impacts of their consumption, and they only purchase products and services from socially responsible

companies (Webb, Mohr, & Harris, 2008). CSR has been used as a means for companies to differentiate their brands and create stronger connections with customers (Simmons et al., 2006). Consumers beliefs in the importance of social and environmental issues drive their socially responsible buying behaviors (Collins, Steg, & Koning, 2007). Consumers' beliefs in subject company's CSR not only increase their purchase intentions, but also long-term loyalty and tendencies in recommendation of the product (Du, Bhattacharya, & Sen, 2007). A wide range of CSR related claims have been made to appeal to consumer's varied interests, such as supporting local producers, fair-trade, organic, charitable donations and supporting local communities (Jones, Comfort, & Hillier, 2007). Another reason for seeing such increase might have been the active encouragement by the various levels of governments and governments in many countries. Some governments have been publicly incorporating corporate social responsibility in their statements, discourses and public policies (Albareda, Lozano, Tencati, Midttum, & Perrini, 2008).

Prior studies have demonstrated that companies with better product quality and innovativeness tend to generate more market value from CSR programs; companies that have poor corporate abilities to begin with actually CSR actually harm customer satisfaction and firm value (Luo et al., 2006). Communication between the corporation and the consumers can mitigate the risks of potential negative effects when the fit and the relationship between the products and the cause by emphasizing the association shared by the brand and the cause (Simmons et al., 2006). Bird et al. (2007) identified five sub-areas in SCR, including community based local charities and organizations; diversity with gender and minorities; employee relations, safety, and profit sharing; environmental issues such as climate change and pollution prevention; and product related innovations that improve quality and meet special customer needs. Banerjee, Gulas and Iyer (1995) studied the environmental aspect of CSR and conceptualized a continuum of different "shades of green". Drawing from the work of Banerjee et al. (1995) and Piacentini, MacFadyen, and Eadie (2000), we envision three shades of green and a shade of blank. The most solid is when the ad says specifically what the company does for the cause and back up their claims with details of product features, such as how the company has reduced emission levels, or saved material, and so on. A lesser green ad would make explicit SCR claim, but fail to provide detail information. An even lighter shade would be those who imply certain CSR activities by using background imageries without making specific claim.

H1: There are more advertisements that portray corporate social responsibility in 2007 than 1997 in the forms of a) implied; b) explicated but not specified; and c) explicated and with specific qualifications.

METHOD

Our first study involves a content analysis on print advertisements found in popular press magazines to verify that CSR advertising has indeed increase over the years. Content analysis is an effective research tool to determine the presence of certain concept in the text, so that we can quantify and analyze the meaning and relationship of such concepts, and make inferences about such messages. Text here would be broadly defined to include many forms of communication, including the advertisements that we will analyze. The relational analysis would be tracking the change by comparing the frequency of occurrence of various types of CSR messages, and detect the trend of change.

Print ads were collected from two time periods to conduct a comparative analysis. The Canadian popular press magazine MacLean's was obtained from the library of a major mid-western Canadian University. All editions published in the period of January 1 to December 31, 1987, January 1 to December 31, 1997 and January 1 to December 31, 2007 were included in the sample, for a total of 156 issues. MacLean's was chosen because, firstly, it is a weekly publication, which would provide reasonably large number of issues in any given year; and secondly, its main tops are current affairs with broad appeals, and consequently, attract a diverse readership and diverse advertisers.

All advertisements in each issue were counted and coded into one of the four categories: A) Solid - Explicated CSR with specific qualifications; B) Light - Explicated CSR without qualification; C) Vague - Implied CSR; and D) Blank - No CSR. [Table 1](#) shows the means and standard deviations of the frequencies of CSR advertisement appearing in each issue of the magazine and [Figure 1](#) shows the same information graphically.

It is visually apparent that the advertising landscape has virtually unchanged between 1987 and 1997. However, CSR related advertising have dramatically increased in terms of in absolute number, as well as in percentage. During the same time period, "Blank" ads that do not mention CSR at all has decreased, both in terms of absolute number and in percentage. It is interesting to note, however, the difference in "solid green" type advertising is not statistically significant. What is driving the trend of increase is "light green" and "vague green". [Table 2](#) reports the results of t-test contrasting the frequency of

occurrence of CSR related advertisement between 1997 and 2007. As the result of t-test for equality of means suggests, H1a and H1b are supported, however, H1c is not supported.

DISCUSSION

Our data indicate that from 1997 to 2007, the total amount of advertisement has remained relatively stable while witnessing a significant increase of advertisement with CSR related themes. However, not all CSR advertisements were made equal. Prior studies have identified the various shades of greenness (Banerjee, Gulas, & Iyer, 1995). Upon a closer look, our data revealed that there has been no significant increase in real solid green advertisements, the ones back up their socially responsible claim with solid qualifications; instead, it seems to suggest that more companies are jumping onto the green bandwagon without solid evidence they actually are doing something for the causes, or simply imply that they are.

The differential growth pattern is particularly interesting because it presents new opportunities and challenges for consumers, legislators, and business managers. On the one hand, it is encouraging to see more and more companies are committed, at least showing interested in, corporate social responsibility. On the other hand, it appears that the majority of the advertising that make CSR claims are not backed by solid evidence.

It could have been indeed the case that such increase is a response to the increased consumer desire and demand for corporate social responsibility. Then, more research is needed to track the changes in the consumer values and beliefs, and socially responsible buying behaviors. When the corporations CSR efforts are genuine, then, customer brand loyalty are expected to increase (van den Brink, Odekerken-Schroder, & Pauwels, 2006). The extant literature is inconclusive when the corporation's CSR claims are vague. We do not have substantial knowledge to understand how consumers detect the CSR messages embedded in the advertisement, how they interpret them, and how they react to them. Related to the vagueness of CSR advertising is the consideration for regulatory and policy implications. Corporations that are less involved in CSR activities may be attempted to mislead the consumers. Governments and industry regulating bodies would need to establish standards on what constitutes implying and what institutes false advertising.

A possible alternative explanation for the trend of increased use of CSR themed imageries to imply a CSR corporate image is, perhaps, a more matured sophistication in advertising, which advocating "softer selling" (Pham, Cohen, Pracejus, & Hughes, 2001) – appealing to consumer's emotions, feeling, and nuances – as more effective than the more traditional "hard selling", which attempts to appeal to the consumers by spelling out product features, price information, and, in this context, explicating CSR related activities, such as how much money donated, and how much CO2 emission has been cut.

Our content analysis demonstrates that there has been a substantial increase in the use of so called green advertisement" in recent years. However, there are different "shades of green". Some ads only imply a connection with the environment; while others make explicit claim of environmental friendliness; yet others back up such claims with specific product information. This proposed research project intends to test consumers' interpretation various types of ads employing varying levels of specificity of environmental friendliness, and examine consumers' perceived trust in these advertisements.

The potential theoretical contribution from this proposed research is to link corporation's strategic adoption of "green advertising" to the ever changing consumer attitudes toward the environment. The potential policy implication from this proposed research is that we can help our government agencies to obtain better understanding of the implications in advertising trends, and potentially implement regulations on the appropriate utilizations of advertisements that projects corporate environmental responsibility.

TABLES

Table 1: Frequency of CSR Advertising

	1987		1997		2007	
	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev
Solid	0.5	0.8	0.8	0.9	1.0	1.2
Light	0.4	0.7	0.6	1.0	3.7	2.0
Vague	0.0	0.0	0.1	0.2	4.2	1.2
Blank	31.7	10.4	31.8	11.4	24.5	5.9

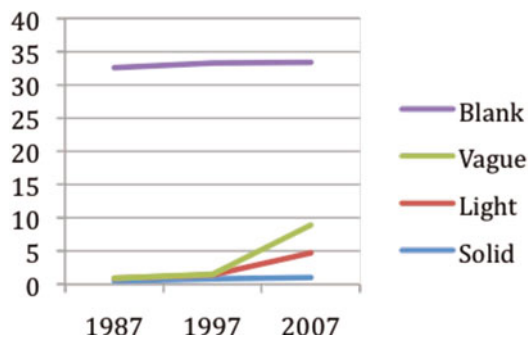
Table 2 T-test for Equality of Means 1997-2007

Variables	t-value*	Sig.
Solid	.905	.368
Light	9.188	.000
Vague	22.198	.000
Total CSR-Related Ads	15.857	.000
Total Ads	.072	.943

*Equal variance not assumed.

FIGURES

Figure 1: Frequency of CSR-related Advertising



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AN INTERACTION AND NETWORKS APPROACH TO SUSTAINABLE MARKETING: A RESEARCH AGENDA

Annamarie Ryan, Lancaster University Management School, UK
Ingrid Kajzer Mitchell, Royal Roads University, Canada
Sofia Daskou, Hellenic American University, Greece

ABSTRACT

The transformation towards more sustainable marketing forms necessitates large scale systemic change in market and marketing systems. In this paper we present an interactions and networks approach to sustainable marketing which incorporates interorganisational dyad, network and systems level of analysis. The proposed framework invites us to situate, and theorize marketing in a more holistic context where the establishment and development of learning relationships, built on the premise of dialogue, becomes a central mechanism for network level change, and overall system health. By adopting an interactions and networks approach we are able to discuss 1) the nature and role of the network in enabling systems level change, 2) the role of dyadic relations as a central mechanism for change, and (3) the nature of firm level capabilities necessary for achieving system, network and individual actor level change. Throughout this paper we build on lessons learned from the relational theories in marketing, and the work of the IMP (Industrial Marketing and Purchasing Group) in particular, as well as perspectives on networks and living systems theory. We suggest that the proposed alternative approach, inspired by powerful learning processes, can help bring us out of the extant firm-centric impasse and lead to collaborative action and transformation.

The relationship between marketing theory and practice and the natural environment has been a tumultuous one. The ongoing degradation of the earth's natural resources, as well as the growing public awareness of the crisis has meant that the context in which the marketing system operates has fundamentally altered in recent years. In order to maintain its social legitimacy, Marketing, as a discipline, continues to respond to these challenges in many and sometimes diverging ways. However, the discipline continues to struggle to find a single, coherent yet rich, theoretical framework from which to develop theory and practice. This is further fuelled by a scholarly disagreement with regard to the extent to which alternative marketing approaches should be an adaptation or radical departure from traditional marketing logic (Kajzer Mitchell, 2007a). Whilst incremental change does not take us as far as is needed, calls for full scale and radical change can be disempowering where the change efforts needed are seen as too great. We argue that tapping into the relational turn in marketing theory and developing an interactions and network theory of Sustainable Marketing enables us to maintain analytical purchase as to the kinds of change that are required, and more importantly on the tools and approaches that will be required to achieve this.

The emergence of a relational approach to sustainable marketing is important for a number of reasons. Most notably it marks a tipping point in the positive convergence of the principles of sustainability and more mainstream business practice. This approach counters the more adversarial and transaction orientated framework that has dominated mainstream business practice to date. It privileges the development of relationships between stakeholders, and advocates the development of trust, reciprocity, commitment and learning. Moreover, we argue that this perspective counters the traditional view within the business discourse which suggests that the green market exists outside of the firm. This is evidenced in the ongoing 'chase for the green pound' and where firms err on the side of scepticism as to the existence of the green consumer (c.f. Hume 1991, Kapelianis and Strachan 1996, Emond 1997, Follows and Jobber 2000, Peattie 2001, Skuras and Vakrou 2002). From this logic the market for green products and services must already exist, and be considered large enough for it to be worthwhile to engage in the organisational changes necessary to enter this market. This has also fuelled the boom and bust characteristic of marketing and the environment, with swells of support arising out of specific crises or triggers (i.e. banning of cfcs and ozone layer depletion, or the energy crises in the 1980s and 1990s) eroding as quickly as they emerged (c.f Goldman 1991; Reed 1992, Prothero 1998, Crane 2000, Laroche et al 2001, Peattie 2001, Ottman 2003, Melillo et al 2006).

The basic premise of this paper is that transformational change in markets and marketing systems relies on the establishment and development of learning relationships, built on the premise of dialogue, at the level of the interorganisational dyad, the network and system. It suggests a systemic approach which moves away from fragmentation in our marketing discipline, treating the natural environment as if it consisted of separate parts to be exploited by different interest groups (Capra, 1983). It is clear that the nature of the environmental issue requires firms to take a more holistic perspective and to be able to picture their network as involving upstream (suppliers) and downstream (customers) actors as well as other non-market actors such as NGOs, civil society, the government etc.

SESSION 5.3: BTB RELATIONSHIP AND MANAGEMENT ISSUES

Session Chair: Klaus-Peter Wiedmann, Leibniz University of Hanover, Germany

“Asymmetrical Power Distribution in Supply Chain Networks: Is there a Right Measurement Method?”

Vera Belaya, Leibniz Institute of Agricultural Development in Central and Eastern Europe, Germany
Taras Gagalyuk, Leibniz Institute of Agricultural Development in Central and Eastern Europe, Germany
Jon Hanf, Leibniz Institute of Agricultural Development in Central and Eastern Europe, Germany

“The Challenge of Functional Integration and the Returns Management Process: An International Perspective”

Diane Mollenkopf, University of Tennessee, USA
Robert Frankel, University of North Florida, USA
Ivan Russo, University of Verona, Italy

“Franchisor’s Tendency to Use Multi-Unit Franchising: A Conceptual Model”

Dildar Hussain, University of Vienna, Austria

ASYMMETRICAL POWER DISTRIBUTION IN SUPPLY CHAIN NETWORKS: IS THERE A RIGHT MEASUREMENT METHOD?

Vera Belaya, Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO), Germany
Taras Gagalyuk, Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO), Germany
Jon Hanf, Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO), Germany

ABSTRACT

The research topic of asymmetrical power relationships has been receiving increasingly more attention lately. However, only a few scientific works have studied the questions of asymmetrical power distribution in the context of supply chain networks. The aim of our work is to identify how capable the existing power measurement efforts are of producing complete and objective measures. Considering the fact that power is a complex construct, fulfillment of our aim should provide an understanding of how strongly it is conceptualized and empirically tested. Thus, we conduct a literature overview on power measurement efforts undertaken in political, sociological, management and marketing studies.

INTRODUCTION

Recent improvements in technologies, increased competition in the markets, and rising demand for quality require that supply chain actors work more cooperatively to provide solutions to issues that are too complicated for a single actor. Such collaborative relationships among firms can be referred to as supply chain networks. By definition, a supply chain network represents an interconnected system with a large variety of complex relationships such as alliances, horizontal and vertical cooperation, forward and backward integration in supply chains (van der Vorst et al. 2005). A supply chain network can be typed as a strategic network (Jarillo 1988) that is pyramidal-hierarchically organized. It possesses a focal firm which coordinates the network and disposes over a centralized authority. The other network actors are dependent on it because of long-lasting explicit or implicit contracts. Thus, the asymmetrical power relationships are observable. One of the explanations is that, despite their collaborative nature, such networks represent strictly coordinated systems, including a powerful focal company, which is responsible for coordination and other elements of a network, such as suppliers, consumers and logistic services (Lorenzoni and Baden-Fuller 1995). A major challenge for the focal company as a managerial centre of the supply chain network is to structure the exchange relationship in such way so that the supplier remains in the relationship and acts in the best interests of both parties (Jap and Ganesan 2000). Besides, suppliers may often regain some power in the relationships with the focal company (Medcof 2001).

Literature views asymmetrical power distribution in supply chains both negatively and positively. Many authors relate power asymmetries to less stability and more conflict (Ganesan 1994; Gummesson 1999; Rokkan and Haugland 2002), difficulty in fostering the information flow (Giebels et al. 1998), and reduction of the frequency of exchange among actors (Lawler and Yoon 1996). However, there is also a body of literature which views power asymmetries positively stating that power can be used as an effective tool in coordinating and promoting harmonious relationships, solving conflicts, and, therefore, enhancing higher performance of the whole network and its individual members (Bierstedt 1950; Blau 1964; Bachmann 2001). The phenomenon of power asymmetry can be studied only through elaborations on the power construct itself. Besides, a comprehensive knowledge about power distribution among supply chain actors is necessary to identify whether, where and how the power can be used (or redistributed in case of need). In order to gain this knowledge, one has to appropriately measure power possessed by the actors in supply chain networks. In this context, the aim of our work is to identify how capable the existing power measurement efforts are of producing complete and objective measures. Considering the fact that power is a complex construct, fulfillment of our aim should provide an understanding of how strongly it is conceptualized and empirically tested. Thus, we conduct a literature overview on power measurement efforts undertaken in political, sociological, management and marketing studies. Our paper is structured as follows. We firstly provide general clarification of the concept of power as found in the literature. Adjacent, we present an overview of the existing studies on power measurement. Finally, we discuss the strengths and weaknesses of available power measures in analyses of power relationships in supply chain networks and give a short summary.

CLARIFICATION OF THE CONCEPT OF POWER

In order to measure anything one has to become clear on the point of what to measure. As stated by many authors there is no single conceptualization of power (Dahl 1957; Bacharach and Lawler 1980). One of the fundamental definitions of power as a social phenomenon could be the one of Weber (1947) who defines power as “the probability to impose one’s own will even

against resistance regardless of the basis on which this probability rests". The pursuit of own interests and the imposition of will despite resistance are also emphasized by other social scientists (Burt (1977; Bredemeier and Stephenson 1962). Sociologists have long conceptualized power in terms of the concept of dependence (Emerson 1962), stating that the power of A over B is equal to and based upon the dependence of B upon A . In the psychological context power is viewed as the ability to change the behaviour of others (McClelland 1975). Mechanic (1962) sees in power any force that results in behaviour that would not have occurred if the force had not been present. Commonly it is agreed upon that power allows to evoke changes in behaviour and conduct of other individuals. One of the definitions in the context of political science is the definition of Dahl (1986) who defines power as "the ability of one individual or group to get another unit to do something that it would not otherwise have done". Other authors refer to power as to the ability to bring about the outcomes they desire (Salancik and Pfeffer 1977), to issue an order with a reasonable expectation that it will be obeyed (Stanfield and Carroll 2004) or to restructure actual situations (Macmillan 1978). Applied to the economic context power is defined as the ability to influence or to control behaviors, decisions, intentions or actions of others in the pursuit of one's own interests (El-Ansary and Stern 1972; Hu and Sheu 2003). Power in economics is associated with payoffs, possession of valuables, minimizing costs and maximizing gains and gaining as much profit for oneself as possible even if this requires aggressive acts and coercion. We conclude that power generally refers to the ability, capacity or potential to get others do something, to command, to influence, to determine or to control the behaviors, intentions, decisions or actions of others in the pursuit of one's own goals or interests against the will of the power target, as well as to induce changes, to mobilize resources, to restructure situations, etc. All definitions of power seem to use similar terms and have a common sense. However, they can be divided into two groups: "power over" someone and "power to" act (Sodano 2006) or do something. Besides, power can also be differentiated according to its sources. French and Raven (1959) identified five types of power, each based on its source or origin: coercive, reward, expert, legitimate, and referent power. Coercive power enables an individual to punish others. Reward power depends on the ability of the power holder to offer rewards to others. Expert power is derived from the skills or special knowledge in a specific subject. Legitimate power stems from a legitimate right to influence and an obligation to accept this influence. Referent power depends on an ability to be attractive to others and depends on the charisma and interpersonal skills of the power holder.

MEASUREMENT OF ASYMMETRICAL POWER DISTRIBUTION

The first step in measuring power is to define a standard for its measurement. Power has been measured so far according to the following measures: amount of change induced in the actions of others; the differences in conditional probabilities; point centrality of position in a network; degree of dependence on the others; sources of power; trust, incentives and irreplaceability; position on the market. Whitemeyer (2001) defines as a measurable quantity for power the extent to which an actor or a set of actors can affect some social phenomena. Such phenomena could appear in form of behaviour or outcomes. He specifies his power measurement approach by differentiating among power concerning own interests P_{OI} , power over others' outcomes P_{OO} and power over others' behaviour P_{OB} . He discovers that P_{OI} for different network members is not a single value but a range of outcomes. According to Dahl (1957) power can be estimated by measuring the amount of change induced in the actions of others. He conceptualizes power as the probability that the respondent does what the actor requests minus the probability that the respondent would have done it in the absence of the request. The absence of a given measurement has led Dahl to express power as a quantity ranging from minus one to plus one. In order to quantify power he used conditional probabilities. His power was simply the difference between the two probabilities. Using the concept of probabilities, Sherrard and Steade (1966) developed a power comparability table proposing to measure chairman's power as the difference between the probability that the board accepts increase in dividends due to the influence of the chairman and the probability that the board accepts increase in dividends without the chairman's influence. Bonacich (1987) proposes to measure power as a function of position in the network. He suggests a family of centrality measures $c(a, \beta)$ generated by two parameters, a and β . The parameter β reflects the degree to which an individual's status is a function of the statuses of those to whom he or she is connected. When asymmetric power relations are being studied, the value of β should be a function of the transitivity of power relations. In a power hierarchy one's power is a positive function of the powers of those one has power over. Many studies have centered their power measurement attempts around the concept of dependence developed by Emerson (1962). Frazier (1983b) uses dependence as a measure of power based on role performance. By specifying the primary elements of a source firm's channel role, he tries to identify the domain of elements needed to represent a target firm's dependence in the relationship. He states that the result on the general role performance approach is encouraging and that channels researchers should seriously consider it when formulating studies on interfirm power. A number of attempts have been made to measure power as a function of the sources of power based on the taxonomy of French and Raven (1959). Swasy (1979) operationalized power through French and Raven's power bases. The results indicated that reliable measures of perceived social power can be obtained with relatively few items. El-Ansary and Stern (1972) used both dependence and sources of power as variables to measure power. A group of authors differentiated specifically among the coercive and

noncoercive power sources (Hunt and Nevin 1974; Lusch and Brown 1982). Some researchers have employed two alternative approaches in measuring the sources of marketing channel power: direct and indirect. The direct measurement approach involves obtaining responses to questionnaire items designed to tap explicitly reward, coercion, legitimate, referent, expert, and information power. The direct approach operationalizes the noncoercive sources as assistances and coercion as punishments. The direct measures appear to reflect the sources of power better than the indirect measures. Brown et al. (1995) have provided empirical evidence that the direct measurement approach may offer a more desirable method for examining power in channel relationships than the indirect approach. Further operationalizations of power measures include trust, incentives, irreplaceability and the position on the market. Hasanagas (2004) assumed that power could be measured by the three dimensions: trust, incentives and irreplaceability. In his research he measures power as the summa of the trust that an actor gains, the incentives it gives and the irreplaceability that it is supposed by the other participants to have. According to this study the three dimensions generate each other: incentive is generated by trust through communication mechanisms or irreplaceability. Finally, Cool and Henderson (1998) introduced power as gained through a favourable position on the market. They operationalized supplier/buyer power through differentiating among structural power (the number of potential suppliers/buyers and supplier/buyer concentration); dependence power (impact on seller's cost, impact on seller's differentiation and switching cost); attribution power (capacity of suppliers/buyers to bargain and the cost to switch suppliers/buyers); integration power (the incidence of forward integration from suppliers/buyers).

DISCUSSION

Based on the overviewed studies we can generally conclude that problems of power measurement include both conceptual and operational issues. First, multidimensionality of the construct of power should be reflected. Second, power measures should be methodologically compatible and adjusted to the empirical setting, available data and a sample set. There is still little evidence that measurement of all the conceptualized dimensions of power is achieved in one particular study. There appears to be a variety of power measurement approaches. Probably, most of the developed measures are not able to capture simultaneously all the dimensions of power discussed above despite their interconnected and often overlapping nature. However, it is necessary to define whether it makes sense to analyze different power typologies within a particular relationship. Therefore, within the same relationship, it would be presumably better to measure different power dimensions separately with further comparison of the obtained measures. One of the big issues is the use of dependence and centrality concepts in networks. According to Cook et al. (1983), who point out the contrasting advantages of centrality and dependence concepts, the power-dependence concept is too closely bound to dyadic analysis. Concerning analyses of dependence, measures proposed by El-Ansary and Stern (1972) seem to be appropriate for supply chain networks because they can be employed to measure dependences of both, focal actor upon the other actors and the other actors upon the focal actor. However, in examining the distribution of power in a supply chain network, one has to take into account not only dyadic relationships but also the network level. The power measurement approach proposed by Hasanagas (2004), who views power as a magnitude of three dimensions trust, incentives and irreplaceability, deserves further considerations. In some literature sources trust is viewed as an opposite construct of power. Thus, whether trust can represent the dimension of power is questionable. Power measurement based on the amount of changes induced in the behavior of others or the differences in probabilities of these behaviours should also be accepted with caution. There appear to be no successful attempts to measure power precisely in these terms because of the difficulty of attaining validity of the results and the hypothesized probability. The next step after finding the "right" concept for grasping the idea of power in a specific setting is the challenge to translate the chosen and adopted power measures into a set of indicators. As to the operationalization of power sources, one must become clear on whether to use a direct or an indirect approach. Some attempts have been undertaken to express coercive and noncoercive power sources through a number of indicators specific for the empirical setting of the study (Hunt and Nevin 1974; Lusch and Brown 1982). Measuring power by its sources also requires comparability of the indicators. In fact, measures based on power sources of *A* over *B* might differ from those of *B* over *A*. For example, the retailer's source of coercive power over its supplier can be its potential ability to punish if the latter does not comply with retailer's private quality standard, whereas the supplier's source of coercive power can be its requirements towards merchandise displays, etc. (Jap and Ganesan 2000). The same comparability problem arises concerning measurement of different (by source) types of power (e.g. coercive versus reward, etc.). Under such conditions, one has to assure comparability of the measures in order to objectively depict the distribution of power.

CONCLUSION

Summarizing, we have to admit that the construct of power still has to be enhanced and elaborated on in order to better understand the role of power and determine the pattern of its distribution in supply chain networks. Strategic by their nature, such networks are characterized by the presence of the overall network's goals that are most often set by the focal company.

Additionally, there are goals of the single actors constituting the network. On account of this, Frazier (1983a) states that the higher the level of ideological agreement on goals, the less need will exist for the use of power. Acting on the one hand as a (powerful) managerial centre of the network and on the other hand as an ordinary network member, the focal actor has to structure power relationships so that they provide a sustainable “win-win” situation (Cox, 2004) for all involved parties. In order to accomplish this task, comprehension of the concept of power based on the use of appropriate measures is necessary.

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**THE CHALLENGE OF FUNCTIONAL INTEGRATION
AND THE RETURNS MANAGEMENT PROCESS:
AN INTERNATIONAL PERSPECTIVE**

Ivan Russo, University of Verona, Italy
Robert Frankel, University of North Florida, USA
Diane Mollenkopf, University of Tennessee, USA

ABSTRACT

As supply chain management has grown as a discipline, research and practitioner emphasis has increasingly focused on managing business processes across extended —global— supply chains with the objective of providing value for the entire supply chain (Lambert et al. 1998). One of these processes—returns management—focuses on the reverse supply chain, and effective management can be complicated by the boundary spanning nature of this process within a firm and across the entire supply chain (Rogers et al. 2002). Successful boundary spanning requires cross-functional integration, within and across firms. Effective functional integration is important because poorly managed returns can erode profitability for a firm. It can also negatively impact relationships with customers and end-users, as well as a firm’s reputation with its stakeholders (Linton et al. 2005; Rogers et al. 2002).

The growing emphasis on returns management, the role of functional integration, and value creation are being challenged by the concept of sustainability, which encompasses environmental, social and economic performance considerations. Despite the recent increased interest in all three topics, there has been limited research attention to their combination, particularly within the context of international supply chains. Due to this lack of exploration, a qualitative research methodology was chosen for investigation. Such an approach is appropriate for generating depth of understanding when a phenomenon is poorly understood (Flint et al. 2002) and over which the researcher has limited or no control. Thus, in seeking to understand the role of returns management within a global firm, we adopted an in-depth case-study approach (Ellram 1996; Yin 2003) to examine a single firm’s global returns management process, as it stretches from Asia to Italy and the United States.

Specifically, the purpose of this paper is to address the following research questions:(1) What role does functional integration play in managing the returns management process?; (2) What role does the returns management process play in managing an international supply chain across multiple operating regions?; and (3) What external factors affect a firm’s ability to integrate functions related to returns management?

Our findings suggest four important characteristics of the firm’s returns management process which could be instructive for other global firms. First, the returns management process is increasingly impacted by global supply chain design, as evidenced primarily by offshore production in this situation. Second, functional integration with respect to returns management appears to have beneficial economic performance outcomes. Third, external factors (such as socio-political issues concerned with sustainability) may explain some of the differences between the U.S. and Italian subsidiaries regarding management of returns and the ability to functionally integrate the returns process. Fourth, whereas retail power and consumer demands are just beginning to be felt in Europe, the U.S. subsidiary provides a good example of finding opportunity in what could be considered a challenging marketplace. One question for the future, among others, relates to the extent that learning and best practices can be transferred across operating regions of global firms: specifically, even though cost structures and customer relationships will differ, can the underlying philosophy of integrated returns management be transferred from one subsidiary to another subsidiary for overall corporate benefit?

References available upon request

FRANCHISOR'S TENDENCY TO USE MULTI-UNIT FRANCHISING: A CONCEPTUAL MODEL

Dildar Hussain, University of Vienna, Austria

ABSTRACT

Franchising is the fastest growing form of retailing and almost half of the good in USA are distributed through franchise systems. A multi-unit franchisee can be defined as a person or a firm that owns two or more franchised outlets in the same franchise system. The prominent researchers in franchising argue that the recent growth in franchising business can be attributed to the emergence of multi-unit franchising. Existing empirical research shows that more than a half of the total franchised outlets in USA are being operated by multi-unit franchisees. It is argued that the major focus of franchising research has been the single-unit franchising and that the single franchising is the exception, not the rule. Therefore, the research gap requires the investigations that distinguish between the multi-unit franchising and single-unit franchising.

Only a few studies have been published on multi-unit franchising in the past. However, the main emphasis of these studies has been to investigate the motivations of franchisees and franchisors to enter such type of franchising arrangement. It has also been empirically verified that the multi-unit franchising helps franchisors to cope with a number of agency problems and that the system with geographically dispersed units use a higher proportion of multi-unit franchising. The significant positive relationship between system growth rate and multi-unit franchising has also been evidenced. An early study on multi-unit franchising in mid 1990s revealed that such type of franchising arrangement may perform better in the terms of local responsiveness, system-wide adoptability, and system uniformity. The multi-unit franchising reduces the risk of failure and the systems with higher proportion of multi-unit franchise enjoy a lower rate of franchise contract termination. Multi-unit franchisee see their venture as an investment opportunity and the business concept, potential for expansion, ongoing training and involvement in decision making are the important factors that influence their decision to enter such type of franchise agreement. On the other hand, single-unit franchisees are generally motivated by their entrepreneurial ambition and they consider the franchisor's brand name strength, opportunities to employ family members and initial training days as important factors while assessing the franchise opportunity.

However, none of the existing studies investigates the effect of environmental uncertainty, specific investments, behavioral uncertainty, importance of local market know how and system specific assets on the franchisor's decision to adopt multi-unit franchising. In this paper I attempt to address this research gap and develop a model comprising of six propositions to explain the franchisor's choice between single-unit and multi-unit franchising. The model proposes a relationship of franchisor's adoption of multi-unit franchising with franchisee's specific investment, market uncertainty, franchisee's behavioral uncertainty, franchisor's financial resources scarcity, importance of local market know how for the success of the business, and importance of system specific assets for success of business. I propose that franchisee specific investments are positively related with adoption of multi-unit franchising because multi-unit franchisees make higher investments compared to single-unit franchisees and that creates a bonding effect hence multi-unit franchisees are better motivated to cooperate with the franchisor. In a highly uncertain environment or in a market where local market know how is very much important for the success of the business, the franchisors are probable to use lower proportion of multi-unit franchising. In case of franchisee's behavioral uncertainty which generally results in higher monitoring costs the franchisors are likely to use higher proportion of multi-unit franchising because in such a case they can delegate some of the monitoring and coordination tasks to the multi-unit franchisees. The multi-unit franchisee are the larger partners with a higher access to capital, therefore they are in a better position to finance the system growth and the franchisor's financial resources scarcity, therefore a positive relationship between multi-unit franchising and franchisor's financial resources scarcity is proposed. Multi-unit franchisees are the partner with higher organizational capabilities and they are more likely to replicate the procedures and routines of franchisor, in addition they can perform better in terms of system uniformity. If the system specific assets are more important for the success of the business, it is more likely that the franchisor is going to use higher proportion of multi-unit franchising.

The proposed model will be empirically tested in near future and the supported model would contribute toward the franchising literature by addressing the current research gap. In addition, the proposed model would have managerial implications as well and would provide the guidelines to business executives to use multi-unit franchising as an ownership strategy for the distribution network.

References available upon request

SESSION 5.4: CONSUMER BEHAVIOR IN RETAILING

Session Chair: Hanna Klein, Saarland University, Germany

“Proposing a New Approach to the Study of Micro Spatial Behaviors in the Retailing Context”

Chun-Yao Huang, National Taiwan University, Taiwan

Po-Chien Li, Yuan Ze University, Taiwan

Hua-Ning Chen, National Taiwan University, Taiwan

“Insights Into Gendered Consumption: Modeling Retailer Outcomes and Consumer Shopping Characteristics”

Yelena Tsarenko, Monash University, Australia

Yuliya Strizhakova, Rutgers University, USA

“Can Hedonic Store Environments help Retailers Overcome Low Store Accessibility?”

Christy Ashley, East Carolina University, USA

Mark Ligas, Fairfield University, USA

Arjun Chaudhuri, Fairfield University, USA

“Using Virtual Shopping to gain a Better Understanding of Consumer Purchase Decisions”

Michael T. Richarme, Univ. of Texas-Arlington, USA

John V. Colias, Univ. of Dallas, USA

PROPOSING A NEW APPROACH TO THE STUDY OF MICRO SPATIAL BEHAVIORS IN THE RETAILING CONTEXT

Chun-Yao Huang, National Taiwan University, Taiwan
Po-Chien Li, Yuan Ze University, Taiwan
Hua-Ning Chen, National Taiwan University, Taiwan

ABSTRACT

As past research in spatial modeling relies on aggregate-level data and ad hoc forms of analysis, this study presents a new approach to analyzing micro spatial behaviors in the retailing context. Incorporating a survey and a simple GIS (Geographic Information System) application, this study calibrates detailed individual-level data through Heckman's two-stage selection model. From the spatial perspective, the results provide rich insights into the attractiveness of a place (among various alternative places). The analytical framework introduced here can help retailers in location/marketing decision making.

INSIGHTS INTO GENDERED CONSUMPTION: MODELING RETAILER OUTCOMES AND CONSUMER SHOPPING CHARACTERISTICS

Yelena Tsarenko, Monash University, Australia
Yuliya Strizhakova, Rutgers University, USA

ABSTRACT

The study focuses on modeling the attitude-behavior model of gendered consumption. We find that age is a strong moderator of female lingerie purchases. Although hedonic consumption predicts total purchases among segments, its effects and mean value are significantly lower among older females. For younger females, brand involvement, shopping satisfaction, propensity to shop at expensive stores, product attributes, and the fitting process positively predict hedonic consumption, whereas importance of store advice decreases this enjoyment. For older females, only product attributes and brand involvement positively impact hedonic consumption. Although the fitting process increases satisfaction among older females, this satisfaction does not lead to higher levels of enjoyment. Product managers and retailers should be cognizant of such age differences in gendered consumption and consider them in tailoring their atmospherics and marketing campaigns.

INTRODUCTION

Even though gendered consumption has been of interest to marketers (Gould and Stern, 1989; Gainer, 1993), there is sparse research that examines factors that determine female purchasing behavior of products that are specifically tailored to them and their biological sex. Rather than examining products that carry a masculine or a feminine image, this study is taken in the context of purchasing female intimate apparel (i.e., bras) by female consumers of various age segments. Although invisible to the public eye, bras can modify body image in a positive way. The sexual connotations associated with this product further impact female approach and avoidance strategies in relation to bras.

The research aim of this study is to gain a deeper understanding of how 1) consumer habits, attitudes, and behavioral outcomes impact consumer purchases through the mediating role of 2) consumer attitudes toward such purchases in the context of female gendered consumption.

AGE DIFFERENCES IN GENDERED CONSUMPTION

We examine the role of chronological age as a moderator across two segments of female consumers: under- and over-40-years old. The age bracket of 40 reflects previously observed discrepancies in female attitudes toward lingerie (Amy-Chinn et al., 2006, Jantzen et al., 2006). Banister and Hogg (2007) emphasize the negative symbolic consumption that is pertinent to the relationship between consumption patterns of female consumers and increase in age. Older females are likely to patronize specific retail outlets and be committed to brands (Patterson, 2007) that provide them with the necessary quality and comfort. In contrast, young females are a potentially active segment of shoppers who score higher than older respondents on shopping involvement and fashion commitment. Consumption behavior of younger females may be determined by various external factors in making their judgment, such as price, point-of-purchase image appeals, and interaction with personnel (Roehm and Sternthal, 2001). We hypothesize:

H1: Younger females (1a) enjoy shopping for bras more, (1b) purchase more bras, (1c) are more brand involved, (1d) are more satisfied with their shopping, (1e) are less likely to patronize expensive retail outlets, (1f) place less emphasis on importance of product attributes, are more likely to seek (1g) store advice and (1j) being fitted for bras as compared to older females.

MODELING GENDERED CONSUMPTION

Three main components - i.e. habits, attitudes toward the target and anticipated outcomes - lead to the actual behavior in the attitude-behavior model (Eagly and Chaiken, 1993). Habits are sequences of previous behavioral patterns (e.g., consistent patronage of a particular store) that have become relatively automatic in the sense that they occur without much self-instruction (p.209). Attitudes toward the target (e.g., liking products with specific attributes) are formulated at a more abstract level and in their turn guide a particular behavior. Finally, outcomes are consequences of certain behaviors, such as behavioral beliefs (e.g., the fitting process and its value for a female) and normative beliefs that pertain to dis/approval by others (e.g., store advice). Finally, for habits, attitudes toward the target and outcomes to be translated into actual behavior,

they should at a minimum form a positive attitude toward this behavior (e.g. liking of shopping, or hedonic consumption). We hypothesize:

H2: Hedonic consumption positively mediates relationships between (2a) female propensity to shop at expensive stores, (2b) importance of product attributes, (2c) the fitting process, (2d) store advice, on the one hand, and total female purchases, on the other hand.

H3: The mediation effects of hedonic consumption are stronger among younger females.

In an attempt to identify and better understand relationships between consumer behavior and products, past research examined consumer involvement with products and brands. We adopt the framework (Bloch and Richins, 1983) in which consumers' situational and product-related characteristics are regarded as inputs to the involvement process, which further influence outputs, such as consumer general attitudes toward a given behavior and the actual behavior. Situational characteristics are related to female propensity to shop in prestigious retail outlets, whereas product characteristics relate to the importance females place on bra attributes. We hypothesize:

H4: Brand involvement positively mediates relationships between (6a) female propensity to shop at expensive stores and (6b) importance of product attributes on the one hand, and their hedonic consumption on the other hand.

H5: The mediation effects of brand involvement are stronger among older females.

Customer satisfaction is the main component of a successful business strategy (Gómez et al., 2004) and is a complex process that often includes both cognitive and affective evaluation. A recent study (Chitturi et al., 2008) demonstrates that consumer confidence in a product, linked to utilitarian product benefits, predicts customer satisfaction better than other more emotional benefits. In the context of our study, utilitarian product benefits are operationalized as female behavioral (i.e. being fitted for a bra) and normative (i.e. seeking store advice) outcomes. We hypothesize:

H6: Customer satisfaction positively mediates relationships between (8a) the fitting process and (8b) store advice, on the one hand, and their hedonic consumption, on the other hand.

H7: The mediation effects of satisfaction are stronger among younger females.

METHOD

Two research assistants distributed 600 questionnaires to adult female shoppers who agreed to participate in a study at three retail locations in an Australian city: a discount department store, an upscale department store, and an expensive lingerie boutique. An equal number of shoppers were asked to participate across the three locations. Because lingerie shopping may be considered a sensitive topic by some women, participants were asked to complete a questionnaire at their home and were given a reply-paid envelope with the questionnaire. In total, we received 221 useable questionnaires, which constitute a 36% response rate. Of the returned surveys, 125 (57%) were completed by women under 40-years old and 96 (43%) were completed by women above 40-years old.

To measure consumer purchasing behavior, we asked participants to indicate how many bras they purchased each year. We conceptualized consumer general attitude toward bra purchases as hedonic consumption and adapted three seven-point items from Laurent and Kapferer's (1985) and O'Cass's (2004) scales to measure the construct ($\alpha = .87$). We adapted eight seven-point items from Mittal and Lee (1989) to measure consumer brand involvement ($\alpha = .89$). To measure consumer shopping satisfaction, we asked participants to express a level of satisfaction with their most recent bra shopping experience (Joyce and Lambert, 1996), ($\alpha = .94$). We asked participants to indicate where (discounted department stores, department stores and boutiques) they were more likely to shop for bras purchased for seven different occasions ($\alpha = .92$). We asked the extent to which seven different products attributes were important to females ($\alpha = .80$). To measure behavioral outcomes, we asked females if they had ever been fitted for a bra and, if yes, how recently they were fitted for a bra. The measure was coded from 1 to 5 where higher values indicated recency of the fitting process. We also asked the extent to which females relied on advice provided by sales assistants when shopping for bras.

RESULTS

T-tests indicated that consistent with H1, younger females expressed significantly higher levels of hedonic consumption (H3a; $M=3.98$ vs. $M=3.03$, $p < .001$), purchased more bras (H3b; $M=3.03$ vs. $M=2.36$, $p < .001$), were more brand-involved

(H3c; $M=4.09$ vs. $M=3.64$, $p < .05$) and were more likely to seek store advice (H3g; $M=4.64$ vs. $M=4.12$, $p < .05$). Other differences were non-significant, $p > .05$.

We used structural equation modeling (AMOS 7.0) to test other hypotheses. The fit of the model was acceptable ($\chi^2(22) = 44.71$, $p = .01$, CFI = .93, RMR < .08, RMSEA < .07). To test differences in the magnitude of effects between younger and older females, we conducted a series of comparisons between the unconstrained base model and models in which one structural path at a time was constrained to be equal between sub-samples (Kline 2005). Consistent with H2 and H3, hedonic consumption had a significant positive effect on total bra purchases and this effect was significantly stronger among younger females (.41 vs. .22; $\chi^2(1) = 4.61$, $p < .05$). In addition, younger female propensity to shop at expensive stores (H2a) had a significant positive effect on hedonic consumption (.30), whereas this effect was non-significant for older females (.01). A similar result was obtained for the effects of the fitting process (H2c) on hedonic consumption (.24, $p < .05$ for younger females and .04, $p > .05$ for older females). Importance of product attributes had a significant positive effect on hedonic consumption among younger (.20, $p < .05$) and older (.26, $p < .05$) females and there were no significant differences among the sub-samples in the strength of this effect ($\chi^2(1) = 1.02$, $p > .05$). Contrary to our predictions, store advice had a significant but negative effect on hedonic consumption among younger females (-.24, $p < .05$), but this effect was non-significant among older females (.12, $p > .05$). Consistent with H4 and H5, brand involvement had a significant positive effect on hedonic consumption among younger (.23) and older (.45) females but there were no significant differences in the strength of this effect ($\chi^2(1) = 1.72$, $p > .05$). Importance of product attributes (H4b) positively increased brand involvement among younger (.17) and older (.31) females, and this effect was significantly stronger among older females ($\chi^2(1) = 2.99$, $p < .05$). However, propensity to shop at expensive stores significantly increased brand involvement only among younger females (.21, $p < .05$). Consistent with H6 and H7, customer satisfaction had a significant positive effect on hedonic consumption among younger (.31, $p < .001$), but not older females (-.08, $p > .05$). The fitting process (H6a) had a significant positive effect on customer satisfaction among younger (.26, $p < .001$), and older (.27, $p < .001$) females, and there were no significant differences in the strength of this effect ($\chi^2(1) = .11$, $p > .05$). Store advice (H6b) increased customer satisfaction among older females (.38, $p < .001$), but this effect was non-significant among younger females (.11, $p > .05$).

CONCLUSIONS

The goal of the present research was to gain a deeper understanding of gendered consumption among younger (under 40 y.o.) and older (over 40 y.o.) females. Overall, bra shopping can be perceived as a young female pursuit who enjoy it and purchase more products. However, older females place equal importance on bra attributes, are equally satisfied with their shopping, are as likely to shop at expensive stores and have been as recently fitted for bras as younger females. These findings highlight importance of the product category for older females who probably express similar needs to younger females but are less prone to enjoy consumption because of the social stigma related to older females' interest in products with sexual connotations (Chrisler and Ghiz 1993; Saucier 2004). For both age segments, enjoyment of shopping increases total purchases; however, this effect is stronger for younger females. In addition, for younger females, brand involvement, shopping satisfaction, shopping at expensive stores, importance of product attributes, and the fitting process positively increase this enjoyment, whereas importance of store advice decreases it. The latter probably indicates a level of discomfort that young females experience when expressing their lack of knowledge in seeking store advice. We observed much more restricted findings in relation to older females' shopping. Specifically, only product attributes and brand involvement increase consumption enjoyment. Older females express a demand for product attributes that increase their shopping enjoyment and make them more brand-involved and loyal. Interestingly, the recency of the fitting process and store advice do increase their shopping satisfaction, which indicates that changes in one's body with age create a need for a constantly renewed product search, adaptation, and professional advice. However, this satisfaction does not translate into a greater enjoyment of bra shopping. Hence, older females feel disassociated from the marketed symbolism of lingerie products and brands and become inclined to treat it only as a functional purchase and, hence, purchase fewer bras per year. Finally, the theoretical model can be extended to other gendered product categories and applied across multiple retail contexts.

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CAN HEDONIC STORE ENVIRONMENTS HELP RETAILERS OVERCOME LOW STORE ACCESSIBILITY?

Christy Ashley, East Carolina University, USA

Mark Ligas, Fairfield University, USA

Arjun Chaudhuri, Fairfield University, USA

ABSTRACT

A norm in the retailing industry is to select locations and design physical structures that minimize the time and effort associated with patronage. However, Arnold and Reynolds (2003) note that an engaging environment might nullify shoppers' awareness of the passage of time. Thus, positive consumer experiences triggered primarily by a hedonic retail environment can, in some instances, compensate for other shopping shortcomings, such as the issue of accessibility. This paper explores this phenomenon with an empirical investigation of the relationship between store accessibility and store commitment. Based on commodity theory, we predict and test whether the hedonic level of a store interacts with store accessibility to change the relationship between store accessibility and store commitment.

We base our study on two premises. First, store accessibility is inversely related to the time and effort associated with a shopping experience, which have previously been considered as non-monetary predictors of merchandise value and retailer patronage intentions following pre-purchase evaluations by Baker, Parasuraman, Grewal and Voss (2002). Second, the hedonic nature of the store is inversely related to psychic costs, another non-monetary predictor of merchandise value and retailer patronage intentions in Baker et al. (2002). Thus, our first study focuses on the relationships between accessibility (the inverse of time/effort costs), the hedonic nature of the store (the inverse of psychic costs), merchandise value, and commitment using post-purchase evaluations of future commitment from existing retail customers. We also extend Baker et al. (2002) to examine the interaction between the non-monetary costs that were predicted to impact merchandise value and patronage intentions.

Results of the field study indicate that the negative impact of low store accessibility on store commitment is dampened in stores that have higher hedonic attributes. The results are replicated in a laboratory experiment, which rules out an alternative hypothesis for the effect: less accessible but hedonic stores earn higher commitment because consumers experience less guilt because they perceive they earned the indulgence through greater sacrifice in time and effort. The results of both studies reveal a significant interaction between store accessibility and the hedonic level of the store. Thus, a store that is more difficult to access may be able to overcome challenges associated with higher time and effort costs if the store enhances the hedonic level/reduces psychic costs associated with shopping in the store. The implications of these findings and directions for future research are discussed.

References available upon request

USING VIRTUAL SHOPPING TO GAIN A BETTER UNDERSTANDING OF CONSUMER PURCHASE DECISIONS

Michael Richarme, University of Texas at Arlington, United States
John Colias, University of Dallas, United States

ABSTRACT

The retail shopping environment is highly complex, providing numerous visual and aural cues to aid shoppers in making purchase decisions. Attempting to understand the individual stimulæ that drive the purchase decisions is a frustrating task for researchers. The use of choice modeling has helped separate out some of the choice elements and determine their relative importance. However, this approach has some inherent flaws, in that the many cues found in the shopping experience is not reflected in the choice modeling task presented to respondents.

An empirical study was conducted to compare the use of a traditional grid-based choice modeling approach to a 3D animation choice modeling approach. The sample consisted of over 600 nationally representative United States adults. The respondents were randomly assigned to one of the two modeling approaches.

Analysis of the data shows encouraging support that the use of 3D animation in choice modeling projects can result in a more accurate estimate of future purchases. The respondents tend to be more engaged in the research, leading to higher completion rates. Respondent cognitive stress is reduced, and the level of frustration with the repetitive choice-modeling task is reduced. Finally, the use of 3D animation reduces the price elasticities of the stimulus product.

Though the 3D animation methodology was utilized in this experiment with a single consumer packaged goods category, it is expected that the methodology could be similarly utilized in a wide variety of choice-modeling situations, where store-shelf comparisons are used by consumers to make purchase decisions. The 3D animation lends an increasing amount of realism to the consumer decision-making process that is lacking in the traditional text-based, choice-modeling approaches.

SESSION 5.5: TOPICS IN WORLD TOURISM

Session Chair: Thomas S. O'Connor, University of New Orleans, USA

“Hedonic Hotel Pricing and Quality Signals: Which are the Market Value Drivers in a Transition Phase?”

Graziano Abrate, University of Eastern Piedmont, Italy
Antonella Capriello, University of Eastern Piedmont, Italy
Giovanni Fraquelli, University of Eastern Piedmont, Italy

“North Atlantic Islands’ Locations in Tourists Minds: Iceland, Greenland, and the Faroe Islands”

Thorhallur Gudlaugsson, University of Iceland, Iceland
Gunnar Magnusson, University of Iceland, Iceland

“It was the Trip of a Lifetime”: Viking Ancestors, Their Descendants and Their Legacy Tourism Motivations and Behavior”

Nina M. Ray, Boise State University, USA
Gary McCain, Boise State University, USA

“Developing Integrated Market Communication for Tourist Attractions in Norway”

Tom Rosendahl, Norwegian School of Management, Norway
Peter Gottschalk, Norwegian School of Management, Norway

HEDONIC HOTEL PRICING AND QUALITY SIGNALS: WHICH ARE THE MARKET VALUE DRIVERS IN A TRANSITION PHASE?

Graziano Abrate, University of Eastern Piedmont, Italy
Antonella Capriello, University of Eastern Piedmont, Italy
Giovanni Fraquelli, University of Eastern Piedmont, Italy

ABSTRACT

The study aims to uncover the relationships between price setting and reputation building processes through an application of hedonic price function. In coherence with a sustainable approach, the model proposed also includes variables related to land use policies and tourism development strategies. A simultaneous equations model is adopted where both price and quality signals are endogenously determined. This innovative method is appropriate in an emerging urban destination, characterized by an enhancement of the existing hotel industry. The findings reveal that, in accordance with a customer based perspective, a high star category and place uniqueness help explain consumers' willingness to pay. A premium price is recognized for quality signals directed at balancing intangible aspects related to service provision with hoteliers' environmental concerns. The results have important marketing implications for the competitiveness of the hospitality industry.

INTRODUCTION

The hospitality and tourism literature have investigated the effects of quality signal measures such as hotel star rating and brand affiliation on the price level. Our study aims at uncovering the implications of reputation building processes, as previous studies do not identify the combined effects of quality signals on price setting. This aspect is relevant given the diffusion of quality marques directed at including sustainable best practises. Beyond green awards, the critical environmental issues such as land use and transport policies are worth considering. In a changing competitive arena they may represent new emerging market value drivers and have a potential in explaining their impact on price definition. Quality marques analysis is also associated with an evaluation of operators' orientation and propensity towards a collaborative marketing approach. From a methodological point of view, previous hospitality industry studies estimate the hedonic price function using a single equation model, including among the explanatory variables both the service attributes and the quality signals. However, given the correlation between the latter, the correct parameter estimations may be problematic. Moreover, the single-equation approach implies that the price setting follows service design. In accordance with Hartmann (1989), the market positioning, instead, entails a co-joint definition of marketing-mix policies. With this concern in mind, simultaneous equation modelling, where both price and quality signals are endogenously determined, presents a compelling alternative. The following study focuses on Turin, Italy's hotel industry. This location represents an emerging urban destination and is characterized by a significant increasing presence of affiliated four and five stars hotels (Regione Piemonte, 2005).

HEDONIC PRICE LITERATURE: KEY VARIABLES AND HYPOTHESES

The hedonic price literature in hospitality and tourism industry identifies several quality signals to help explain the price formulation. The cross-comparison of fifteen studies suggests grouping these variables in three categories: hotel attributes, reputation based signals, and site specific attributes. The critical discussion of previous studies focusing on the interaction among these quality measures informs the hypotheses.

Hotel attributes

Carvell and Hervin (1990) and Coenders, Espinet and Saez (2003) stress the importance of hotel attributes. Although Espinet, Saez, Coenders and Fluiva (2003) list the relevant features of the hotel service provisions, the analysed studies indicate different roles played by some amenities (Monty and Skidmore, 2003; Thrane, 2007, White and Mulligan, 2002). White and Mulligan (2002) find a positive effect on room prices, while Thrane (2007) identifies a moderate effect. H_{1a} : A premium price links to a bundle of services, as the presence of each amenity has a positive effect on price.

Reputation based quality signals

The star-rating system is a well-established and long-lasting standard to rate hotels in Europe and elsewhere. Given the dominant features of star classification criteria, a relationship between hotel attributes and ranking exists. Such a system suggests a tangible commitment made by firms to particular levels of service provision. H_{1b} : Hotels' star rankings are related

positively to increased enhancement of hotel attributes, the rise of hotel attributes provided entails the increase of hotel star category. High star ratings are a quality signal that consistently supports a premium pricing strategy (Bull, 1994; Israeli, 2002; Wu, 1999). Tour package studies also conclude that a hotel's star rating is an effective explanatory variable in their model (Aguiló, Alegre and Riera, 2001; Aguiló, Alegre, and Sard, 2003; Coenders, Espinet and Saez, 2003; Espinet, Saez, Coenders and Fluiva, 2003; Thrane, 2005). H₂: A premium price relates to hotel star category, and a higher star ranking has a positive effect on price. For the current study, investigating the quality certification's role is germane as an additional source of consumer information. The quality marque can be assigned by external evaluator, also in connection with hoteliers' environmental efforts in managing service provision. Thus, the official star category provides a relatively objective basis to measure quality. In the hospitality industry, managers give high value to physical assets, as the raw materials represent the space for rooms, common areas, and receptions (Soriano, 1999). H_{3a}: Adherence to quality assurance programs increase with a rise in star category, as a higher star category hotel possesses physical assets and managerial skills to support the implementation and fulfilment of the quality certification activities. The advent of a global lodging industry has been analysed in terms of the effect of corporate affiliation on hotel prices. Brand strategies' magnitude in explaining a premium price was estimated for hotels (White and Mulligan, 2002; Thrane, 2007) and franchised motels (Wu, 1999). A brand name implies the creation of a standardized product or production process (see Klein and Saft, 1985). H_{3b}: Adherence to a quality assurance program is higher for affiliated hotels, as their management are more familiar with standards in services and quality assurance policies. In the hotel industry, grading is a qualitative assessment to indicate how good or bad the facilities and services offered are. This system is adopted by consumer guidebooks to provide information in such areas as value and quality. On the other hand, marketing benefits, such as an enhancement of customer satisfaction, a competitive edge, and a nationwide recognition for quality, have been considered major reasons for obtaining accreditation (Walker, 1988). Both in the case of quality assured hotels and in that of lodging firms as awarded by a guidebook, hotel managers are customer-focused when undertaking the process. H_{3c}: Hotels adhering to quality assurance programs increase when they are listed in guidebooks because their management is more sensitive to developing a customer-oriented approach and gaining a competitive edge in the local marketplace. To be a quality assured hotel, the accommodation provider must frequently fulfil over conditions related to facilities, hospitality and service, and the environment. Thus, quality evaluation system deployment implies managerial efforts and commitment. H₄: A premium price links to the adherence to a quality assurance program.

Site – specific attributes

Place attractiveness has shown predictive ability in explaining lodging prices, even if the nature of the variables depends closely on the analysed geographical context (Papatheodorou, 2002). The hotel presence in a metropolitan area is associated with a positive effect on price level (White and Mulligan, 2002). Additionally, Thrane (2007) stresses the location effect through a variable directed to measure the distance from the central station in analysing the Oslo region, whilst Bull (1994) and Fleischer and Tchetchik (2005) demonstrate the role played by the distance from the city centre. The place's uniqueness including the surrounding area and the distance from natural and/or hand made attractions also have been considered in formulating hedonic price models (Carvell and Herrin, 1990; Fleischer and Tchetchik, 2005; Thrane, 2005). Given the urban regeneration processes in several European cities, a premium price for hotels inside a leisure and/or business area. Land use policies and tourism development strategies can generate positive externalities, as the value added is linked to the synergies inside a tourist district. Beyond the green certifications for the hotel industry, the destination's accessibility and ability travel inside the region are crucial variables for a sustainable development model. An effective public transportation system service can be also considered a competitive edge for enhancing the attractiveness of the region. As a consequence of this aspect, a premium is connected with the proximity to an interchange station. H_{5a}: A premium price recognition occurs whenever the hotel is located in a leisure/business district. H_{5b}: A premium price relates to the distance from an interchange station, as the rise of the distance generates a reduction of room price.

THE METHODOLOGY

The model is examined as a simultaneous system, where both price and quality signals are endogenously determined. It is based on three equations and allows simultaneous testing of all hypothesis implied by the conceptual model (Figure 1). The first equation (Equation 1) is directed at estimating the relationships between price and quality signals (hotel attributes, star category, quality certification and site specific attributes). The second equation (Equation 2) assesses the star category as a function of hotel attributes, whilst the third one (Equation 3) evaluates the interaction between the status of an accredited hotel and star category, affiliation, and the presence in a guidebook. The estimation is more complex due to the nonlinear regression models. Thus, probit and ordered probit regression must be combined with the linear hedonic price function. Nevertheless, Roodman (2007) implements a new routine that allows estimating multi-equation mixed process models in Stata (Version 9.2 and higher) by means of maximum likelihood. This approach relaxes the strong exogeneity assumption of

reputation quality signals in the hedonic price function. Finally, the model appears suitable in particular to describe the co-joint definition of marketing-mix strategies (price and quality market positioning) by a hotel manager.

THE CASE STUDY

The dataset

Turin's dataset was established through an interrogation of the 2007 hotel catalogue published by the Piedmont Region (Regione Piemonte, 2007). This catalogue describes 145 Hotels by star category, service provisions, and peak season and off season prices for single and double rooms. Data related to the hotel affiliation in Turin was collected from the 2007 online dataset of the Italian Hotelier Association (Federalberghi, 2007) and each hotel's website. Michelin Guide's online database supplied the list of hotels described in the travel guide (ViaMichelin, 2007). Finally, the Turin Chamber of Commerce's online data set was employed to identify the number of hotels adhering to the analysed quality assurance program (CCIAA, 2007). To be consistent with previous studies, each hotel's location was assessed in relation with a leisure district (the "Piazza Castello" area) and a business district (the "Lingotto" area).

Main empirical findings

The explanatory power of the model is strong as LR Chi2 is 224.54 with $p < .01$. The results of the model are used here to discuss the validity of the hypothesis formulated. The hypothesis 1a is not validated by the simultaneous equation model. The model allows treating the star category as an endogenous variable and clarifying the causality directions of the effect. In particular, service provision does not have a significant direct impact on price; but the variable's importance is reflected indirectly through the hotel ranking effect. Hypothesis 1b is confirmed by the Equation 2 as the coefficient for the number of rooms (0.0151; $p < .01$) and that of the amount of services provided (0.3265; $p < .01$) indicate a positive and significant effect on hotel ranking. The relationship underlines the role played by tangible equipment components, since the assignment of star category results from an objective assessment and in relation with the regional criteria. A high star category is a measure of quality, normally associated with intensive use of material and human resources. Thus, in coherence with the hypothesis 2, a premium price is assigned with a rise of hotel ranking. Hypothesis 3a is validated by the fact that the coefficient of the independent variable "star category" in the Equation 2 is significant (0.4546; $p < .05$). This finding stresses the importance of an appropriate asset to implement a quality assurance program. The relationship between the status of quality assured industry and that of affiliated hotels was tested through the Hypothesis 3b. The coefficient (0.1246; $p < .01$) confirms the validity of the assumption, because the independent sector seems to be less receptive to the accreditation program. On the contrary, the affiliated hotels analyzed show a more committed participation, probably expecting to gain a competitive edge in the local marketplace with a focus on high demanding clientele. The affiliation process implies adopting brand quality assurance procedures. This feature might make adherence to the Chamber of Commerce quality assurance program less costly and complex in comparison with a small independent hotel. Given the significance of the coefficient associated in Equation 3 (0.8493; $p < .05$), hypothesis 3c is validated. This empirical evidence may relate to the similarity of the inspection procedures (for example, the presence of a mystery client). Moreover, since the commercial function of a commercial guidebook is directed at a specific, interested segment of the industry, the initiative may be a complementary opportunity to increase the visibility of the hospitality industry in the local marketplace. The hypothesis 4 is confirmed given the coefficient of the associated variable (0.2824; $p < .05$). Thus, a price premium is related to the adherence to the quality assurance program. The literature review suggests that hotel location is a competitive advantage. In Turin, the urban regeneration processes have created both leisure and business districts. Hypothesis 5a is confirmed (the coefficient is 0.1283; $p < .05$), since hotels located in the described areas benefit from the described positive externality related to the hedonic experience created by the synergies between the hospitality and leisure industry. For environmental issues, the accessibility to the area and transfer inside the region are critical aspects. Nevertheless, the hypothesis 5b is rejected because the price proposals are formulated without assigning a premium price for the proximity to the main station. This place represents an interchange point for public transport service connecting the urban context with other major attractions located in the peripheral area.

CONCLUSION

Although the tourism and hospitality literature review have supported the idea that quality signals have a positive effect on price setting, limited research explains the inference of a quality certification by a third party on price formulation. From a methodological point of view, there are two relevant contributions to tourism and hospitality studies. First, the model proposed, based on a three equation system defining simultaneously price and quality signals appears as more coherent with hoteliers' decision making processes. In addition, the estimation procedure adopted allows getting consistent results on parameters, overcoming endogeneity problems intrinsic to the single-equation hedonic price method. From a customer-based perspective, a part from high star category and place attractiveness, whose effects have been largely emphasised by the literature, our results put in evidence the role of the reputation quality aspects. This finding suggests an interesting

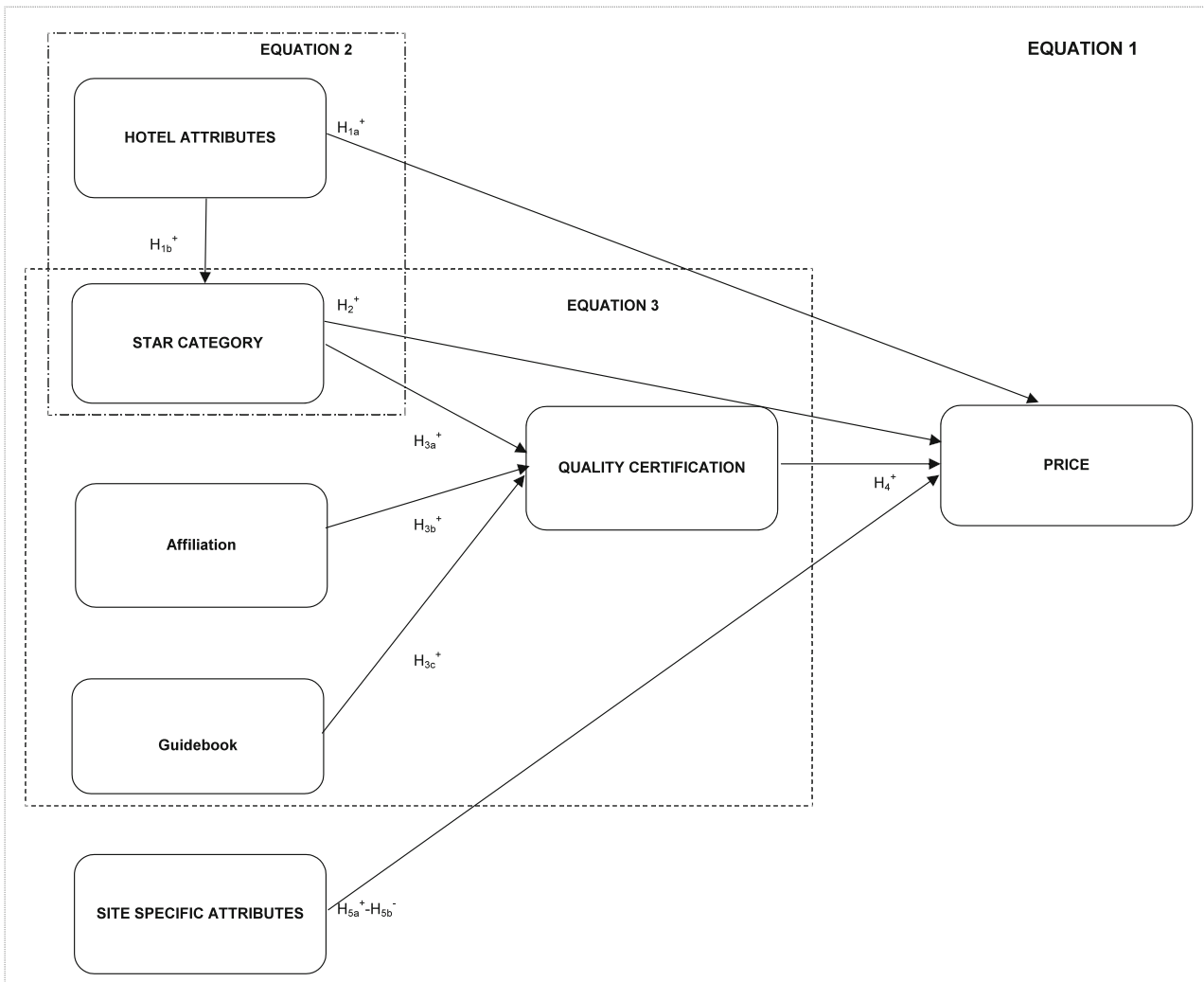
opportunity for hoteliers at each star category. Some limitations relate to the specific characteristics of Turin and the sample in the study, but they serve as catalysts for future research. For example, a future study could expand the sample to other European cities, to compare price setting in emerging destinations with traditional ones. This new sample allows verification of the interaction between globalization forces, brand naming strategy, and price proposals. Additionally, the validity of the model proposed in the current paper should be tested in other sector of the accommodation industry, also in the light of increasing investments of European public actors towards the promotion of quality and environment certifications.

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FIGURES

Figure 1: The Conceptual model



NORTH ATLANTIC ISLANDS' LOCATIONS IN TOURISTS' MINDS: ICELAND, GREENLAND, AND THE FAROE ISLANDS

Thorhallur Gudlaugsson, University of Iceland, Iceland
Gunnar Magnusson, University of Iceland, Iceland

ABSTRACT

This paper investigates what image travellers in Iceland during the summer months have of the country as a tourist destination, and whether positioning of Iceland, the Faroe Islands, and Greenland together in tourist markets as one area is possible or feasible. The article reports results of two surveys. The first survey (unstructured) measures the holistic image of Iceland. The results from this survey were coded with a qualitative methodology. The second survey (structured) measures the attribute image of Iceland in comparison with five other countries, Norway, Scotland, Greenland, Finland and the Faroe Islands.

Results from the unstructured survey indicate that travelers have the strongest holistic image of Iceland as a scenic nature destination. Results from the structured survey indicate that the tourists consider Iceland to be a safe place to visit, an opportunity for adventure, a friendly and hospitable destination, and a country of scenic and natural beauty. Results also indicate that people have strong and clear images of Iceland. The perceptual map results show Norway is Iceland's main competitor for tourists. According to the results, Iceland, the Faroe Islands and Greenland seem to have a different image in tourists' minds. Two-country comparisons suggest Iceland and Greenland have more in common than Iceland and Faroe Island. Although these countries cannot be positioned together, these countries should consider working together to promote the area as a tourist region or cooperating together in their marketing activities.

INTRODUCTION

Effective image communications nationally and internationally are imperative to maintain a competitive advantage (Anholt, 2003; Ries and Trout, 2001). The destination's image influences both potential tourists' decision making behaviour (Jenkins, 1999) and the satisfaction level tourists experience at the destination (Chon, 1990). Images in potential visitors' minds effect the selection process and the destination's overall viability (Hunt, 1975). Internationally, destinations often only compete based on the images in potential visitors' minds. Therefore, tourism marketers spend money, time, and effort trying to create a favourable image to encourage visitors to visit or re-visit their destinations. Today's international tourism industry requires destination marketers and developers to understand tourists' images of both their destination and competing destinations (Baloglu and McCleary, 1999). Developing a destination's competitive position in tourists' minds requires creating and communicating favourable images to potential target markets (Calantone, Benedetto, Hakam and Bojanic, 1989; Gartner, 1993). Any destination positioning strategy must reinforce the target market's positive image, correct a negative image, or create a new image (Pike and Ryan, 2004).

Images of cities, states and countries as travel destinations have been studied extensively over the past thirty years (Pike, 2002; Tasci, Gartner and Cavusgil, 2007). Surprisingly, little research has been conducted on Iceland's image as a destination (Prime Minister's Office, 2008). To address this shortcoming, this paper addresses the following questions. First, how do foreign travellers perceive Iceland? Also, how does Iceland compare to leading competitors? Finally, can Iceland, the Faroe Islands, and Greenland be positioned as one travel destination? To accomplish these goals, both unstructured survey and structured (quantitative) surveys were administered to tourists comparing Iceland to five other travel destinations, Norway, Scotland, the Faroe Islands, Finland and Greenland. The results suggest some strategies for promoting Iceland and possible synergies with other destinations.

THE IMAGE OF ICELAND AS A DESTINATION FOR TOURIST

Research on destination images began in the early 1970s with Gunn's research on how destination images are formed (Gunn, 1988), and Hunt's (1975) research on how destination images are measured (Gallarza, Gil and Calderón, 2002; Konecnik and Gartner, 2007; Nickerson and Moisey, 1999). Between 1973 and 2000 at least 142 published papers directly or indirectly investigate destination image topics (Pike, 2002). Over time, numerous definitions of destination image have been conceptualized (Gallarza, Gil and Calderón, 2002). Some authors examine how the literature defines destination image (e.g., Echtner and Ritchie, 1991; Gallarza, Gil and Calderón, 2002; Tasci, Gartner and Cavusgil, 2007). Hunt (1975:1) defines image as: "perception held by potential visitors about an area." Crompton's definition is cited most commonly in other

academic articles: “the sum of beliefs, ideas and impressions that a person has of a destination” (Jenkins, 1999). Several authors (e.g., Echtner and Ritchie, 1991; Fakeye and Crompton, 1991; Gartner, 1993) write about a limited conceptual framework for studying destination image. Several authors use destination image research components to cobble together a conceptual framework (e.g., Baloglu and McCleary 1999; Echtner and Ritchie, 1991; Gallarza, Gil and Calderón, 2002; Tasci, Gartner and Cavusgil, 2007). Despite these efforts to unify destination image theory, no single approach is commonly accepted (Konecnik and Gartner, 2007). Still, many researchers agree that Echtner and Ritchie (1991, 1993) greatly contribute to framing destination image (Gallarza, Gil and Calderón, 2002; Tasci, Gartner and Cavusgil, 2007). Their seminal study links the main destination image components in a useful and interactive way (Tasci, Gartner and Cavusgil, 2007).

Research Method

The research used two measurement scales, one structured and one unstructured. The open ended questions were designed to find the holistic image of Iceland. A structured measurement scale was developed to uncover important attributes in Iceland’s image. The open ended questions allowed participants to describe their image of Iceland as a tourist destination. The questionnaire was based on three open ended questions designed by Echtner and Ritchie (1993) and three additional questions about participants’ gender and travel behavior. The three open ended questions were as follows.

1. What images or characteristics come to mind when you think of Iceland as a tourist destination?
2. How would you describe the atmosphere or mood that you would expect to experience while visiting Iceland?
3. Please list any distinctive or unique tourist attractions that you can think of in Iceland.

The first question inquires about Iceland’s holistic functional image. Question two queries respondents about Iceland’s psychological holistic image. Finally, question three examine whether or not Iceland has a unique destination image. Open ended questions were coded according to qualitative methodology.

The structured questionnaire consisted of 22 questions. The questionnaire measured respondents’ image of Iceland and the comparison countries based on twelve attributes: 1) Scenic and natural beauty, 2) Peaceful and quiet, 3) Good tourist facilities, 4) Friendly and hospitable, 5) Good food and drink, 6) Safe place to visit, 7) Good entertainment and nightlife, 8) Unique and different, 9) Opportunity for adventure, 10) Modern, 11) Wild, and 12) Good cultural experience. Respondents rated attributes on a nine-point scale (1= description fits badly; 9=description fits well). Additional questions included demographical information, experience and satisfaction travelling in Iceland, and destination loyalty

Survey implementation

The unstructured questionnaire was administered at Reykjavik’s Tourist Information Center (Visit Reykjavik, 2008) on June 5, 2008 (10am to 12pm). The structured questionnaire was pre-tested at two tourist destinations (Geysir on June 9 and Gullfoss on June 10). Final versions were administered at three sites, BSI (the Reykjavik main bus terminal), Gullfos waterfall and Blaa Lonid, a geothermal lagoon.

A convenience sample was used to obtain participants for both surveys. Only people present during the survey’s administration have a chance to be part of the sample (Burns and Bush, 2006). Twenty-five tourists participated in the unstructured survey (15 males and 10 females). Seventeen tourists participated in the structured survey pre-test (8 males and 9 females). The final structured survey was answered by 394 participants (125 in BSI, 165 at Gullfoss and 104 in Blaa Lonid). Sixty responses were deemed unusable. The final sample consisted of 334 participants, 185 males (55.4%) and 149 females (44.6%).

Results for the Unstructured Survey

Three functional holistic groups emerged from the first question’s results. The biggest category is called “Nature and Scenery” (e.g., geysers, wild nature, volcano/lava, waterfalls, mountains, glaciers, and clean, cold skies). The second biggest category is called “Activities” (e.g., fishing, thermal pools, adventure, and horse riding). The third group is named “Culture and People” (e.g., woollen sweaters, interesting history, Björk, art, friendly, modern, environmental, unique, and quiet). From question two a number of atmosphere/mood image for Iceland emerged. The frequencies are shown in the brackets for frequent adjectives mentioned by the participants: Friendly (11), calm (5), relaxed (4), security/peace (3), alone (3), free/freedom (3). The third question’s results listed a number of unique places emerged as well as other places not considered unique to Iceland. The top places and their frequency in brackets include: Geysir (15), Blue Lagoon (13), and Gullfoss/waterfalls (9). Places not unique to Iceland but mentioned frequently include: Glaciers (5), whales (4), volcanoes (3), puffins (2), mountains (2) and museums (2).

Structured Survey Results

Figure 1 shows a perceptual map of the image actual visitors in Iceland during summer months have of Iceland and the comparison countries as tourist destinations. Iceland is located in the map's upper left corner. Located far from the middle indicates Iceland has a strong and clear image in peoples' minds. Iceland's most important attribute is "safe place to visit." Iceland's strong connections to other attributes also are apparent (e.g., friendly and hospitable, scenic and natural beauty, and opportunity for adventure).

The results show Norway is Iceland's closest competitor. Norway's map location suggests image is less clear to respondents. Respondents consider Norway to be modern and to offer a good cultural experience as a tourist destination. Norway's image also includes attributes such as good tourist facilities and good food and drink.

Scotland and Finland have similar positions in peoples' minds and can be considered competitors. Scotland's distance from the middle suggests respondents have a clear image of Scotland. Good entertainment and nightlife is Scotland's strongest attribute although the country's position is distant from that attribute. Opposite from Scotland is the attribute peaceful and quiet. This evidence supports Scotland's image as entertaining. Scotland also is positioned slightly in the opposite direction of the attributes wild and unique and different which suggests Scotland is not wild nor unique and different in peoples' minds when travelling to Iceland. Finland is not connected with any attribute; however, the country's position is opposite of Iceland. Apparently, Finland and Iceland are different destinations in respondents' minds since they share no similar attributes. Both Greenland and the Faroe Islands are not well positioned as tourist destinations. The Faroe Islands are positioned opposite of Norway. Respondents' image of the destination is not modern, not offering a good cultural experience, poor tourist facilities, and lacking good food and drink. Also, people do not associate the Faroe Islands with good entertainment and nightlife. Greenland's position suggests respondents have a clear image of the destination. The country is peaceful and quiet; however, it lacks good entertainment and nightlife. People perceive Greenland lacks good tourist facilities, good food and drink, and good cultural experiences. People do not consider Greenland to be a modern destination.

DISCUSSION

This study's objective is to understand actual visitors' images of Iceland as a tourist destination. What image do foreign travellers have of Iceland? The open-ended survey results suggest visitors have a strong holistic image of Iceland as a scenic nature destination. Iceland's is perceived as a destination of many activities and a country of interesting people and culture. Respondents believe the country is friendly, calm, relaxed and secure, and offers people the freedom to be alone. Results indicate Iceland offers something unique such as Geysir, the Blue Lagoon, and Gullfoss. Other non-differentiated offerings (e.g., whales, puffins, and museums) also are attractive attributes. Survey results suggest Iceland's image includes a safe place, adventurous, friendly and hospitable, and natural beauty.

How does Iceland compare to other countries as a tourist destination? The results indicate that Norway is Iceland's main tourism competitor. Iceland is perceived to be safer and more adventurous; Norway is perceived to offer better tourist facilities, food and drink, entertainment and nightlife, and cultural experience. To compete with Norway, Iceland needs to build the facilities up to higher standards.

Can Iceland, the Faroe Islands and Greenland be positioned as one travel destination? According to the results, tourists have different images of Iceland, the Faroe Islands and Greenland because they seem to offer different products. Comparing the destinations, Iceland and Greenland seem to have more in common than Iceland and the Faroe Islands. Although these countries cannot be positioned together, working together to promote the area helps both destinations.

LIMITATIONS AND FURTHER RESEARCH

Since a convenience sample was collected, the findings cannot be generalized to the population. The results do provide a starting point for understanding the image tourists have about Iceland as a tourist destination. The tourists' images while visiting Iceland could influence their perceptions compared to other countries. These tourists placed Iceland in their opportunity set and put the destination in their decision set. Iceland is a product worth buying, so to speak. In the structured survey, no attempt was made to determine whether the questionnaire's attribute set was used by tourist to define their image of Iceland. Possibly, other attributes better defined tourists' images. Additionally, other destinations may have been part of the respondents' choices. Perhaps distant destinations like New Zealand or Japan are alternative destinations when people consider travelling to Iceland?

Iceland's image as a tourist destination should be examined at three levels— pre-travel level, in situ, and post visit. To

examine these levels, the same attributes must be used. First, Iceland's target markets need to be defined. A combination of geographic, demographic, and lifestyle segmentation methods help identify visitor categories. In particular, lifestyle segments such as adventure seekers or nature lovers are promising segments to target. Next, these segments' preferred attributes need to be understood. These attributes vary depending on the target market being studied. Image is not a static measurement. Destination image studies need to be repeated over a long period of time. During visit level (in situ), further research can better define tourist subgroups such as samples of Germans or Americans only, or concentrate on a specific age group like young tourists. Differences in travelling style may yield interesting differences. A popular research topic in Australia is the image of backpackers. How are backpackers different to tourist segments in Iceland (e.g., package tours)? Finally, seasonal differences should be investigated. Do winter travelers have a different image of Iceland than those visiting during the summer?

Figure 1. Perceptual map for all participants

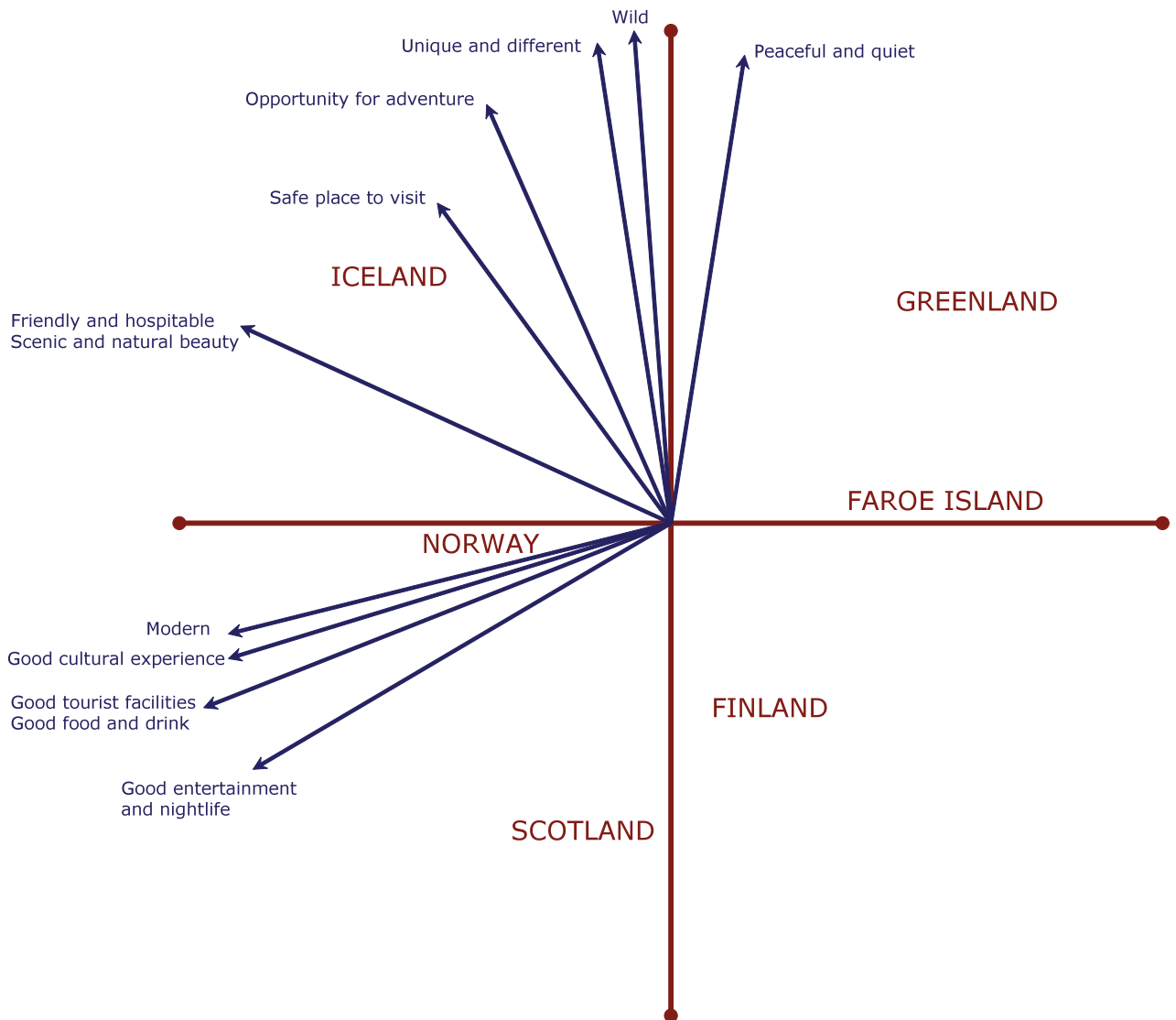


Figure 1. Perceptual map for all participants

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“IT WAS THE TRIP OF A LIFETIME”: VIKING ANCESTORS, THEIR DESCENDANTS AND THEIR LEGACY TOURISM MOTIVATIONS AND BEHAVIOR

Nina M. Ray, Boise State University, USA
Gary McCain, Boise State University, USA

ABSTRACT

One tourism segment consists of those whose family history leads them to travel to visit the sites of their ancestors' origin. Of specific interest in this study are people who have an interest in Norwegian ancestry. Coincidentally, Norway also wants its sons and daughters to come home, targeting those with “with Viking ancestry.” Primary research objectives were to determine the motives for and importance of travel to ancestral homes, differences in this motivation for varied subsamples, and develop insights into legacy tourism that will serve tourism managers. Survey respondents of Norse ancestry in the United States and the Shetland and Orkney Islands of Scotland were recruited from meetings and activities of cultural and historical societies. Norse Scottish Islanders indicate “quest” as more important than U.S. Norse groups since Scottish islands are more proximate to the Norwegian homelands. Top motives for all groups (both Norse and those not of Viking descent) are “personal connection”, “connection with place”, “intellectual challenge”, “obligation to ancestors”, “discovering continuities”, and “completing the circle”. Overall, Norse descendant motives resemble descendants of other populations.

INTRODUCTION

Dickerson (2006, W15) reports that a “widespread interest in genealogy is sweeping America.” Often, researching one’s family history involves travel. For many tourists of Scandinavian descent, both in the United States and elsewhere, their research involves travel to the home of their Viking ancestors—Norway.

This paper explores briefly the role that family history interest has in heritage tourism, focusing on people who have an interest in Norwegian ancestry. Some discussion of other nations’ tourism marketing illuminates the challenges and potential rewards of attracting legacy tourists. Variables suggested in anthropological ancestral tourism research are used and validated for marketing use.

Interest and research on heritage/culture tourism generates numerous equally interesting definitions (Balcar and Pearce, 1996). For this research the definition is “visits by persons from outside the host community motivated wholly or in part by interest in the historical, artistic, scientific or lifestyle/heritage offerings of a community, region, group or institution”, (Silberberg, 1995, p. 361) with recognition of Yale’s (1991, p. 21) observation that “the fashionable concept of ‘heritage tourism’ really means nothing more than tourism centred on what we have inherited.” Certainly, the emotions associated with one’s family history are an important part of “what we have inherited”.

A sub-segment of heritage tourism is comprised of tourists who desire to move beyond the scope of general ancestry to find specific links to ancestors or ancestry roots. These legacy tourists travel to seek out information or feel connected to their genealogical or family roots. Defining sub-sets of heritage tourism creates marketing opportunities to reach these segments by understanding their motivations. Nicholls, Vogt, and Jun (2004) identify specific heritage tourism types including legacy tourism, travel related to genealogical endeavors, as described by McCain and Ray (2003). Many legacy tourists define heritage as their own family history.

Nicholls, et al. (2004), citing the Travel Industry Association of America (TIA, 2003), estimates that around 81 percent of U.S. adults taking a trip in 2002 could be classified as heritage or cultural tourists. This amount was a 13 percent increase since 1996. Other sources (Marjanaa and Quintos, 2001) report an 18 percent increase from previous years of 1996 to 2001. More recently, though, the *Wall Street Journal* (Jackson, 2006) reports that America’s colonial and historic sites are experiencing decreased visitor numbers. Therefore, learning legacy tourists’ motivations takes on greater importance because this specific sub-segment is growing as other, more general heritage related site visits decline.

One example is Salt Lake City, Utah’s Family History Library. Many of the Library’s daily 1,900 visitors (only a minority are Mormons) come from other countries (The Family History Library, 2006) and genealogy is prominently displayed on the City’s Convention and Visitors Bureau web site (www.visitsaltlake.com/what_to_do). Even the second largest genealogical collection in the United States (Fort Wayne, Indiana) promotes its Number 2 ranking as still a place “to go to find out where you’re from” (The Genealogy Center, 2008).

Genealogy is a "significant part of Northern Ireland's tourism industry" (Evans, 1998, p. 14), which is part of approximately 200 million pounds in revenue per annum from foreign visitors (Collins and Beggs, 2000). In the North of Ireland, the Department of Culture, Arts and Leisure sponsors a "comprehensive examination of genealogy-related services" recognizing the "role of family history in promoting tourism" (Mackenzie, Slater, and Roberts, 2004). Sponsors of the May 2008 "Who Do You Think You Are?" National History Show in London promoted this event "[a]s the largest event of its kind, the entire event will attract up to 20,000 visitors from across the UK. This innovative, national event is set to become the premium event for anyone with an interest in the history market: an unbeatable opportunity to meet new customers and develop your business". Exhibitors will "have the chance to meet . . . articulate, and highly educated . . . consumers—each with money to spend on a subject that is important to them" (Exhibiting, 2008). Therefore, not only is there a large population of history seeking visitors, but these consumers have demographics favorable to marketers.

Basu's (2007) book, *Highland Homecomings: Genealogy and Heritage Tourism in the Scottish Diaspora* reports over 28 million people of Scottish ancestry and *AncestralScotland* poses questions such as "Where do you come from?" and "When will you come home?" These tourism messages came after VisitScotland undertook research that found that genealogy tourism, along with golf and culture, is of "prime importance in attracting visitors" (Scottish Roots, 2004). VisitScotland recently asked readers of *Trout and Salmon* magazine to check items that they would be interested in participating in during a holiday. Along with adventure sports, golf, walking, and visiting gardens, "ancestral tourism" was in the list. All of this reflection is timely information to help Scotland's planning for the 2009 Homecoming Scotland project to celebrate the 250th anniversary of the birth of Robert Burns (Homecoming Scotland, 2008).

Norway also wants its sons and daughters to come home. VisitNorway.com contains suggestions for those "with Viking ancestry" (National Tourist Routes, 2008), including a visit to the Viking museum at Borg. Visitors to the Valdres Folkemuseum are advised, "Genealogy? Any questions concerning your family roots, please contact us" (Folklore, 2008). Professional genealogists, who advertise both in *Viking* (magazine) in North America and on the Internet, are available to help people who want to find out more about their Norwegian family background (Genealogy, 2008).

Basu (2007) emphasizes that ancestral tourism is not part of only one discipline. Marketers should employ his multidisciplinary approach when analyzing the role that legacy tourism plays in a nation's heritage tourism product. Researchers interested in legacy tourism need to follow "the story" (Basu, 2007, p. 4). CitiBank's recent advertising campaign uses this approach by asking "What's your story?"

Writing about the Orkney Islands off the north Scottish coast, Basu (2007, p. 210) notes that ancestral tourists are not only interested in visiting a location relevant to their particular ancestry and where they have some documented connection, but are also drawn to archaeological areas, especially prehistoric ones, in areas nearby. One respondent reflected, "These are the sights they would have seen, and this is the environment that they would have been living in on a day-to-day basis" (Basu, 2004, p. 37). In the case of Orkney, archaeology tourism, a part of heritage tourism, is becoming an important source of tourist revenues. Increasingly, tourists visit archeological sites such as the Neolithic village of Skara Brae, the chambered cairn of Maeshowe, and the Ring of Brodgar stone circle (Agenda Setting, 2008). Tourists learn that Norse Vikings who inhabited these areas were only modern invaders and immigrants to these sites. Tourists discover today's political boundaries are artificial artifacts along the way to discovery of their ancestors. Basu proposes these ancient sites take on even more meaning for ancestral tourists because they believe the monuments were sacred sites to their own ancestors.

The journey to these sites is therapeutic, according to Basu (2007, p. 164). He quotes a tourist from Colorado, "it is precisely by revisiting the landscape that we begin to participate 'in the quest' for our healing and reconnection".

Part of that quest is finding oneself. One of Basu's respondents (2007, p. 224) wrote:

. . . this is finding out who I am . . . I feel a sense of belonging to this area, but you can never know it because it's an emotion, not a tangible thing . . . it's in here [pointing to heart] and it's in here [pointing to head].

When Basu (2004, p. 32) discusses ancestral tourists comparing Orkney to the new world, "North America was somehow equated with Disney World—colourful, comfortable and yet contrived and commercialized—whereas Orkney, with its cold and rain, drab fields and ancient stones . . . was more 'natural' or 'real'. They had crossed a distance between perceived artifice and perceived authenticity."

Anyone attempting to research family history learns that simply finding written documents, stories, and physical sites, does not mean that information about ancestors is fact. Information must be verified to confirm the source's authenticity. Verification is especially important and confusing when the emotional connections tend to influence interpretations.

Grayson and Martinec (2004) discuss two categories of tourists' perceptions of authenticity in their travel expectations and experience. One is the degree to which something is seen as original or real. The second is how well the event or object resembles the real thing or accurately copies the original. In the context of legacy tourism, authenticity perceptions are confirmable by holding events and visiting sites at the exact historical site versus in the general area. Grayson and Martinec also describe two categories of customer benefits derived from authenticity cues at tourist sites: perceived evidence of what they saw and experienced and perceived connection of how much they felt connected to the past. This connection is investigated in the present research as "connection with place". They also discuss a "blurring of imagination and belief" (Grayson and Martinec, 2004, p. 307). Seasoned family history researchers know that the blurring of the two is important for them as well. Grayson and Martinec were surprised to find that a difference in tourist expertise with subject matter did not moderate the influence of authenticity on each individual's perceptions. They suggest that trust in the marketer may be an important factor. Emotions (which can be measured) and trust in marketers are important in heritage tourism. Few tourism experiences may be more emotional than those involving tourists' own personal connection to their own heritage.

Of course, citizens of the old world may have very different motivations for researching their family and traveling to do that research than their North American cousins. Basu (2004, p. 35) finds that citizens of Orkney had a greater sense of continuity. The "locals" were not as concerned with ancestral places because "they are part of the living fabric of the community". But, Ray and Whitaker (2008) report UK samples place more importance on connection with place than do North American samples. Perhaps the connection is stronger, but not as "fetishized", as Basu (2004, p. 35) claims. Ray and Whitaker also find that UK samples are more likely to see intellectual challenge, recovery of social identity, and quest as important. They find that North American samples are more likely to indicate completing the circle, sacred, homecoming, and searching for living relatives as important.

Technology also plays a role in increased ability for family history researchers to gather ancestral information. A controversy exists over whether or not a nation's best interest is to embrace getting their records digitized. For example, Heinlen (2007) argues increases in the digitization of genealogical documents and the prevalence of the internet across the globe mostly benefits online companies that specialize in genealogy, but record digitization has decreased genealogy tourism revenues in Ireland. The evidence suggests a key to increasing genealogy tourism is understanding tourists' motivations and behaviors to entice them into taking that trip of a lifetime and experience the history.

The objective of this research is to explore a specific Norse-oriented sub-sample of legacy tourists in order to:

- determine whether tourists of Viking descent believe travel to where their ancestors are from is important
- determine whether similarities or differences exist between the Norse sample and the larger sample of many different heritage groups
- determine how the motivations of U.S. Norse descendants may differ from other Norse descendants in the Diaspora, such as those on Scottish Islands of Orkney and Shetland
- develop insights into legacy tourism that will serve heritage tourism managers.

METHOD AND SAMPLING

A pen and paper survey instrument concerning motivations for interest in family history was derived from Basu's account of an ancestral travel group to Orkney (2004) and feedback from early interviews (Ray and Whitaker, 2008). [Table 1](#) shows the set of motivations. Survey respondents for a broad legacy tourism project were recruited from meetings and activities of cultural and historical societies. The researcher asked each potential respondent in person to complete a one-page (two-sided) survey either at the gathering or at one's convenience to be mailed back later. Appearing in person at the data gathering events allows the researcher to engage in conversations with respondents. For good or bad, the sampling was of a "snowball", non-probability nature. What began as a matter of geographic and personal ethnicity convenience sample for the researcher turned into a string of contacts, with a number of referrals to relevant future participants and group data collection opportunities. Respondents representing various ethnic communities (Basques, Irish, Latvians, Norwegians, and Scots) were surveyed at events in the U.S., Canada, Ireland, and the UK over a four-year period. A Norse oriented subset of this database was selected for greater focus in this study.

A “Norwegian” sample (n=104) was gathered in the United States with the cooperation of the Sons of Norway, the largest Norwegian-American organization in the world (Sons of Norway, 2008). Lodges of Fargo, North Dakota (the largest lodge in the U.S.), Indianapolis, Indiana and Boise, Idaho participated. Most events were regular monthly meetings, with the exception of the Idaho *Syttende Mai (May 17—Norwegian Constitution/Independence Day) Celebration*. Many members attended that Independence Day celebration to hear a speech by the Norwegian Consul-General from San Francisco, The Honorable Are-Jostein Norheim. The Consul-General discussed this current research and advised the researchers a bit.

At each meeting, a CITIBANK advertisement was either shown to the group or discussed. The television commercial had just been running in the United States, so most participants were familiar with the ad that featured a father and son going to Norway, “the land of our ancestors”. It was part of the “What’s Your Story” campaign run by the financial institution. The exact words of the ad follow (Father and Son, 2007).

So I asked my dad where he wanted to go for his 60th birthday.
“Norway”, he said, “the land of our ancestors”.
We drank a pint at Ibsen’s favorite pub. We sampled the local fare.
We saw fjords; we got new sweaters.
We bonded. “It was the trip of a lifetime”, Dad said.
And so, we went to the Hall of Records to trace our family tree and discovered that we were actually Swedish!
“Two tickets to Stockholm, please. Let’s go”.
From visiting old words to making new discoveries, whatever your story is, CITICARD can help you write it.
CITI CARD; let’s get it done.

Twenty additional surveys were returned from respondents visiting the family history societies of the Scottish Islands of Orkney (located in Kirkwall) and Shetland (located in Lerwick). Society directors at their Orkney and Shetland locations explained the project and secured cooperation. These islands bridge the cultural connection between Scotland and Norway. According to Basu (2004, p. 29), the islands (especially Orkney) were the “hub” of the Norse empire in medieval times, and a “watering hole” for ships going to the New World when North America was being formed.

A final “Scottish” sample was selected for their historical Norse connection though the early settlements and Viking periods of conquest that formed part of their cultural foundation. This sample was recruited from various U.S. Highland Games, seven additional historical societies on the Scottish mainland, and gatherings of students at two Scottish universities—the University of St. Andrews and Strathclyde University in Glasgow (355 Scottish respondents in all).

ANCESTRAL HOMELAND VERSUS MOTHER COUNTRY

Grouping data by nationality (or nationality of ancestors) is somewhat problematic. While conducting research at a Basque Studies Conference, Ray and Lete (2007) found that a “connection with place” is not a connection with the “mother country” (Spain or France, the Basque Country extends into both nations’ boundaries), but a sense of community and a personal identity formed by language. The ancestral homeland is the Basque Country, not Spain or France, for an *Euskaldun* (one who possesses Basque).

While the Scottish Islands of Orkney and Shetland do not overlap nations’ geographic lands, as in the case of the Basque Country, descendants of immigrants from these islands often refer to their ancestry as Orcadian or Shetlander rather than Scottish. These islands have a dominant Viking heritage (the islands were given as a wedding dowry in the reign of James III (1400’s) by King Christian of Denmark). Members of the Shetland Family History Society informed the researchers that the most important allegiance typically is to a particular island in the Shetland Islands. According the British newspaper, *The Guardian*, the head of the Norwegian group “We Move Borders” says James III acted unfairly and the dowry stands. He is lobbying in Norway to raise the 58,000 florins and reclaim the islands. Norway, however, claims to have no plans to fight for the sovereignty of Orkney and Shetland (Seenan, 2002). While on Shetland, one author met local residents who hope for a return of the islands to Norway. The recently adopted new flag of Orkney has been criticized for being almost indistinguishable from the Norwegian flag. Yet, the previously used flag, the flag of the former Kalmar Union—a union of Norway, Sweden and Denmark from 1397 until 1512, certainly represented the Orcadian Scandinavian ties (“Controversy Continues”, 2005).

Due to many reasons including attitudes and perceptions, people on those islands may have greater ancestral affinity to others of Norwegian heritage than to Scots and those of the Scottish diaspora.

SAMPLE DESCRIPTION

The respondents most directly linked to Viking or Norse ancestry are the Norway (American Sons of Norway) and Island samples combined for this study (see [Table 1](#)). Their average age (n=124) is 62. Sixty-five percent of them are female. Seventy-three percent of them travel between twice to six times a year. Around 10.5 percent of their travel is to foreign lands and 80 percent of their overall travel is for leisure instead of business. Given the group's age, the high proportion of travel devoted to leisure is not surprising.

SELECTED RESULTS

Eighty-three percent (n=124) of the combined Norwegian and Islands sample conclude traveling to where "family is from" is important or very important, statistically similar to the high proportion in the larger parent sample. Sixty percent of this group indicates that they have made an ancestral-based trip more than 100 miles away from home. These 74 respondents are called the Legacy Norse sample. The average number of genealogy trips taken in the past two years is significantly less than for those in the larger sample heritage groups who have taken such trips (mean of 1.45 trips vs. 3.46 trips for others, independent samples t-test). This finding may be an artifact of their age. One concern is the possibility that the destination ancestral sites are less attractive or provide less satisfactory tourism experiences.

The Norwegian group that engaged in legacy travel is significantly more likely than the island groups (chi-square test, $p < .05$) to engage in personal (vs. research for a spouse or friend) legacy travel to seek living relatives than are others, but less likely than others to travel simply to find information (e.g., library work), or to find a specific relevant location. The importance of "finding and visiting living relatives" is evidenced by the fact that several respondents specifically wrote-in this motivation to add to the survey list of motivations for interest in family history. But, the most popular type of legacy travel is to locate a specific site relevant to a personal ancestor (versus perhaps an ancestor of a spouse or friend), with 65 percent (the highest percent) indicating this type of legacy behavior. Discussing the Sons of Norway participants' reaction to the CitiBank ad they were shown is valuable. Granted, this audience is well aware of the landscape of Norway and many commented on the lack of authenticity of scenes in the ad (e.g., yodeling, the "Hall of Records", or buying ferry tickets to Stockholm). The evidence confirms authenticity plays a role in heritage tourism site perceptions. However, many respondents were content that Norwegian scenes were shown and that they had recognized (and often, personally visited) those scenes. Some Swedish organization representatives were a bit irritated because they thought the characters in the ad appeared disappointed to find out that they were Swedish, instead of Norwegian. Many people without Norwegian or Swedish backgrounds still remember the commercial and specifically remember the fact that the father and son thought they were Norwegian, but turned out to be Swedish, emphasizing the complexity of tracing one's roots.

[Table 1](#) shows how the Norway, Orkney/Shetland, and Scottish samples compare on importance of motivations for family history interest. Among the three samples only the low frequency motives of "quest" and "homecoming" have any significant differences. The table also indicates the importance of reasons for family history interest among the 74 people in the Legacy Norse sample who have actually participated in an ancestral trip. The top motives for all respondents, regardless of their ancestral origin, are "personal connection", "connection with place", "intellectual challenge", "obligation to ancestors", "discovering continuities", and "completing the circle". Notably, the Islanders are less motivated by "obligation to ancestors" than the rest. The only significant motivation difference between respondents that have ever taken a legacy trip and those people who have not is on "inward journey". Those respondents who have never taken a legacy journey are more likely to say that "inward journey" is a main reason for family history interest. T-tests comparing differences of mean number of legacy trips taken in the past two years show that for the family history interest motivations in [Table 1](#), only "true home" shows a significance, with a mean of less than one trip in past two years versus a mean of 1.5 for those who did not select this motivation. Therefore, not only is the ranking of motivations for family history interest very similar across cultural heritages, but there do not appear to be many differences in motivations between those who are lucky enough to carry out their "trip of a lifetime" and those who are not.

Some highlights might be worth noting. Personal identity is ranked as the most important motivation for family history interest for those in the Norse sample who have traveled for ancestral reasons. This finding is also true for the entire sample of respondents, whether they have ever traveled for such purposes or not. But, the percentage indicating the importance of personal identity is notably higher for the Norwegians than for the general respondent (49% vs. 42%). The same situation holds true for "connection with place", the motivation ranked second by both Legacy Norse tourists and the general set of

respondents. Again, the motivation is indicated as important by a larger percentage of legacy tourists than by others (46% vs. 42%). “Discovering continuities” is ranked more important by Norse legacy tourists than by general respondents.

Note the low ranking of “homecoming”, except for those in the Scottish Islands of Orkney and Shetland. Both the Norwegian sample and the island sample have significantly higher than expected counts for the importance of “homecoming”, while the Scottish sample had lower counts ($p=.004$). The two island locations have chosen not to participate in the Scottish Homecoming 2009, since they organize their own homecomings (Shetlandhomefarin, 2008). VisitScotland’s tourism marketing places a high importance on a homecoming theme. Ironically, the Scottish islands are opting out of Homecoming 2009, and the Scots sample considers “homecoming” as less motivating (χ^2 test, $p<.05$). A major marketing group in Scotland, the Marketing Society Scotland, believes in the homecoming importance. The national 2008 student competition, “the marketing apprentice”, focused on EventScotland’s tie in to Homecoming 2009. The strategic initiative is there, but there is evidence that the motives of the Scots may be lacking.

Respondents had the opportunity to add additional motivations in their own words. Searching for health/medical history always surfaces in the various groups. Passing on the legacy to the next generation is often mentioned. Others wish to identify with ancestors who were successful in a particular field and to gain a greater understanding of the hard work performed by ancestors.

CONCLUSIONS AND IMPLICATIONS

This exploratory study of descendants of Norse ancestors, drawn from a larger, more general database provides some insights into the motives for interest in family history. Overall, Norse descendant motives resemble descendants of other populations. In research statistical differences often are the primary focus. Sometimes a lack of difference is worth noting. The finding that these descendants are less likely to travel for genealogical reasons than the larger sample is problematic for Norse destinations travel industry.

The observation that “homecoming” is not a leading motive for family history involvement, and the fact that it ranks lowest for Scottish respondents, indicate that the 2009 Homecoming Scotland project may be a timely initiative for a more basic problem than previously considered.

Research into legacy tourism motives remains in its early stage. Travel motive literature is evolving. Future research may link motives, travel, demographics and economics with more substantial research initiatives. New motivational instruments measuring additional dimensions are emerging. One interesting approach that may help understand legacy travelers’ satisfaction with their experiences is a destination emotion scale which shows that emotions are statistically significant in estimating overall satisfaction, intention to recommend, and attitude towards the destination, all of these of concern to tourism managers (Hosany, 2008). The DES is comprised of three dimensions: joy, love, and positive surprise. Scale items which are particularly related to legacy tourism would be the following: joy—enjoyment, enthusiasm; love—sentimental, passionate; and all items on the positive surprise dimension—amazement, astonishment, fascinated, inspired, surprised.

As international tourism continues to expand continued attention is necessary for identifying, understanding, and providing for the satisfaction of specialty segments like the Legacy Tourist, Legacy Norse tourists among them.

TABLE 1

Comparisons of Respondents at Norwegian, Scottish Islands of Viking Heritage, and Scottish Events: Motivations for Family History Interest

Motivation	Norwegian ¹ Events: % indicating (n=104)	Orkney/ Shetland ² % indicating (n=20)	Scottish ³ Events: % indicating (n=355)	Legacy Norse tourists: % indicating (n=74)	Total Sample ⁴ % (n=1,054)
Personal Identity	48	25	44	49	42.0
Connection with Place	42	50	45	46	41.7
Intellectual Challenge	32	25	34	28	32.2
Obligation to Ancestors	27	5	24	26	30.0
Discovering Continuities	28	40	28	32	26.7
Completing the Circle	19	30	17	24	18.9
Quest*	9	20	19	8	14.3
Finding Oneself	16	15	16	16	13.4
Closing the Gap	9	10	13	5	9.7
Recovery Social Identity	10	0	10	6	9.5
Magical Feeling	4	10	7	5	7.9
Sacred	6	0	5	5	7.6
Community	7	5	5	5	7.4
True Home	11	10	7	10	7.4
Homecoming*	14	20	5	15	7.1
Inward Journey**	9	15	9	3	6.8
Pilgrimage	8	6	6	13	5.7

*significant differences, Chi-Square test, $p < .05$, Norway, Islanders, Scots

**significant differences, Chi-Square test, $p < .05$, Legacy Norse travelers vs. non-travelers

¹ All but one (Canadian) are US citizens; a few were born in or have lived in Norway. Events took place in the U.S.

² Data gathered in Scotland. All are UK citizens except for one Canadian, one American, one Australian and one from New Zealand (common visitors who wish to research ancestry on Shetland).

³ U.S., Canadian, UK, and Irish citizens. Data gathered in U.S. and Scotland.

⁴ Numerous specific ethnic events (e.g., Basque, Latvian, Irish celebrations) and several groups comprised of members focused on their American heritage (e.g. Society of Indiana Pioneers, Daughters of the American Revolution).

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DEVELOPING INTEGRATED MARKET COMMUNICATION FOR TOURIST ATTRACTIONS IN NORWAY

Tom Rosendahl, Norwegian School of Management, Norway
Petter Gottschalk, Norwegian School of Management, Norway

ABSTRACT

Stages of growth models have been used widely in both organizational research and management research. This research presents a stage model for integrated market communication. The four stages are labeled integrated media approach, integrated attraction approach, integrated industry approach, and integrated region approach, respectively. Both academics and practitioners can apply this model to determine both current state as well as direction for future integrated market communication. To support and enable an integrated approach for marketing and marketing communication, appropriate applications of ICT are critically important.

INTRODUCTION

Aligning business and marketing strategy to information and communication technology (ICT) strategy has challenged tourist attractions for many years. This paper employs a stage model to integrated market communications to show a holistic view of marketing communications. To support and enable such an integrated approach, appropriate application of ICT is critically important. The stage model represents a contingent approach to ICT emphasizing appropriate technology use that depends on the organization's growth stage. While marketing communicates rational and hedonic messages about a product, information systems both support and influence how communication is delivered, received and perceived. Tourist attractions typically attract more than one homogenous group; each segment has different conditions, requirements, and associations regarding their relationship with the destination. Their organizational culture will therefore most likely influence marketing and market communication strategies. To what degree do cultural institutions consider themselves as having a role to play as tourist attractions? The answer often depends on the current regime and administration. However, we worked on the assumption that those that appear on Innovation Norway's list of attractions have a defined role as an attraction, even though this entails debate as to how the institutions' resources should be prioritized. Do attractions use sufficient and appropriate resources for communicating with the market in order to meet their visitor targets? This question is linked to the attractions' market communication in an international market. Is this done based on an integrated communications strategy that conveys what the attractions have to offer and is adapted to the target groups' evaluation criteria? Do tourist attraction sites integrate their market communication over time? Can communication integration be represented based on a stage hypothesis? Can growth stage models be applied to market communications? These are the principal themes for discussion in our study.

STAGE OF GROWTH MODEL AND TOURIST ATTRACTIONS IN NORWAY

Stages of growth models have been used widely in both organizational research and management research. According to King and Teo (1997), these models describe a wide variety of phenomena – the organizational life cycle, product life cycle, biological growth, etc. These models assume that predictable patterns (conceptualized in terms of stages) exist in the growth of organizations, the sales levels of products, and the growth of living organisms. These stages are (1) sequential in nature, (2) occur as a hierarchical progression that is not easily reversed, and (3) evolve a broad range of organizational activities and structures. Benchmark variables are often used to indicate characteristics in each stage of growth. A one-dimensional continuum is established for each benchmark variable. The measurement of benchmark variables can be carried out using Guttman scales (Frankfort-Nachmias and Nachmias, 2002). Guttman scaling is a cumulative scaling technique based on ordering theory that suggests a linear relationship between the elements of a domain and the items on a test.

The concept of stages of growth has been widely employed for many years. Already two decades ago, Kazanjian and Drazin (1989) find that a number of multistage models have been proposed, which assume that predictable patterns exist in the growth of organizations, and that these patterns unfold as discrete time periods best thought of as stages. These models have different distinguishing characteristics. Stages can be driven by the search for new growth opportunities or as a response to internal crises. Some models suggest that organizations progress through stages while others argue that there may be multiple paths through the stages. Kazanjian (1988) applies dominant problems to stages of growth. Dominant problems imply that there is a pattern of primary concerns that organizations face for each theorized stage. In organizations, dominant problems can shift from skill, resources, and strategy limitations associated with different growth stages. Kazanjian and Drazin (1989) argue that either implicitly or explicitly, growth models stages share a common underlying logic. Organizations undergo transformations in their design characteristics, which enable them to face the new tasks or problems that growth elicits. The

problems, tasks, or environments may differ from model to model, but most suggest the stages emerge in a well-defined sequence. Solving one set of problems or tasks leads to the emergence of a new set of problems and tasks that the organization must address.

The main reason for visiting Norway seems to be the scenery: fjords, mountains and waterfalls are linked together by spectacular travel routes. The scenery can be viewed and admired and provides a basis for recreational activities and experiences. Visitor centers are located close to glaciers, wild countryside and wildlife. Both nationally and internationally, Norway's scenery has been marketed and established as the country's trademark, with similarities to Canadian mountain holidays marketing (Hudson and Miller, 2005). Considerably less attention is paid to the country's cultural attractions. According to statistics from Innovation Norway for 2005, however, some four million people visited the ten most popular cultural attractions in Norway during the summer of 2004. This is despite the fact that no consolidated and strategic marketing effort with respect to the cultural attractions appears to exist, be it on an individual basis or in cooperation with others. The motivation for developing attractions also varies, from providing something for the local community or increasing tourist activity and thereby employment and other activities at the destination, to preserving and developing, and perhaps contributing to the good reputation of the destination. Differences between organizational structures and the need for revenues also create organizational and operational differences. National art institutions are for the most part state-funded (Shields, 2006), and most of the museums are subsidized by the state. However, expanded activity demands financial resources and therefore increased visitor figures and ticket revenues. Privately owned attractions can be financed by commercial operations, private resources, or donations.

INTEGRATED MARKET COMMUNICATION STRATEGY

A market offering includes every contact episode between buyer and company that contributes to the "buyer's total experience" related to obtaining and using a company's product. Several elements influence to buyers' experiences; Core product attributes, services, complaint handling, warranty and warranty handling, price, terms of payment, and customer handling. Each element may here be considered an offering tool. In this perspective, market communication includes every kind of communication between buyer and seller about the offering. The communication can be initiated the buyer as well as the seller, and embraces every communication tool that can be used by the seller or the buyer to communicate about a company and its offerings (Ottesen, 2001). Bramwell and Rawding (1996:202) argue that the tourist attractions' "images are formed from the interaction between these projected messages and the consumer's own needs, motivations, prior knowledge, experience, preferences, and other personal characteristics. In this way consumers construct their own unique representations".

Integrated market communication strategy has three theoretical underpinnings suggesting that a message strategy that is consistent across stimuli from an attraction's very core to its marketing communications efforts and that fosters an ongoing dialogue, offers the promise of a stronger relationship with potential visitors (McGrath, 2005). Integrated market communication (IMC) is the currently accepted practice in marketing communications. Key IMC characteristics include: (1) unified communications for consistent message and image; (2) differentiated communications appealing to differentiated customer groups; (3) database-centered communications for tangible results; and (4) developing long term relationships and fostering two-way communications with existing customers (Lee and Park, 2007). Reid et al. (2005) find strong relationships between integrated market communication, market orientation, and brand orientation. To develop profitable strategies for market communication, partial approaches to an enterprise's market communication are insufficient. Developing an effective strategy requires a more consolidated, integrated perspective to take into account the interaction that clearly exists between different forms of market communication and between market communication and marketing mix elements. For example, advertising's impact undoubtedly depends on both product quality and customers' perceptions about telephone enquiries regarding product information and price (Ottesen, 2001).

STAGES OF INTEGRATED MARKET COMMUNICATION

Based on the reviewed literature on market communication strategy and stages of growth models, the following stage model for integrated market communication is discussed below.

Stage 1: In the integrated media approach, different media for market communications are applied independently. Integration only occurs in each single media. For example, different information elements about one single tourist attraction are integrated on a web site for this attraction, and advertising (e.g., magazines, newspapers, brochures and catalogs). A strategy we can see in the time before the premiere of a new musical in London. Hu and Wall (2005) define tourist attraction as a

permanent resource, either natural or human-made, which is developed and managed for the primary purpose of attracting visitors. Cultural tourist attractions are the content of cultural tourism. This type of tourism exists because visitors either want either to experience living places and cultures other than their own, or to gain access to foreign cultures, often in different in time periods. Therefore, cultural tourism is defined as tourism constructed, proffered and consumed explicitly or implicitly as cultural appreciation, either as experiences or through schematic knowledge gaining (Kantanen and Tikkanen, 2006). A contingent approach to applying information and communication technology to support business strategy implies appropriate technology depends on the stage of integrated market communication. At this first stage, ICT is applied without any electronic exchange of electronic data.

Stage 2: In the integrated attraction approach, one actor with one attraction integrates media communication in several channels, with use of both mass communication and individual communication, and with both personal and non-personal media. At this stage, consistent product communications address target groups wishes end needs. One key assumption is that different target groups are reached through different channels (e.g., where each tourist groups decision-making process is influenced); otherwise a fuzzy destination image is created (Bargeman and Poel, 2006). This approach was used by air plain companies, such as SAS and Lufthansa, when started combining ads, personal letters and e-mails in the beginning of 1990s. At this second stage, the issue of ICT interoperability emerges. Interoperability of systems enables interoperability of organizations. Systems interoperability is concerned with the ability of two or more systems or components to exchange information and to use the information that has been exchanged. A data-level integration technique must focus on a complete picture that delivers more than data, objects or messages. The integration needs to focus on conveying meaning to create fluency. Meaning, in a practical sense, is about meta-data, business rules and user supplied application context to facilitate robust information transformation between disparate systems and applications (Papazoglou and Ribbers, 2006). At Stage 2, technical interoperability is required. Archmann and Kudlacek (2008) find that key success factors for technical interoperability include the application of existing technologies, common understanding, and use of data. Data schemes, common syntax, accessibility, security and privacy are important issues when working on technical interoperability.

Stage 3: In the integrated industry approach, one industry integrates several similar attractions involving many actors, such as in arts, museums, and theme-based festivals. The market offering is consistent, and communicated on the target groups premises. Actors involved develop a coherent marketing communication strategy, integrating public relations, advertising, sales promotion, personal selling, database management, information center and internet. We could see examples of this strategy from the different venue cities during 2006 World Cup Football in Germany. While attractions do not comprise one homogeneous group, marketing synergy results from displaying a variety as well as a common theme of cultural attractions. This combination of variety and similarity can be presented effectively on the internet (Wu et al., 2008). At Stage 3, semantic ICT interoperability is required. Semantic interoperability is a challenge for networked organizations. Inter-organizational information systems only work if they can communicate and work with other such systems and interact with people. This requirement is called interoperability. Under these conditions, successful communication works only when standards are applied. A standards-based technology platform allows partners to execute a traditional business function in a digitally enhanced way. A common information systems platform is a set of standards that allows network participants to communicate and conduct business processes electronically (Papazoglou and Ribbers, 2006). A semantic network is a directed graph in which concepts are represented as nodes, and relations between concepts are represented as links. The graph is a map of the cognitive terrain that surrounds and gives meaning to a concept and through which each concept is ultimately understood. A concept is an information unit represented by a word or phrase. The concept's meaning is embodied in a relationship to other concepts. On the other hand, relations are a special category of concepts that depicts the linkages between and among concepts. An instance or proposition is a unit composed of two concepts and their relationship. As each concept link to many other concepts, semantic networks become complex and multidimensional (Khalifa and Liu, 2008).

Stage 4: The integrated region approach occurs when several attractions from several actors in several tourist industries integrate their market communication. As in Stage 3, an integrated and coherent marketing communication strategy is developed on a competitive market offering and other sub-strategies such as the business areas and the organizational basis. An example might be the approach attempted by Canadian mountain holidays (Hudson and Miller, 2005). In Europe, we have seen well developed strategies of integrated marketing and marketing communication of countries like Greece and Croatia. And in UK, Palmer and Bejou (1995:622) found in their study that the most developed form of tourism alliances is associated with Tourism Development Action Programs (TDAPs), a government sponsored body that acts as a facilitator in bringing together interested collaborators. They "are charged with taking a comprehensive and integrated approach to the development and marketing of tourism in an area." If Norway is defined as a region, a consolidated and strategic marketing effort can be developed for the top ten cultural attractions. More than four million people are projected to visit the ten most popular cultural attractions in the country during a summer season. Even more importantly, an integrated market communication

approach would create many more visits to less known cultural attractions. The core might be national art institutions that are for the most part state-funded (Shields, 2006). At Stage 4, organizational ICT interoperability is required. Organizational interoperability is concerned with the ability of two or more units to provide services to and accept services from other units, and to use the services so exchanged to enable them to operate effectively together (Legner and Lebreton, 2007). Interoperability represents a dynamic capability for transacting organizations. Teece et al. (1997) define dynamic capabilities as the organization's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Dynamic capabilities thus reflect an organization's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions. Dynamic capabilities are identifiable, specific processes. Some dynamic capabilities integrate resources. For example, product development routines by which managers combine their varied skills and functional backgrounds to create revenue-producing products and services are such dynamic capability (Eisenhardt and Martin, 2000)

These stages represent interoperability levels in terms of integration between media, attraction, actor and region. Interoperability is referring to a property of diverse systems and organizations enabling them to work together. Interoperability is the ability of all involved parties to share information and integrate information and businesses processes by use of common standards for mutual benefits (Scholl and Klischewski, 2007). For example, a web site is to be integrated with other media, covering all attractions by all actors in a region to be classified as a stage 4 web site (Choi et al., 2007; Kim et al., 2007; Schmidt et al., 2007), while at the same time reach target segments and exploit existing resources in the best possible way (Özturan and Roney, 2004).

DISCUSSION

Tourist attractions are essential drivers for successful tourism. According to Hu and Wall (2005), tourist attractions provide three functions for the development of tourism destinations. First, attractions are the reason people travel to a destination. Second, attractions offer images and symbols for the presentation of destinations to the public. Third, the development of other tourism services such as transportation, lodging and food distribution depends on the existence of destination attractions. Therefore, attractions are the first power and energizer of tourism. Surprisingly, many cultural and other tourist attractions remain unknown to tourists because of missing or failing market communications. When developing an international market-oriented tourist industry, the main focus needs to be how to integrate messages as suggested by the stages of growth model for market communication. At the same time, messages must be tailor-made to different segments. For example, Kim et al. (2007) finds gender differences to have implications for marketing communication on the Internet. Furthermore, the role of routines in the vacation decision-making process in some cultures has to be taken into account (Bargeman and Poel, 2006). As emphasized by Choi et al. (2007), the Internet is an agent for destination image formation. An important point to stress here is the stages of growth models are very different from life cycle models. While stage models define and describe accumulated improvements by tourism management, life models represent a cycle of birth, growth, decline, and eventually death of tourism areas. For example, the tourism life cycle model proposed by Butler and described by Boyd (2006) represents the dynamics of tourism areas. For many destinations, interactive media, direct marketing and events capitalization will do more for a country than an advertising campaign ever can. Many new consumers are internet savvy. The internet complements other advertising and public relations and media. A destination cyber scene is highly competitive and the current challenge is for destinations to stand out from the clutter so web surfers can be converted e-browsers into e-buyers. Destinations must convey a sense of experiencing the place (e.g., through web cams, weather updates, music clips, oral histories, collection highlights, and virtual tours) and the brand rather than delivering a site encounter (Morgan and Pritchard, 2005). The key is developing a visually attractive website that is both user friendly and navigable. The web site needs to stimulate interest and provoke reactions, encouraging the average visitor to the website.

This study supports the need to tailor messages conveyed in the market communication to different target groups. Understanding the overall perspective of communications in a holistic context involves the entire organization. At the same time, the overall perspective describes market communication as embracing all forms of communication between enterprise and buyer (Ottesen, 2001). A consequence of these linkages is that all communication planning decisions must be able to answer the following questions. What kind of preparedness should enterprises have to receive, process and follow up buyer initiatives (e.g., web sites)? To what extent and how should the enterprise take seller initiatives (e.g., advertising)? Overall market communication strategy must comprise strategies for both buyer and seller initiatives. This duality occurs by employing different media forms and methods. The communication's direction can be either one-way or two-way (dialogue). Communication examples include advertising, direct mail, e-mail, telephone, facsimile, and personal selling. These communications also must be integrated into the overall communication planning work. Future research is needed to validate the model's stages both theoretically and empirically. Furthermore, benchmarks are necessary for each stage.

CONCLUSION

This paper's purpose is to shed light on marketing of cultural tourist attractions in terms of stages of growth in market communication. This model is just the beginning of an important research avenue to help national and local marketing initiatives grow over time by integrating an increasing number of attractions and places. A preliminary conclusion is that marketing in isolation is a meaningless concept. Marketing is the interface between the organization and other stakeholders. Marketing tools are contact points between buyers and organization. Market communication strategy development, the other sub-strategies as the business areas, the market offering and the organizational basis, must be treated as either as something given, or as something that has to be changed. In most cases, strategy development will imply changes in the organisation and allocation of financial resources (budgets).

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SESSION 5.6: RESEARCH IN MARKETING ETHICS: DEVELOPMENTS AND TRENDS

Session Chair: Bill Locander, Loyola University, USA

*“Half a Century of Marketing Ethics: Shifting Perspectives
and Emerging Trends”*

Bodo B. Schlegelmitch, Vienna University of Economics
and Business, Austria

Magdalena Oberseder, Vienna University of Economics
and Business, Austria

*“Bringing Meaning to the Sales Job: The Effect of Ethical
Climate and Customer Demandingness”*

Fernando Jaramillo, University of Texas at Arlington, USA

Jay Prakash Mulki, Northeastern University, USA

James S. Boles, Georgia State University, USA

*“To Shop or Not to Shop: Consumers’ Privacy Concerns
and Their Impact on Online Shopping”*

Deborah F. Spake, University of South Alabama, USA

R. Zachary Finney, University of South Alabama, USA

Mathew Joseph, St. Mary’s University, USA

Carmen-Maria Albrecht, University of Mannheim, Germany

*“Disposal of Items Returned could be Influenced by the
Future Buying Behavior of Consumers”*

Mario J. Miranda, Victoria University, Australia

Kandiah Jegasothy, Victoria University, Australia

HALF A CENTURY OF MARKETING ETHICS: SHIFTING PERSPECTIVES AND EMERGING TRENDS

Bodo B. Schlegelmilch, Vienna University of Economics and Business, Austria
Magdalena Oeberseder, Vienna University of Economics and Business, Austria

ABSTRACT

Faced with an ever growing number of ethical marketing issues and a wide range of journals in which these issues are debated, researchers struggle to keep abreast of the developments in the field. To address this problem, we examine the development of the marketing ethics literature between 1960 and 2008. Specifically, over 500 publications in 58 pertinent academic journals were taken into considerations. Our research provides a comprehensive review of the development of the marketing ethics field over almost 50 years, offers a citation analysis, and develops a unique *marketing ethics* impact factor.

Our analysis reveals how the field emerged from a few pioneering contributions in some key journals in the 1960s to today's research landscape characterised by a discussion of a rich variety of topics in a larger number of journals. Furthermore, we show the thematic development of the field. Since the 1960s, the number of discussion topics has increased significantly. While marketing research ethics and ethical decision making dominated the discussion in the 1960s, today a multifaceted spectrum of topics can be observed.

We also provide an account of the importance of individual ethics-related topics for marketing scholars by analysing both the number of papers focusing on a given issue as well as the number of citations attracted to this issue. We found two clearly dominating themes namely marketing ethics in corporate decision making and norms and codes.

Moreover, we developed a marketing ethics impact factor (MEIF) which pinpoints the journals that have been most influential in the field of marketing ethics. Our analysis shows that the Journal of Marketing has been the most prominent and important publication outlet for marketing ethics scholars in the last fifty years. However, since the new millennium it has been overtaken by the Journal of the Academy of Marketing Science. The most important ethics journal, namely the Journal of Business Ethics, is leading concerning the number of marketing ethics publication and shows an upward trend on our MEIF.

Finally, the paper suggests some promising future research avenues addressing ethical concerns in marketing. The development of various marketing ethic themes over the past decades and the analysis of their importance reveal further avenues for research. Consumer ethics, marketing ethics and religion, and ethics related to e-commerce are identified as promising areas.

BRINGING MEANING TO THE SALES JOB: THE EFFECT OF ETHICAL CLIMATE AND CUSTOMER DEMANDINGNESS

Fernando Jaramillo, University of Texas at Arlington, USA
Jay Prakash Mulki, Northeastern University, USA
James S. Boles, Georgia State University, USA

ABSTRACT

The current generation seeks more from the job than just compensation. This is particularly true for high performers in sales organizations. Effective and successful salespeople are attracted to organizations that provide them with opportunities to make full use of their capacity and grow professionally. Sales managers and researchers are interested in identifying conditions that make the sales job challenging and attractive. This study used responses from 1450 sales directors from a leading direct selling organization to examine salesperson's experienced meaningfulness. Results showed that the firm's ethical climate and demanding customers positively impact salesperson's perceptions of experienced meaningfulness of the job. Results also indicate that experienced meaningfulness had a positive impact on job performance and a negative impact on turnover intentions and felt stress. Managerial implications and directions for future research are provided.

TO SHOP OR NOT TO SHOP: CONSUMERS' PRIVACY CONCERNS AND THEIR IMPACT ON ONLINE SHOPPING

Deborah F. Spake, University of South Alabama, USA
R. Zachary Finney, University of South Alabama, USA
Mathew Joseph, St Mary's University, USA
Carmen-Maria Albrecht, University of Mannheim, Germany

ABSTRACT

This study presents a model of antecedents of online shopping among college students in the United States. Though the privacy debate will likely continue, our findings do not indicate that online privacy concerns currently have a negative impact on online shopping among college students and suggest that e-retailers will likely continue to enjoy increased revenues as online shopping experience increases among consumers.

INTRODUCTION

Technological advances make obtaining, storing, and redistributing information easier today than ever before (Kramer 2002); as a result, contemporary businesses rely on a constant stream of customer data to tailor their offerings (Jones 1991). This collection of customer data has led to increased concern over customer privacy from legislators and privacy advocates; but scholars know little about the factors that impact consumers' privacy concerns and whether these concerns have an impact on consumers' purchasing behavior. This study enhances our understanding of the consumer online purchasing process by examining antecedents to online purchasing and the role of privacy concerns as they relate to online spending.

Today's college students use the Internet to fulfill educational, social, entertainment, and shopping needs. Though many students still depend on their families for support, students are tech-savvy shoppers who hold great promise for online retailers, both for their economic resources and as key decision makers with respect to technology adoption. Thus, the findings from this study offer a look at attitudes and behaviors of a key market segment for e-tailing; moreover, students' buying power will continue to increase as they leave educational institutions for full-time employment. In particular, this study presents an online shopping model that incorporates concerns about online privacy and explores what role, if any, these concerns have on online shopping behavior.

METHOD AND RESULTS

College students were the population of interest since they are early adopters and heavy users of the Internet (Jones 2002) and buy online more than the general public (Hannula and Comegys 2003). Twenty-four student interviewers at an urban university in the southeastern United States gathered the data. The interviewers were trained prior to data collection on survey practices and completed Institutional Review Board (IRB) certifications. The data was collected using intercept and in-class distribution of the questionnaire. In all, respondents completed 766 usable surveys.

The results revealed that the length of time someone has been using the Internet for online shopping (i.e., experience) was significantly related to comfort with providing personal information on web sites and was also related to the amount of money annually spent online. There was also a significant, negative relationship between experience with online shopping and concern for online privacy. Believing that you are a 'tech-savvy' person was significantly related to comfort with providing personal information on web sites and to concern for online privacy. The confident belief that one's online activities or personal information is not being monitored or misused was significantly related to comfort with providing personal information on web sites and negatively related to a concern for privacy. Conversely, worry that someone might obtain one's credit card number was negatively related to comfort in providing personal information online, and positively related to a concern for privacy. As expected, comfort with providing personal information online was significantly related to the amount spent online annually; however, concern for privacy was not significantly related to annual online spending, as predicted. In general, the study suggests that, as students' online shopping experience increases, the students show a greater willingness to provide personal information while they are online and a greater propensity to spend money while online.

References available upon request

DISPOSAL OF ITEMS RETURNED COULD BE INFLUENCED BY THE FUTURE BUYING BEHAVIOUR OF CONSUMERS

Mario J. Miranda, Victoria University, Australia
Kandiah Jegasothy Victoria University, Australia

ABSTRACT

Shoppers exiting malls were questioned about what they would consider as appropriate disposal methods of four categories of products that are returned most often. Consumers who are inclined to repurchase the brands of food items and toiletries that they return expect the complete destruction of the faulty items. Consumers are not prepared to continue patronising brands of appliances and apparel known to be reconstituted and available in alternative stores or charity shops. Notwithstanding manufacturers' attempts to rebuild brand equity, it may be prudent for them not to publicize the availability of reconstituted brands in alternative/charity stores, because prime consumers might be inhibited to patronise these brands.

INTRODUCTION

Consumers return their purchases for a variety of reasons- either they have made the wrong choice, are dissatisfied with the product performance, or the product has been identified as having a manufacturing defect. It is estimated that the amount of consumer products that are returned every year in the US alone may total between USD 60-100 billion. Manufacturers in an attempt to mollify disappointed customers are often at pains to replace the returned items or repair the delinquent items as soon as possible (Gattorna, 1990). Nonetheless, as identified in studies by Broadbridge & Marshal (2002), there continues to be evidence of rampant consumers' dissatisfaction as consumers sought redress to faulty items. According to Chandran and Lancioni (1988), it is not uncommon for consumers who return items to be caught in the cross fire between manufacturers and retailers and end up getting the short shrift from retailers. It is reasonable to expect that as a saving grace to their patrons, manufacturers would like to dispose the returned goods in a way that consumers consider appropriate. What begs the question however is what consumers consider an appropriate manner of disposal of returned goods?

No extant academic studies exist which indicates that many consumers may give a thought to what happens to the items that they return. Common belief is that consumers are likely to be concerned that the offending item is repaired or replaced rather than be bothered about the welfare of the returned product. Marketing literature does not make it clear what disposal methods for returned goods would be considered appropriate in consumers' eyes and the effect these perceptions of disposal methods may have on consumer future buying behaviour.

BACKGROUND

According to the Product Safety Policy Section of the Compliance Strategies Branch, Australian Consumer and Competition Commission (www.recalls.gov.au), most items that are returned are in the packaged food, toiletries, apparel and appliance product categories. When confronted with food products, producers may have no option but to destroy them. Firms obviously forfeit the opportunity of earning on products that are returned and often this misfortune can have a significant impact on the profitability of the business. It is therefore not unnatural for firms to try and soften the negative impact of returned goods on their bottom lines by trying to salvage what they can from the items. Sometimes when the source of contamination can be isolated (beyond doubt) from the products, like faulty packaging or even when the items on the trade shelves have passed their best before dates, the items may lend themselves to reprocessing and the products can then be repacked and sold, albeit to alternative purchasers like off - price stores, warehouse stores and factory outlets. Manufacturers who adopt such expediciencies, in jurisdictions that allow these practices, must evidently feel confident enough to justify that their salvaged product is not only *perfectly* safe for use, but that it is more prudent to *redeem* the previously noxious item than destroy the same and risk causing harm to the environment.

Gattorna (1990) believes that most clothing articles are voluntarily returned to the point of purchase because of buyers' purchase dissonance about size, choice and price; in these instances, retailers almost always exchange the items. But sometimes apparel are returned because of defective fitting or improper sewing, shrinkage, and bleeding colour. The same is the case with appliances that are often returned by the consumer after making ill-informed purchase decisions, where in the most retailers will inevitably offer a replacement. Conversely, if the purchased item does not perform as specified, the retailer will either have it replaced or repaired and returned to the buyer. It is not uncommon for apparel and appliances that are returned because of quality concerns, to be salvaged by the manufacturers with appropriate redress and disposed to off-price

stores or to thrift shops that sell the items for a token value. However there are limitations on the returned items, which manufacturers can repair, reprocess or reconstitute.

LITERATURE REVIEW

Often, as eluded by Coleman (2007), consumers can develop a negative attitude towards the brand or the manufacturer of the item that they return particularly if the product is defective. Jarrell et al. (2002) consider that brand equity is vulnerable if large numbers of items are returned, suggesting the possibility that several customers may opt not to repurchase the brand. When consumers are constrained to return products it is not unusual for them to feel disappointed and even distressed. The return of different products will obviously be motivated by different reasons and understandably will give rise to dissimilar levels of regret. McGuire's (1974) studies of post-purchase regret suggest that one can expect the nature of regret and its extent (provoked by the need to return the products), will motivate a different "drive state" to reduce dissonance by changing attitudes and thereby *restore* confidence in the brand. It is conceivable that the traditional hierarchy of attitude effects, namely, consumer *feelings* towards the return process (reason to return product, returned item's price), their *evaluation* of the return process (type of replacement, extent of satisfaction with the store's processing of returned items), and resultant consumer's *restoration/non-restoration* of support for the returned brand will inevitably influence consumer's expectation of whether the returned product is destroyed or salvaged for reuse. Notably there is no known empirical evidence of manufacturers advising consumers about the fate of returned products. This study takes reliance on Fishbein's (1975) theory of reasoned action that is based on the hierarchy of effects, to predict consumer actions (support of disposal method of the returned product). Sheppard et al. (1988) further assert that aside from the hierarchy of attitude effects, the consumer's *contextual beliefs* (category of item, company's obligation in accepting returned item) also contribute to the reasoned action. Literature is remiss in addressing whether the corollary of future buying behaviour of preferred brands prejudice the way consumers want returned goods to be disposed. According to Ha (1998), consumers are likely to continue to patronise their preferred brands after returning it, as long as the *status quo ante* of product's form and availability is assured. It is a moot point whether the implicit tendency of consumers to repurchase their preferred brands predicates the disposal methods for returned goods that they would consider most appropriate.

RESEARCH PROBLEM

There is no systematic literature on various types of methods that consumers consider appropriate to dispose the products that they return and the effect these perceptions of disposal methods may have on consumer future buying behaviour. It is unclear whether any willingness that consumers may have to repurchase their preferred brands that they had returned has a bearing on the way they would like the returned item to be disposed. Understandably, the nature/character of the products returned and mechanics of the return process will predispose consumers' attitudes to certain disposal methods for different products. In order to examine whether consumers' future buying behaviour influence the way they want returned goods to be disposed, we considered four disposal methods noted below, being the empirically most representative ways to dispose items most commonly returned, namely, food items, toiletries, appliances and apparel: a. Destruction of returned products; b. repair of returned products; c. reconstitute and sell in alternative stores like off - price stores, warehouse stores and factory outlets and d. donate reconstituted returned items to opportunity (charity) stores

RESEARCH METHOD

A pre-tested structured questionnaire was verbally administered among 541 randomly intercepted adult shoppers comprising of 286 female shoppers and 254 male shoppers across Melbourne, exiting the main entrances of two of Australia's biggest shopping centres in Melbourne. The respondents were *randomly* intercepted for the survey and for the reason of bolstering the effective sample size amongst those intercepted, the survey queried those who had returned items over a period of three years instead of a shorter time period. Only those respondents, i.e. 426 shoppers who admitted to returning at least one item of packaged food, toiletry, appliance or apparel in the past three years were included in the data analysis. If the respondent, (63 respondents) returned multiple product categories, the survey informed the consumer to identify and respond only to the product category that was returned most recently. The survey was meant to investigate consumers' expectations of manufacturers' disposal methods of four categories of products that were returned, namely, processed food, toiletries, home appliances and apparel. Since the aim of this study is to ascertain whether future buying behaviour influence the way consumers want returned goods to be disposed, we focused on the following multinomial response measure and respondents were instructed to select only one answer: PREDIS: *What would you have expected done with this product that you returned?* (1: destroy item, 2: repair item, 3: reconstitute item and sell in alternative stores 5: reconstitute item and donate to charity

shops). Since the variables included in the explanatory attitudes, beliefs and repurchase intention have a qualitative character, they are represented in the analysis by dummy variables.

DATA ANALYSIS

We initially estimated a full model regression that related the dependent variable PREDIS to the set of qualitative explanatory variables included in the survey. Since all the explanatory variables are categorical, one option or category under each of them is maintained as base and is denoted in *italics*. It is intended to investigate whether shoppers' attitudes, beliefs and repurchase intentions in any way individually or jointly affect the dependent variables. Our original sample size was 541 shoppers, but only 426 (78.7%) of the respondents admitted to returning at least one item of packaged food, toiletry, appliance or apparel in the past three years. Based on the available responses, consumers' expectations of the disposal method of returned goods were distributed as follows: 1. destroy the item (45% of shoppers); 2. Repair the item (28% of shoppers); 3. Sell the reconstituted item in alternative stores like factory outlets and off-price stores (16% of shoppers) and 4. Donate the reconstituted item to opportunity (charity) shops (11% of shoppers).

Consumers most often expect the returned items to be destroyed or repaired with a minority of consumers expecting reconstituted goods to be sold in alternative stores or donated to charity stores. A Multinomial model is fitted to find the significance of the explanatory variables related to future "reasoned" repurchase behaviour that might influence shoppers' expectations of the disposal methods of returned items. In the *Multinomial Logit Regression* (MLLR), one of the disposal choices is to be treated as the base choice due to the summation restriction that is used during the estimation process. In this study, the expectation of "reconstitute and donate to charity stores" is treated as the base choice because it is the least preferred outcome (11% of shoppers' responses) as indicted by the sample proportions. In applying MLLR, the dependent variable is the probability of disposal choice (Y) and the explanatory variables (x_k) represent respondents' attitudes, beliefs and repurchase intentions, namely, Y_{ij} : Disposal expectation option of the item returned (PREDIS): (destroy: $j=1$ /repair: $j=2$ /reconstitute and sell in alternative stores: $j=3$ /donate reconstituted items to charity $j=0$). In order to avoid the potential of high correlation among the significant variables estimated in the parsimonious empirical model, we adopted pair-wise correlation analysis between the dependent variable and independent variables. Those independent variables that showed significant correlation were used as effective independent variables in the MLLR estimation. The explanatory variable vector of the MLLR model is constituted with the following seven significant explanatory variables, which are likely to exhibit strong relationships with customer expectations of the disposal methods of returned products, namely, Category of item, type of replacement, reason to return product, extent of company's obligation in accepting returned good, extent of satisfaction with the store's system of accepting returned items, returned item's price category and repurchase of brand of returned good.

During the MLLR estimation, the expectation of reconstituting the returned product and donating it to charity stores was kept as the base option. The regression estimate for reconstituting the returned item and donating it to charity stores was obtained by a Binomial Logit Regression (BLR) where in the three other choices were treated jointly as the base option in the dependent variable. The first three columns in [Table 1](#) present the MLLR estimates of the disposal options. Significant parameter estimates (at 10 percent and 5 percent levels) are only reported and these estimates infer the significance of the relative influence from the independent variable option(s) on above disposal options compared to the base option (reconstitute and donate to charity stores). The last column indicates the binomial regression estimates of reconstituting and donating to charity stores. It is to be noted that from these estimates, we are able to comment only on the significance and direction of influence (i.e. sign of the parameter) and not the magnitude of influence.

FINDINGS

This study indicates that across all product categories, consumers willingness to repurchase brands that they had returned has a bearing on their inclination to have the returned items destroyed or repaired/returned to the consumers or reconstituted and sold for resale in off price/ factory outlets or be redressed item and donated as charity to opportunity shops. As shown in [Table 1](#), the significance of the parameter estimates indicate that shoppers believe in general that contaminated food items and defective toiletries ought to be destroyed. The positive "sign" of the parameter estimates for food items and toiletries strengthens this result. Similar preference seems to exist for returned appliances, to be repaired or reconstituted and sold in alternative shops. In respect of apparel, it appears that consumers believe that the returned faulty clothes could be repaired but *not* reconstituted and sold in alternative stores. This sentiment is illustrated by the positive value of the parameter "repaired" and the negative value of the parameter "reconstituted and sold in alternative stores." Further, the significance of the parameter estimates of "replacement" of returned items of food, toiletries, home appliances and apparel, suggest that consumers are *not* inclined to accept the same brand as the faulty returned items as *replacement* (for free), across all types of

disposal dispositions. The significance of the parameter estimates also indicates that consumers believe that goods returned for reasons of health risk and broken packages are to be destroyed. On the other hand, consumers feel that items returned for “failing to work” could be repaired or reconstituted and sold in alternative stores. From the positive parameter estimates, we can infer that consumers across all forms of disposal dispositions believe that manufacturing firms are obliged to accept faulty items that are returned, and further expect high level of service from stores from where they purchased the faulty items.

CONCLUSION

This exploratory research study seeks to examine if the future buying behaviour of preferred brands prejudice the way consumers want returned goods to be disposed. From the findings of this study it is clear that consumers are not prepared to continue patronising brands of appliances known to be reconstituted and available in alternative stores or charity shops. On the other hand, consumers do not favour the availability of their clothing labels in alternative/thrift stores in reconstituted forms and will not repurchase these clothing labels in pristine condition from regular stores if these reconstituted clothing labels are sold in alternative/thrift shops. It is apparent therefore that the future buying intentions of products that consumers return, could well bias the way they would like the items they return to be disposed. It is a fact that reconstituted clothing labels and appliances sold in alternative stores and thrift shops attract a large number of bargain hunters. It might be prudent for manufacturers to desist from publicising that their reconstituted brands are available in alternative/thrift stores, because this would, inhibit prime consumers’ continued patronage of their brands. Paradoxically, because consumers are not comfortable with purchasing brands of appliances and apparel that are known to be available in reconstituted form, manufacturers’ attempts to rebuild brand equity, build community goodwill or salvage value through reconstitution of returned items, could miscarry by reducing brand franchise of its regular customers.

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Table 1: MLLR and BLR Model Estimates

		Y_{ij} (MLLR)			Y_{ij} (BLR)
		$j=1$	$j=2$	$j=3$	$j=1$
Variables	α 's	Destroy	Repair	Reconstitute & Sell in alternative stores	Reconstitute & Donate to charity stores
	β_0	-2.8542 (1.3294)	2.2845 (1.2436)	3.3291 (1.2342)	4.2745 (1.3215)
Items (x_1)	β_{11} (Food)	0.1812* (1.7260)			
	β_{12} (Clothing)		1.2401 (1.9709)	-0.1061* (1.7612)	-0.0061* (1.6721)
	β_{13} (Toiletries)	0.1011* (1.6414)			
	β_{14} (Home Appliance)		1.0776** (2.014)	0.2039* (1.6832)	0.0065* (1.6372)
Replace (x_2)	β_{21} (Same size/model)	-0.0967* (1.6415)			
Reason (x_3)	β_{31} (Health risk)	0.2168* (1.8811)			
	β_{33} (Broken Package)	0.1546** (1.9565)		-0.001* (1.6401)	0.0082* (1.6764)
	β_{34} (Fail to work)		1.1429* (1.7812)	0.1913* (1.6921)	
	β_{35} (Contaminated)	-0.0093* (1.6374)			
Obligate (x_4)	β_{43} (More obliged)	0.0832* (1.7995)	0.1322* (1.7415)	0.1021* (1.6466)	
	β_{44} (Most obliged)	0.0832* (1.6366)			
Store (x_5)	β_{52} (Satisfied)	0.7611* (1.6359)			
	β_{53} (More satisfied)	0.0226* (1.6654)	0.4862* (1.6501)	0.1462* (1.7127)	
Price (x_6)	β_{62} (\$51-\$100)				0.0014* (1.6634)
	β_{63} (\$101-\$500)	1.0072* (1.6372)	0.9346* (1.6715)	0.4283* (1.7032)	
	β_{64} (>\$500)		1.0013* (1.6369)	0.6467* (1.6481)	
Brand (x_7)	β_{71}	1.8657* (1.6752)	1.1214* (1.8472)	-2.012* (1.6349)	-1.9891* (1.6511)
<i>Estimated Mean probabilities</i>		0.422	0.335	0.105	0.175
<i>Log-Likelihood ratio</i>		117.8742 ⁺			90.7421 ⁺⁺

Z-values reported in parentheses. * Significant at 5 percent level ** Significant at 10 percent level. +at 69 df and++ at 23 df.

SESSION 6.1: METHODOLOGICAL ISSUES RELATING TO INTERNET-BASED SURVEYS

Session Chair: Gerald Albaum, Univ. of New Mexico, USA

“Methodological Issues Relating to Internet-Based Surveys”

Gerald Albaum, University of New Mexico, USA

METHODOLOGICAL ISSUES RELATING TO INTERNET-BASED SURVEYS

Session Chair: Gerald Albaum, University of New Mexico, USA

ABSTRACT

Internet surveys are widely used in marketing research, and their use continues to grow, partly because they provide a number of technological features that are designed to reduce common sources of respondent error that can impact data quality. This session deals with selected methodological issues concerning Internet surveys.

Linda Golden (University of Texas at Austin, USA) and Patrick Brockett (University of Texas at Austin, USA) in their presentation, "Trials, Tribulations, and Trust: Addressing Issues in Internet Surveys," review recent literature on Internet surveys, identifying major issues researchers need to consider. In addition, they discuss various current market practices in Internet research. Some techniques provide solutions for reliability and validity issues, while others contribute reasons for a lack of confidence in Internet survey results.

The use of highly interesting questions and where they should be placed in a questionnaire are discussed by Jared M. Hansen (University of North Carolina, Charlotte, USA) and Scott M. Smith (Brigham Young University, USA) in "Effects of Using Highly Interesting Questions on Data Quality and Survey Completion Rates." The insertion of a two-staged highly interesting question in an online, survey-based field experiment is shown to produce better survey results and better data quality than a typical highly interesting question placed at the beginning of a questionnaire. Measured effects include survey completion rates, response bias, and reported demographic and empowerment differences.

There are four major theories of survey response behavior that seem to underlie survey design that uses all modes of data collection—exchange, cognitive dissonance, self-perception, and commitment/involvement. These theories are examined by James Wiley (Temple University, USA) and Vallen Han (New Zealand Post Office, New Zealand) in "Using A Theory of Survey Response Behavior to Design Internet Surveys." This presentation is the first to examine the applicability of these theories for designing a survey using the Internet for data collection.

A widely, and increasingly, used technique in Internet surveys is "forced answering," (FA) which requires respondents to enter an "appropriate" response before they are allowed to proceed to the next survey question. Forced answering virtually eliminates sources of respondent error due to item omission. But, 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. "Item Omissions in Internet-Based Survey Data Collection" by Gerald Albaum (University of New Mexico, USA) and Catherine Roster (University of New Mexico, USA) examines effects on item omission rates of using FA and PNA in Internet surveys.

SESSION 6.2: CAPABILITIES-BASED INTERNATIONALIZATION AND OWNERSHIP

Session Chair: Tore Mysen, Oslo School of Mgt, Norway

“Marketing Capabilities in the Transition Economy of Cuba: The Impact on Ownership Structure”

Joan Llonch, Autonomous University of Barcelona, Spain
Josep Rialp, Autonomous University of Barcelona, Spain

“Managing Host Country Environmental Challenges with Marketing Linking Capability: Effects on Foreign Ownership Choice”

Chiung-Hui Tseng, National Cheng Kung Univ., Taiwan
Ruby P. Lee, Florida State University, USA

“The Relationship between Export Marketing Competency and Market Orientation: The Significance for Export Market Ventures”

Osman Mohamat, University of Sains, Malaysia
Craig C. Julian, Southern Cross University, Australia
Zafer U. Ahmed, Prince Sultan University, Saudi Arabia
Sefnedi, Universiti Sains, Malaysia

“Foreign Entry Mode Choice of Knowledge-Based Service Firms and International Performance—A Resource-Based Perspective”

Maren Klein, Freie Universität Berlin, Germany
Christian Sichtmann, Freie Universität Berlin, Germany

MARKETING CAPABILITIES IN THE TRANSITION ECONOMY OF CUBA: THE IMPACT OF OWNERSHIP STRUCTURE

Joan Llonch, Autonomous University of Barcelona, Spain
Josep Rialp, Autonomous University of Barcelona, Spain

ABSTRACT

The advantages of marketing capabilities to organizations have been largely documented in Western economies. However, there has been little research into these practices and their impact on business performance in transitional economies, and never before in Cuba. Additionally, although it has been argued that the firm's ownership structure should impact on marketing capabilities, it has been poorly investigated. This exploratory study, utilizing data from a sample of 296 Cuban organizations, found that joint ventures with foreign partners display higher levels of marketing capabilities and better business performance than state own enterprises. However, state own enterprises with higher levels of marketing competitiveness also achieve higher levels of business performance.

INTRODUCTION

The movement toward freer markets in the so-called transitional economies (TEs) has led to great interest in the marketing literature (Batra, 1997; Fahy et al., 2000; Li et al., 2006). One of the most important challenges facing TEs is basically improving their fundamental marketing competencies (Bartra, 1996). The role of marketing in these economies is more fundamental to their development than to other countries of the world (Kaynak and Samli, 1984). Hence, it is essential to research marketing practices and market orientation of companies in TEs and their impact to economic development and transformation (Kaynak and Kara, 2004).

A big portion of research on marketing practices in TEs deal with market orientation. Market orientation is considered as the firm's adoption of the marketing concept (Kohli and Jaworski, 1990); however, marketing capabilities are much more than just MO, because they should consider other features like marketing competitiveness (Fahy et al., 2000). Hence, in the present research we will assess marketing capabilities from two standpoints: marketing orientation and marketing competitiveness.

Research on marketing capabilities has been carried out in several TEs, for instance, Russia (Golden et al., 1995), Bulgaria (Marinov et al., 1993), Czech Republic (Savitt, 2000); Hungary, Poland and Slovenia (Hooley et al., 2003), Ukraine (Akimova, 2000) or China (Kaynak and Kara, 2004; Liu et al., 2003; Tse et al., 2003), but never before in Cuba. Despite the fact that Cuba is not a free market, the Cuban economy is more open and less regulated than ten years ago (Orro, 2001), hence marketing is a key ingredient for its economic transition (Hernandez et al., 2004).

Most studies on marketing practices in TEs use samples with only private firms (Fahy et al., 2000), although it would be more appropriate to use a more diversified sort of samples, because ownership has an important impact on business strategy (Zurawicki, 1996).

Our study aims to analyze the relationship between marketing capabilities, firm's ownership structure and business performance in the transitional economy of Cuba. We try to answer to the following research questions:

- 1) Are different levels of marketing capabilities associated with the ownership structure of the firm?
- 2) Are different levels of company performance associated with the ownership structure of the firm?
- 3) Are different levels of marketing capabilities associated with different degrees of business performance?
- 4) Is there a direct link between marketing capabilities and business performance in SOEs?

In order to fulfill these objectives we begin with an overview of the Cuban economy. Later on we discuss the main hypothesis of our research. After that the research method employed is explained and the main results of the study are presented. Finally, we end up with the key implications of this paper.

THE CUBAN ECONOMY

Since 1989, Cuba seems to be in a slow path transitional economic system though maintaining its political model. In order to save its ailing economy from further decline, Cuba's policymakers were forced to streamline the economic structure by adopting some capitalist strategies (Agarwal, 2004). However, compared to other economic reforms in former socialist

countries, Cuba's reforms are very timid. Nevertheless, the country has attracted a large amount of foreign investment and is experiencing an increase in brand offerings, consumer purchasing power and westernization in its retail system (Cerviño and Bonache, 2005). Moreover, since 1998 the government has implemented an in most state-owned enterprises, trying to establish a more market oriented philosophy and behaviour in them.

The importance of marketing began to grow with the influx of foreign investment during the 90s. Joint-ventures with foreign companies help to transferred marketing concepts to Cuban managers. However, joint ventures are very constrained to fully implement "good management practices". For instance, retail mark-up is set by the government. Though there are differences in store location, assortment or ambiance, prices are nearly identical in all retail formats throughout the country. All types of conventional advertising are forbidden and only some types of merchandising and point-of-purchase activities are permitted. The wholesaling and retailing distribution system is totally controlled by state-owned corporations. Albeit this important constrains, there is clearly a move towards the development of market oriented strategies and marketing programs, as pointed out by the government in its Enterprise Optimization Program (Hernández et al., 2004).

HYPOTHESES

According to Batra (1997), State Ownership Enterprises (SOEs) tend to be not marketing-driven, either because they have historically been able to sell whatever they can produce, or because they believe that the market is outside their control. Additionally, marketing capabilities can be expected to be much higher in Western countries due to generations of operating in a market-led environment (Fahy et al., 2000).

H1: Joint ventures with foreign ownership (JVFO) have a higher degree of marketing capabilities than SOEs.

Poor profitability of SOEs is usual in many TEs (Shingley et al., 1998; Fahy et al. 2000), because profitability is not likely to be a major objective among managers in this sector (Estrin, 1994). In Cuba, SOEs are used by the government to further its social and political goals (Travieso-Díaz, 2001), and its deficient functioning governance and public management are considered one of the main economic problems (Castañeda, 2006). Conversely, efficiency and profitability are the main goals for private enterprises or public companies with a substantial private ownership (Shingley et al., 1998).

H2: Joint ventures with foreign ownership (JVFO) perform better than SOEs.

There has been a big deal of research on marketing capabilities and its consequences in business performance (Kirca et al., 2005; Cano et al., 2004). Research on market capabilities and performance within the context of a TE is more critical than within a market economy (Wang and Li-Hua, 2007). Marketing skills/resources are less available in a TE, so firms with such strategic resources are more likely to build up sustained differential advantage (Akimova, 2000; Wang and Li-Hua, 2007). Turbulent nature of the market environment may even strengthen the effects of marketing capabilities on performance (Hooley et al., 2000; Liu et al., 2003).

H3: Whatever its ownership structure, firms with higher levels of marketing capabilities are more likely to display higher levels of business performance.

SOEs in emerging economies such as China are believed to become more and more market-oriented (Liu et al., 2003). Cuba's EOP (Enterprise Optimization Program) dedicated to SOE's is closest in structure and objectives to the Chinese enterprise reform program and the specific strategies of the program in China are very similar to those in Cuba (Travieso-Díaz, 2001). Li et al. (2006) have recently demonstrated the positively relationship between a key marketing capability like market orientation and business performance of SOEs in China.

H4: SOEs' market capabilities will be positively related to performance.

RESEARCH METHOD

Data

Data was obtained from a personal survey that was addressed to managers of Cuban companies (see Table 1 for details). Gathering marketing data is more difficult in Cuba than in most other countries, because the government does not allow surveys to be made without the proper approval procedures. Through a joint research program with the Executive Business Centre (CEDET) of the University of Havana we were able to survey executives undertaking the executive business master program in the different provinces of the country.

Variables

Marketing capabilities (M_{Cap}) were measured by market orientation and marketing competitiveness:

Market orientation (MO) was assessed with the MAKTOR scale, a 15-item scale with three components: *customer orientation*, *competitor orientation* and *interfunctional coordination* (Narver and Slater, 1990).

Marketing competitiveness (MComp) across the marketing mix areas was measured with 12-item scale (Akimova, 2000; Hooley et al., 1993). The reliability of both scales is presented in [Table 2](#).

Performance was captured by four items traditionally used in marketing studies: (a) *sales growth*; (b) *market share*; (c) *profitability*; (d) *customer satisfaction*. All these indicators were related to the firm's main competitors over the last three years. Responses were made on a seven-point Likert scale ranging from "better" than to "worse" than major competitors. The reliability analysis for the scale implemented for capturing performance is presented in [Table 3](#).

Ownership structure: we classify companies in two groups, fully state ownership enterprises (SOEs), and joint ventures of state ownership with foreign private ownership companies (JVFO). In Cuba SOEs can further be classified in two more groups: firms which report to the central authorities (SOEsC) and firms with a regional or local reporting (SOEsL).

RESULTS

In [Table 4](#) we can observe how JVFOs show a higher degree of marketing capabilities than SOEs. This is true for both ways of measuring marketing capabilities: market orientation and marketing competitiveness. As we can see in [Table 4](#), for all components of MO (customer orientation, competitor orientation and interfunctional coordination), as well as for the global measure of MO the average value obtained through the implementation of the scale is significantly higher for joint ventures with foreign ownership (JVFO) than for state own firms. Marketing competitiveness is also significantly higher for JVFO than for SOEs.

Furthermore, it is also possible to appreciate how the performance of JVFO is significantly higher than the performance of SOEs, no matter if they report to central authorities or regional/local ones. Therefore, through these mean comparisons we can not reject H1 and H2.

Regarding the third hypothesis, which posits that firms with higher levels of marketing capabilities are more likely to display higher levels of business performance, no matter the ownership structure, we can observe in [Table 5](#) that for SOEs with central reporting with a degree of market orientation and market competitiveness above the median, the average performance is significantly higher than the one for the SOEs with central reporting with a level of market orientation and market competitiveness below the median. However, for SOEs with local reporting and joint ventures with foreign ownership (JVFO) we observe that those firms with a marketing competitiveness higher or equal to the median present an average performance significantly higher than these types of firms with less marketing competitiveness; though, for these sort of firms, to present a higher level of market orientation is not significantly related to performance (see [Table 5](#)). Therefore, H3 is only partially supported.

Finally, and based on the results of the two regression analysis performed with the whole sample of SOEs (the second one through the stepwise method avoiding unnecessary information), we can observe that market orientation and market competitiveness have a significant and positive effect on performance, controlling by the size of the company, the existence of industrial clients, the presence of a Marketing Department and if it has gone through the government Enterprise Optimization Program (EOP) (of the aforementioned aspects, the last one also has a positive and significant effect on performance when the stepwise method is implemented). Hence, we also get support for H4. Results of the regression analysis confirm that in SOEs marketing capabilities (assessed by market orientation and marketing competitiveness) are positively related to business performance.

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CONCLUSION

The present research has several contributions to the marketing field. Data on marketing capabilities of Cuban firms is for the first time presented and analyzed, the impact of marketing capabilities in firm performance is confirmed, and the influence of ownership structure in marketing capabilities and in business performance is also established. Firms with foreign ownership achieve higher levels of marketing capabilities (Market orientation and Marketing competitiveness) and higher levels of business performance than SOEs.

Moreover, another important implication of our study is that, even in a transitional economy as Cuba, marketing capabilities have a critical role to improve SOEs business performance. Hence, developing strong marketing capabilities in SOEs would be an effective way to build a sustainable competitive advantage. It means that, as the Cuban market is getting more open and freer, in order to be competitive Cuban SOEs should go through a big process of cultural transformation to be more market oriented and better suited for marketing practices.

According to our results a way for SOEs to get these marketing capabilities would be to set up joint ventures with Western companies. Present efforts made by the Cuban government with the Enterprise Optimization Program (EOP) seem to be useful to improve SOE performance, but we were not able to measure how much useful is EOP to enhance marketing capabilities. Further research on MO in such a business environment is needed, particularly concerning the antecedents for MO and the existence of mediators between MO and business performance.

This paper has also several limitations. For instance, one limitation comes from using only one informant for each company, or another limitation arises from applying a subjective measure of business performance instead of an objective one. However, numerous studies have showed that there is a high correlation between subjective and objective measures of performance.

TABLES

Table 1: Data collection

Scope	National
Collection method	Personal survey
Sample size	296 businesses
Sample procedure	Convenience sample
Fieldwork	Pre-test (June 2005); Field work (July-December 2005)

Table 2: Reliability analysis for MO and Marketing competitiveness scales

	Cronbach's α	Item-to-total correlation
MARKET ORIENTATION ¹		
Customer Orientation	0,803	
Competitor Orientation	0,772	
Interfunctional Coordination	0,793	
MARKETING COMPETITIVENESS	0,894	
Competitive pricing		,593(**)
Product quality		,670(**)
Speed of reaction to consumer needs		,617(**)
Company/brand image		,697(**)
Product range offered		,697(**)
Contracts with industry suppliers		,702(**)
Distribution coverage in the Cuban market		,708(**)
Marketing research		,743(**)
After sales service		,728(**)
Product design		,719(**)
Packaging		,631(**)
Monitoring the customer		,670(**)

¹Note: correlation coefficients are all positive and significant among the items of the different MO components
* < 0.1; ** < 0,05; *** < 0,01

Table 3: Reliability analysis for performance scale

	Cronbach's α	Item-to-total correlation
Performance	0,775	
Sales increase		,796(**)
Market share		,823(**)
Profitability		,757(**)
Customer satisfaction		,712(**)

< 0.1; ** < 0,05; *** < 0,01

Table 4: Comparison of means for Market orientation, Market Competitiveness and Performance among different ownership structures

	N	Customer orientation	Competitor orientation	Interfunctional coordination	Market orientation	Market competitiveness	Business Performance
SOEs Central*	208	5,1565	4,7913	5,2184	5,0554	4,8333	5,1998
SOEs Local*	31	4,8239	4,3065	4,9677	4,6994	4,4226	5,0861
JVFO*	41	5,8503	5,5679	5,8475	5,7552	5,5964	5,8267
Total	280	5,2212	4,8513	5,2828	5,1184	4,8910	5,2790
		7,344***	7,388***	4,593**	7,853***	7,422***	5,338***

< 0.1; ** < 0,05; *** < 0,01

*SOEsCentral = state own enterprises with central reporting; SOEsLocal = state own enterprises with local reporting; JVFO = joint ventures with foreign ownership

Table 5: Means of business performance comparison among different ownership structures

		SOEs Central reporting		SOEs Local reporting		Joint ventures foreign ownership (JVFO)	
		Low (lower or equal than the median)	High (higher than the median)	Low (lower or equal than the median)	High (higher than the median)	Low (lower or equal than the median)	High (higher than the median)
Business performance	Market orientation	4,79	5,65	4,83	5,62	5,45	6,00
	Market competitiveness	4,88	5,64	4,81	5,86	5,10	6,08

Table 6: Regression Analysis (Dependent variable: Business performance)

	Introduce	Stepwise
Constant	2,420***	2,495***
N° employee <= 50	-,139	
N° employee > 50 <500	,116	
Industrial clients (sales to other firms or institutions)	,289*	
The firms has a Marketing Department	,122	
The firm has done the Enterprise Optimization Program (EOP)	,367**	,495***
Market orientation	,262***	,281***
Market competitiveness	,209***	,222***
Adjusted R ²	0,256***	0,247***

Firms: Only State own enterprises (central or local reporting) N = 239

• < 0.1; ** < 0,05; *** < 0,01

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MANAGING HOST COUNTRY ENVIRONMENTAL CHALLENGES WITH MARKET LINKING CAPABILITY: EFFECTS ON FOREIGN OWNERSHIP CHOICE

Chiung-Hui Tseng, National Cheng Kung University, Taiwan
Ruby P. Lee, Florida State University, USA

ABSTRACT

International business academicians and practitioners have long acknowledged that when investing abroad, multinational enterprises (MNEs) are bound to face location-specific disadvantages relative to indigenous incumbents due to unfamiliarity with the host country's environments, specifically market and institutional forces. For these MNEs, how to successfully combat such inherent external difficulties and outperform local counterparts is one of the foremost priorities on their agenda. Towards this end, theorists have resorted to different theoretical approaches and suggested opposing foreign ownership choices, for instance, wholly-owned subsidiary (full ownership) versus joint venture (partial ownership), in order to assist MNEs in reducing uncertainty and hazards in their foreign operations.

Based on a premise that internationalization is an incremental learning process for firms, process views of international expansion suggest that knowledge specific to a market must be learned mainly through experience in that market, and a successive chain of escalating levels of resource commitment allows firms to accumulate local information and experience. Although previous research neither explicates whether such learning process requires the participation of local partners nor discusses ownership structures in the sequence of overseas establishments, their underlying position of entrant firms' lack of host country knowledge and their association with the low degree of resource involvements intuitively lead to the preference of a partial over full ownership for firms first entering a country.

Distinct from the above behavior-based internationalization process views, internalization theory is grounded on the economic concept of cost minimization, which highlights the efficiency of transferring unique and firm-specific advantages to foreign affiliates from which benefits are generated to outweigh the costs incurred by location-specific disadvantages. In essence, this theory stipulates that it is in an MNE's best interest to exploit its proprietary assets overseas under common ownership control (internalize), rather than transfer these intangibles to an external market (externalize) that is subject to high transaction costs. Following this line of reasoning, later studies extending investigation to sole- versus shared-ownership choice propound that a wholly-owned subsidiary serves as a more efficient vehicle to protect parents' competitiveness from the risk of dissipation, whereby internalization advantages accrued compensate for location-specific disadvantages.

In response to host circumstantial challenges, the two theoretical perspectives seem to prescribe conflicting foreign ownership choices that may perplex managers even more. Nevertheless, we argue herein that both argumentations are, indeed, conditionally valid, depending on whether and to what extent the MNE is equipped with a distinctive competency, that is, *market linking capability*. This is a prowess which enables an organization to compete by procuring market information and acting on changing conditions ahead of competitors, developing and maintaining intimate relationships with channel members and customers, and connecting other internal strengths, such as product or service innovations, to market conditions. We argue that when an MNE possesses stronger market linking capability, a wholly-owned subsidiary, defined commonly as one in which the parent owns ninety-five percent or more of its ownership in a foreign venture, is a better strategic option to gain insights into local market and institutional climates. In contrast, a joint venture, defined as a shared ownership in which an MNE may own less than ninety-five percent of a stake in a foreign venture, is a more viable choice when the MNE lacks such capability.

The results from surveying Taiwanese manufacturers' overseas investments confirm our conjectures. Taiwanese manufacturing MNEs provide a propitious context to test our hypotheses since Taiwan is among top investment outflow countries in Asia and makes investments in both developed and developing economies. Further, limiting the sample firms to manufacturers in a specific country minimizes differences in home-country factors and potential industry effects. Specifically, we find that MNEs that possess stronger market linking capability prefer full to partial ownership when perceiving higher market turbulence and regulatory unpredictability in host countries, with market turbulence found more influential than regulatory unpredictability. Theoretical and practical implications are discussed.

References available upon request

THE RELATIONSHIP BETWEEN EXPORT MARKETING COMPETENCY AND MARKET ORIENTATION: THE SIGNIFICANCE FOR EXPORT MARKET VENTURES

Osman Mohamad, PhD, Universiti Sains Malaysia, Malaysia
Craig C. Julian, PhD, Southern Cross University, Australia
Zafar U. Ahmed, PhD, Prince Sultan University, Saudia Arabia
Sefnedi, PhD, Universiti Sains Malaysia, Malaysia

ABSTRACT

This study examines the empirical link between market orientation and export marketing management competency in Indonesian export market ventures. The sample consisted of 109 firms that were engaged in a wide cross-section of industries. The findings indicate that the three dimensions of market orientation (customer orientation, competitor orientation and inter-functional coordination) significantly positively influence three dimensions of export marketing management competency (export product management, export pricing management, and export distribution management competency).

INTRODUCTION

The notion of export marketing management competency as an important variable impacting firm performance has been well documented in the literature. However, a review of the different studies found that empirically they had been operationalized in many different ways enabling comparison and conclusion from the studies difficult and unreliable. Market orientation as an important variable impacting firm performance has also been well documented in the literature in a domestic context. However, limited empirical research has been conducted on the relationship between market orientation and firm performance in an international context (e.g. Cadogan *et al.*, 1999). Previous export marketing performance research highlighted the poor conceptualization, the weakness of a theoretical foundation, and the lack of consistency in export marketing performance measurement (Dhanaraj and Beamish, 2003). Market orientation and export marketing management competency are two important concepts in the marketing field that have grown independently of each other in explaining export marketing performance. Dobni and Luffman (2000) suggested that the two concepts are closely linked but the empirical evidence is weak. Furthermore, they asserted that market orientation appears to provide a strong explanation for export marketing management competency and export marketing management competency is related to performance. Nevertheless, most of the support for this notion is anecdotal with limited empirical evidence to support the claim. As such, the specific relationship between market orientation and export marketing management competency has received limited empirical attention in an international context in the literature (Norzalita and Norjaya, 2004). As a result of the paucity of studies in this area, the objective of this study was to examine the relationship between market orientation and export marketing management competency in Indonesian manufacturing exporting firms in an attempt to shed light on the relationship between the two.

LITERATURE REVIEW

Most previous studies on market orientation have been conducted in a domestic context with limited empirical research being conducted on the impact of market orientation on export marketing performance (Cadogan *et al.*, 1999). Only recently have researchers' explored issues related to market orientation in an international context (Cadogan *et al.*, 2002). We suggest that a powerful way to enhance the export marketing performance of manufacturing firms is for them to adopt a market orientation in their export operations (Cadogan *et al.*, 2002). Specifically, for most manufacturers that engage in some degree of export, previous empirical research has indicated that higher levels of market orientation in the firms' export market is associated with higher levels of export success (e.g., Cadogan *et al.*, 2002). For example, Rose and Shoham (2002) investigated 124 of the Israeli export institute's lists of exporters in nine industries. By employing Jaworski and Kohli's (1993) market orientation construct, they examined the export marketing performance (sales, change in sales, profits, and change in profits) consequences of a market orientation (intelligence generation, intelligence dissemination, and responsiveness) and the potential moderating impact of the competitive, technology, and market environment. The Rose and Shoham (2002) study found that a change in export sales and profits were significantly related to overall market orientation. Specifically, a change in export sales and profits were related significantly and positively to intelligence generation, responsiveness, and overall market orientation, but not related to intelligence dissemination.

Akyol and Akehurst (2003) studied the relationship between corporate export market orientation and variations in export marketing performance. They examined 103 Turkish clothing exporting firms by employing measures used by Cadogan *et al.* (1999) (export market intelligence generation, dissemination, and responsiveness). The Akyol and Akehurst (2003) study

concluded that a relationship between export market orientation and export marketing performance does exist, and in the case of the Turkish clothing exporters, by improving the level of export market orientation of the firm this is a significant contributor to improving the firm's export marketing performance. Other previous studies have also come to a similar conclusion that market orientation is an important source of competency and very likely related to some measures of performance (Jaworski and Kohli, 1993; Rose and Shoham, 2002).

The literature offers various definitions of competency depending from which perspective its viewed. In the field of strategy, there have been at least two major paradigms used to explain competency: the competitive forces view and the resource-based view. The competitive forces view suggests that the success of a company's competitive strategy depends on the choice of a strategy that positions the firm in its industry so that it can defend itself against competitive forces. Such forces include the bargaining power of suppliers and customers, the threat of new entrants or substitute products, and the rivalry amongst existing firms. Another dominant view of performance that has been widely accepted in the strategic management literature is the resource-based view. According to this view, a firm performs well over time because it develops a distinctive competence that allows it to outperform its competitors. In other words, the firm's performance depends on its competencies rather than the environment in which it operates.

According to Day (1994), there are two related types of resources that are necessary for creating a sustainable competitive advantage, namely, assets and capabilities. Assets are the resource endowments that a firm has accumulated (e.g., investments in the facilities), and capabilities are a firm's complex bundle of skills and accumulated knowledge, experienced through an organizational process that enables the firm to coordinate activities and make the best use of its assets. Marketing competencies are different from assets wherein they cannot be given a monetary value and are deeply embedded in the organization's routines and practices. Export marketing management competency enables exporting firms to outperform their competitors because its export marketing management competency is rooted in the knowledge, skill, and experience of its employees and others in the value chain. Efforts to understand export marketing management competency have been well documented in the literature in recent years and relate to the effect of the resource-based view perspectives on competitive advantage.

Prasad et al. (2001) conceptualized export marketing management competency as to how well or how poorly firms possessed specific export marketing related competency as compared to their competitors. Meanwhile, Zou et al. (2003) conceptualized marketing competency as the extent of an export venture's capability and positional advantages compared with those of its major rivals in the export market. Zou et al. (2003) studied the manufacturing exporters in an east region of China. Their model was focused on the four functional export marketing capabilities namely, pricing capability, product development capability, distribution capability, and communication capability. As a result of the review of the literature, this study conceptualized export marketing management competency as how well or how poorly manufacturing firms possessed specific export marketing related competencies as compared to their competitors in their main export market. Specifically, this study examined a firm's export marketing management competency to identify determinants of export marketing performance and to be consistent with the 4Ps framework such as an export product competency, an export price competency, an export promotion competency, and an export distribution competency.

A substantial body of previous research has found that market orientation and marketing competency are two important concepts in the marketing field. These concepts have grown separately of each other in explaining firm performance. Scholars have suggested that the theory of market orientation and export marketing management competency are intertwined and cannot be separated (Norzalita and Norjaya, 2004). However, with the exception of Prasad et al. (2001) and Norzalita and Norjaya (2004) specific relationships between market orientation and export-marketing competency have received limited empirical investigation. In other words, an empirical investigation of the relationship between export marketing management competency and market orientation is needed.

RESEARCH DESIGN

This study was based on an empirical investigation of manufacturing firms that were involved in exporting to foreign countries from Indonesia. The sample of firms came from a wide cross section of industries and was provided by the Indonesian Manufacturing Industry Directory. In order to obtain valid and reliable measures of the variables, previously validated scales were used to measure all variables (Narver and Slater, 1990; Greenley et al., 2005). All items were measured via five-point bipolar scales. The questionnaire was developed and pre-tested using a small sample of exporters with the final instrument mailed to a random sample that included 1,000 firms who were *apriori* identified as being involved in direct

exporting, yielding 109 useable questionnaires being returned accounting for an effective response rate of 10.9 percent and considered to be adequate. This response rate is normal for most mail surveys (Groves, 1990).

The instrument contained items identified by the literature intended to measure market orientation and export marketing management competency (Narver and Slater, 1990; Greenley et al., 2005). The measure of market orientation was adapted from Narver and Slater (1990). This study's measure of market orientation comprised 15 items, with six items measuring customer orientation, four items measuring competitor orientation, and five items measuring inter-functional coordination. Export marketing management competency was conceptualized as to how well or how poorly the firm performed its export-marketing activities against the marketing mix elements of product, price, promotion and distribution, compared to that of its main competitors. In this study, reviews of previous marketing competency measurement (e.g., Greenley et al., 2005) together with other export marketing literatures (e.g., Zou et al., 2003) enabled the researchers to develop a 20 item measure (5 items each for the marketing mix elements of product, price, promotion and distribution) to measure export marketing management competency.

DATA ANALYSIS

The data were initially analysed using principal components analysis to assess the psychometric properties of the instrument. The market orientation construct and each of the export marketing management competency constructs loaded appropriately and no cross loadings above .2 were identified with only factor loadings of above .5 being accepted. The final reliabilities for all scales were greater than .70. The preliminary results indicated that the psychometric properties of the scales were acceptable and as such it was appropriate to examine the relationship between market orientation and each of the export marketing management competency constructs.

A multiple regression analysis was then conducted to examine the relationship between export product management competency as a dependent variable and the three different dimensions of market orientation (Table 1). The analysis resulted in an $R^2 = .239$ suggesting that the three different dimensions of market orientation namely "customer orientation", "competitor orientation" and "inter-functional coordination" explained 23.9 percent of the variation in the export product management competency of Indonesian export market ventures as explanatory variables when measured by a composite measure of export product management competency. The results also show that only two of the dimensions of market orientation – "competitor orientation" and "inter-functional coordination" as having a significant influence on export product management competency. Next, a multiple regression analysis was conducted to examine the relationship between export pricing management competency as a dependent variable and the three different dimensions of market orientation (Table 2). The analysis resulted in an $R^2 = .289$ suggesting that the three different dimensions of market orientation namely "customer orientation", "competitor orientation" and "inter-functional coordination" explained 28.9 percent of the variation in the export pricing management competency of Indonesian export market ventures as explanatory variables when measured by a composite measure of export pricing management competency. The results also show that only two of the dimensions of market orientation – "customer orientation" and "competitor orientation" as having a significant influence on export pricing management competency. Then, a multiple regression analysis was conducted to examine the relationship between export promotion management competency as a dependent variable and the three different dimensions of market orientation (Table 3). The analysis resulted in an $R^2 = .133$, however, none of the dimensions of market orientation had a significant influence on export promotion management competency. Finally, a multiple regression analysis was conducted to examine the relationship between export distribution management competency as a dependent variable and the three different dimensions of market orientation (Table 4). The analysis resulted in an $R^2 = .171$ suggesting that the three different dimensions of market orientation namely "customer orientation", "competitor orientation" and "inter-functional coordination" explained 17.1 percent of the variation in the export distribution management competency of Indonesian export market ventures as explanatory variables when measured by a composite measure of export distribution management competency. The results also show that only one of the dimensions of market orientation – "customer orientation" as having a significant influence on export distribution management competency.

DISCUSSION

The study's findings indicate that market orientation significantly positively influences three dimensions of export marketing management competency (export product management competency, export pricing management competency and export distribution management competency). Moreover, the findings support the resource-based view of the firm that recognizes the transferability of a firm's resources as a critical determinant of their capability to confer sustainable competitive advantage. This finding is in line with Kogut and Zander (1992) who view that knowledge and information are the basis of

creating competency. According to Grant (1996) transferability is important within firms and it is critical for their success. This study also supports the view that information and knowledge are the key resources for facilitating increased internationalization (Knight and Liesch, 2002) and consequently drives the internationalization process. From the application of the multiple regression analyses, it appears that Indonesian export market ventures that employ a market orientation approach achieve a relatively high export marketing management competency compared to that of their main competitors. This study's findings support other empirical findings in the literature such as those of Prasad *et al.* (2001). For this study specifically, the three dimensions of market orientation significantly and positively influence export marketing management competency. This implies that Indonesian export ventures need to be customer oriented, competitor oriented and inter-functionally coordinated in all their marketing activities to be more competent in export marketing. It is interesting to note that only customer orientation significantly influenced export distribution management competency. This is perhaps because only customer orientation provides intelligence about customer's buying practices and service requirements. This information is necessary in the selection of reliable and competent distribution partners. Competitor orientation provides the firm with information about competitors' distribution practices. This, apparently, was less important when it comes to export distribution management competency. Inter-functional coordination, apparently, is also less important when it comes to export distribution management competency, probably because it does not involve other functions to a significant extent. It is important that the managers of export market ventures recognize this for export success.

TABLES

Table 1 – Multiple Regression Analysis between Market Orientation and Export Product Management Competency (Alpha = .90)

Variable	Alpha	Coefficient	T-Statistic	Sig T
Customer Orientation	0.93	.180	1.739	.085
Competitor Orientation	0.89	.235	2.229	.028**
Inter-functional coordination	0.92	.214	2.358	.020**

R² = 0.239 n = 109 df = 7 **p < .05 *p < .01**

Table 2 – Multiple Regression Analysis between Market Orientation and Export Pricing Management Competency (Alpha = .93)

Variable	Alpha	Coefficient	T-Statistic	Sig T
Customer Orientation	0.93	.220	2.201	.030**
Competitor Orientation	0.89	.281	2.769	.007***
Inter-functional coordination	0.92	.137	1.556	.123

R² = 0.289 n = 109 df = 7 **p < .05 *p < .01**

Table 3 – Multiple Regression Analysis between Market Orientation and Export Promotion Management Competency (Alpha = .93)

Variable	Alpha	Coefficient	T-Statistic	Sig T
Customer Orientation	0.93	.083	0.755	.452
Competitor Orientation	0.89	.169	1.505	.136
Inter-functional coordination	0.92	.163	1.680	.096

R² = 0.133 n = 109 df = 7 **p < .05 *p < .01**

Table 4 – Multiple Regression Analysis between Market Orientation and Export Distribution Management Competency (Alpha = .86)

Variable	Alpha	Coefficient	T-Statistic	Sig T
Customer Orientation	0.93	.287	2.657	.009***
Competitor Orientation	0.89	-.006	-.057	.955
Inter-functional coordination	0.92	.136	1.438	.153

R² = 0.171 n = 109 df = 7 **p < .05 *p < .01**

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FOREIGN ENTRY MODE OF KNOWLEDGE-BASED SERVICE FIRMS AND INTERNATIONAL PERFORMANCE – A RESOURCE BASED PERSPECTIVE

Maren Klein, Free University Berlin, Germany
Christina Sichtmann, University of Vienna, Austria

ABSTRACT

Companies planning an internationalization venture face a great variety of options regarding the entry mode, namely export (direct and indirect), cooperative arrangements (licensing, franchising, minority holding, contract manufacturing and management contracting) and direct investments (joint ventures and subsidiaries) (Root 1994). These alternatives come along with different resource commitments, modes of control and risks. Therefore, the decision for an appropriate entry mode calls for consideration of numerous influencing factors posing a big challenge for internationalizing companies. Because of the importance for the success of internationalization venture (Hill et al. 1990) the choice of foreign market entry mode is well discussed in the marketing literature (e. g. Bradley and Gannon 2000; Ekeledo and Sivakumar 2004; Erramilli 1992; Erramilli 1990; Hill et al. 1990; Mayrhofer 2004; Rasheed 2005). Despite the abundance of studies however, there are several research gaps.

First, most of the studies analyzing market entry mode issues focus on manufacturing firms (e. g. Anderson and Gatignon 1986; Hill et al. 1990). Against the background of an increasing importance of services in the global economy (Knight 1999), it is surprising that prior studies have largely neglected the entry mode choice of services and knowledge-based services such as accounting, management consultancy, project management, legal services, engineering and architecture, marketing and advertising, and research-and-development consultancy in particular. Furthermore, there are some specific characteristics of knowledge-based services, such as intangibility, inseparability, heterogeneity and perishability (Zeithaml et al. 1985), which crucially differ from manufacturing goods in some meaningful aspects. These specific characteristics of knowledge-based services cause convincing arguments that service and manufacturing entry mode choices differ (Brouthers and Brouthers 2003; Erramilli 1992, Erramilli and Rao 1993; Winsted and Patterson 1998).

Second, most of the research focuses on the question why companies choose a specific entry mode. Studies analyzing the impact of the entry mode on international performance are largely missing. Consequently, there is hardly any knowledge whether the entry mode choice is really effective.

Third, most of the studies regarding foreign entry mode choice draw on transaction cost theory (e. g. Anderson and Gatignon 1986; Erramilli and Rao 1993). Transaction cost theory (TCA) treats a foreign market entry as transaction carried out at optimal cost, which is largely isolated from business strategy (Hill et al. 1990). Researchers criticize it mainly for the fact that not only cost advantages and economies of scale play a decisive role for service providers, but also strategic considerations (Hill et al. 1990; Peng 2001; Sanchez-Peinado et al. 2007). The resource based view (RBV) has recently emerged in the literature as an alternative to explain the choice of foreign entry mode to get over disadvantages of TCA (e. g. Ekeledo and Sivakumar 2004; Sharma and Erramilli 2004).

Against this background, the aim of this paper is to analyze the relationship between different entry mode and the international performance of knowledge-based service. Based on resource based view and the specific characteristics of knowledge-based services, the specific knowledge of the service employees, their cultural competencies, existing relationships to customers, intangible assets like brand name and reputation, appropriate foreign market knowledge and financial resources are identified as crucial for a successful internationalization of knowledge-based services. Furthermore, hypotheses regarding the relationship between entry mode choice and international performance of knowledge-based services are developed. We aim to test the hypotheses with an empirical study. As research object we chose industrial firms for which knowledge-based services are particularly important. In our study we focus on an internationalization venture in a specific foreign market. This is favourable to use instead of a whole firm as the unit of analyses as a lot of other studies do. The hypotheses we depicted should be tested with an analysis of variance.

References are available upon request

SESSION 6.3: ETHICS AND ETHICAL CONSUMPTION

Session Chair: Luiz Moutinho, University of Glasgow,
Scotland, UK

*“Consumer Attitudes and Intentions Regarding
Environmental Behaviors: Effects of Firm-Stated Motives”*

David Raska, Washington State University, USA

David E. Sprott, Washington State University, USA

Jeff Joireman, Washington State University, USA

Eric R. Spangenberg, Washington State University, USA

“Valuing Green in Consumer Consumption Experiences”

Chris Koch, University of Tennessee, USA

*“An Investigation of Consumer’s Perceptions of Counterfeit
Branded Products, Original Branded Products, and
Purchase Intention”*

Xuemei Bian, University of Hull, UK

Luiz Moutinho, University of Glasgow, Scotland, UK

CONSUMER ATTITUDES AND INTENTIONS REGARDING ENVIRONMENTAL BEHAVIORS: EFFECTS OF FIRM-STATED MOTIVES

David Raska, Washington State University, USA
David E. Sprott, Washington State University, USA
Jeff Joireman, Washington State University, USA
Eric R. Spangenberg, Washington State University, USA

ABSTRACT

As many as 90% of Fortune 500 companies have integrated explicit corporate social responsibility (CSR) initiatives into their marketing actions, taking visible steps to communicate their socially responsible actions to consumers (Lichtenstein, Drumwright, and Braig 2004*). One of the most dominant recent CSR platforms is adopting environmentally friendly practices. This increasingly popular CSR initiative of “going green” has been adopted as a marketing platform by major companies such as Honda, Toyota, GE, Bank of America, Starbucks, REI, Whole Foods, and Home Depot (Frazier 2007; Makower 2008), with the obvious hope of increased patronage of consumer segments in appreciation of such behaviors.

Although research supports the notion that consumers reward socially responsible firms with firm-serving benefits of greater patronage (Becker-Olsen, Cudmore, and Hill 2006; Lichtenstein et al. 2004; Sen and Bhattacharya 2001), little is known about what the public-serving benefits are—namely, the impact of firms’ environmental efforts on consumers’ own socially responsible attitudes and intentions. While some believe that the greening of business prompts consumers to become more green (Gunther 2007), others are skeptical. Indeed, as more companies attempt to create an environmental halo over their offerings, both policy makers and environmental groups express concern that some green marketing assertions are not substantiated and misleading, resulting in greenwashing of consumers (Story 2008). We address this under-researched area by examining how a brand’s stated motive for its environmentally friendly behaviors and consumers’ brand loyalty interact to influence consumers’ own attitudes and intentions toward similar behaviors. We look at how consumers respond to claims of a brand’s public-serving motives that either do not recognize firm-serving benefits (e.g., conserving energy to help the environment) or acknowledge firm-serving benefits (e.g., conserving energy to help the environment and improve the bottom line). Building on persuasion knowledge and brand loyalty research, we explore how these stated motives and brand loyalty affect consumers’ perceptions of the brand’s sincerity and how perceived sincerity, in turn, impacts consumers’ attitudes and intentions toward energy conservation.

Our experimental results suggest that current marketing practices promoting socially responsible initiatives with purely public-serving motives may not be very effective in persuading consumers to generate positive attitudes toward participating firms (at least for less loyal customers). Although brand loyal consumers are relatively unaffected by such practices, our results suggest that consumer attitudes and intentions in general do not follow those of a firm with regard to environmentally responsible behaviors espoused by the firm. It appears that whether companies can persuade consumers to follow corporate examples of socially responsible behavior may depend on firms’ abilities to foster brand loyalty among its customers or impact consumers’ persuasion knowledge such that consumers believe that such corporate efforts are sincere. Thus, marketers may be well served by integrating more honesty and transparency with regard to socially responsible claims into their marketing practices if consumers are to model their behaviors.

References available upon request

VALUING GREEN IN CONSUMER CONSUMPTION EXPERIENCES

Chris Koch, University of Tennessee, USA

ABSTRACT

The green concept is quite pervasive in society today. There is a growing quantity of research concerning all things green, and there is an established measure of research concerning consumers' values. However, there is a lack of empirical evidence of what consumers value in the green concept. Using one-on-one in-depth interviews and the grounded theory methodology in qualitative research, the author seeks to interview and report what consumers' value in green in relation to their consumption experiences. The end result is the emergence of a substantive, mid-level theoretical framework.

References available upon request

AN INVESTIGATION OF CONSUMERS' PERCEPTIONS OF COUNTERFEIT BRANDED PRODUCTS, ORIGINAL BRANDED PRODUCTS AND PURCHASE INTENTION

Xuemei Bian, University of Hull, UK
Luiz Moutinho, University of Glasgow, UK

ABSTRACT

This research investigates consumers' perceptions of counterfeit branded products (CBP) vs. their counterparts the original branded products (BP), and whether or not there is a relationship between consumers' perceptions of CBP and behavioural intention. A quantitative survey of over 300 adults in Glasgow, UK was conducted measuring consumers' perceptions of CBP and BP, CBP non-deceptive ownership, and purchase intention of CBP. Consumers were found to have more favourable perceptions of BP than CBP, with exceptions of financial risk and security concern. There were no significant perception differences of BP between CBP owners and non-owners. In contrast, significant perception differences concerning CBP were identified between these two groups of respondents. Several dimensions of perceptions of CBP (competence brand personality, satisfaction benefit, functional attribute, and psychological risk) appeared to be significantly influential on behavioural intention. Finally, evidence of interactions between perceptions and ownership of CBP did not exist.

SESSION 6.4: NEW PRODUCT DEVELOPMENT STRATEGY

Session Chair: Margaret Bruce, Univ. of Manchester, UK

“Marketing and New Product Development”

Ziqi Liao, Hong Kong Baptist University, China

Wing-Keung Wong, Hong Kong Baptist University, China

“Signaling through Craftsmanship: Managerial and Strategic Implications”

Paul Sergius Koku, Florida Atlantic University, USA

Allen E. Smith, Florida Atlantic University, USA

“Stabilizing Customer Preferences for Really New Products through Internal and External Learning: The Role of Different Information Contributions”

Mario Rese, University of Bochum, Germany

Wolf-Christian Strotmann, University of Bochum, Germany

Markus Karger, University of Bochum, Germany

MARKETING AND NEW PRODUCT DEVELOPMENT

Ziqi Liao, Hong Kong Baptist University, Hong Kong, China
Wing-Keung Wong, Hong Kong Baptist University, Hong Kong, China

ABSTRACT

This paper systematically explores the connections of marketing and new product development. The empirical results based on comprehensive analysis of the data collected from Japanese companies suggest that the interactions between marketing and new product development are practically important. In particular, marketing experience and market attractiveness have significant effect on research and development. At the same time, marketing experience, market attractiveness, and research and development consistently influence new product development. The present findings have theoretical and practical implications for future research in relation to marketing and new production development in different contexts.

SIGNALING THROUGH CRAFTSMANSHIP: MANAGERIAL AND STRATEGIC IMPLICATIONS

Paul Sergius Koku, Florida Atlantic University, Boca Raton, FL., U.S.A

Allen E. Smith, Florida Atlantic University, Boca Raton, FL., U.S.A

ABSTRACT

Signaling theory is a unique communication model engaged by market participants, who stand to benefit from its use, when information in the market is asymmetric. The theory has been extensively used in information economics and finance and is currently receiving attention in marketing. However, signaling studies in marketing focused primarily on use of the 4 Ps at the exclusion of other viable signaling variables such as craftsmanship. This paper examines craftsmanship as a possible signaling variable in marketing and develops a number of propositions on its use.

INTRODUCTION

Signaling theory is currently receiving attention in marketing as marketing scholars use it to supplement the traditional marketing explanations on communication models (Kirmani and Rao, 2000). Several studies have been conducted on the four 4 Ps as signaling variables in marketing, however, nothing to the best of our knowledge, has been done on craftsmanship. Given the role of craftsmanship in influencing consumers' purchase decisions of high quality items it is possible that there are strategic advantages that a firm could enjoy from its use as a signal. As a part of our current research agenda on craftsmanship, the objective of this paper is to examine craftsmanship within the signaling framework to determine its suitability as a signaling variable for high quality items.

The roots of signaling theory lie in evolutionary biology (Grafen, 1990; Godfray, 1991) where it was used to explain how species attract mates of opposite sex. In the social sciences, it was first used by information economists to explain the beneficial role of "additional" costly information in a world of information asymmetry. Gabor and Granger (1966) suggest that consumers interpret high price as an indicator of high quality. Thus, instead of higher prices resulting in fewer quantities demanded, they could in fact accomplish the opposite effect.

Signaling is useful to the sender to the extent that it helps the sender to distinguish himself/herself in a pack, while it helps the consumer in his/her selection process. For a signaling model to work, a mechanism that prevents sellers of inferior quality goods from mimicking the signals of the sellers of superior quality goods must exist. If sellers of low quality goods could also successfully sell their goods at high prices, then high prices will cease to serve as an indicator of high quality. Assumptions such as (1) there are penalties for cheating, and (2) all sellers are going to be in the market for a period sufficient for a penalty to be exacted against them for cheating i.e., sending false signals, amongst others, are made for the model to work. Even though the penalties for cheating need not outweigh the benefits derived from sending a false signal, as in the case of non-dissipative signals (Bhattacharya, 1980), further refinements of the theory do make such assumptions (Wernerfelt, 1988). The important implication of these assumptions is that signals effect a separating equilibrium in which the consumers could tell, via the signals received, superior firms or products from inferior firms or products.

Spence (1973) shows how individuals in the labor market choose their levels of education to signal their productive capacity to potential employers. The mutually beneficial effects of signaling here lie in the fact that by interpreting the signal (level of education) sent by job seekers, potential employers hire the desired productive potential employee at a rate that is commensurate with the potential employee's productive capacity. Ross (1977), Bhattacharya (1979) and Myers and Majluf (1984) show that firms can use their financial structure, choice of financing decisions and dividend to signal their financial health to outsiders.

Signaling in Marketing

Researchers in marketing have investigated signaling with such marketing variables as "price" (Gerstner, 1985), "product quality" (Jacobson and Aaker, 1987), and "product quality" through product warranties (Kelley, 1988; Wiener 1985), "place" (Chu, 1992), channels (Mathewson and Winter, 1985), and, "promotion/advertising" (Nelson 1974) as well as the quantity of advertising (Rotfeld and Rotzoll 1976). Other studies on signaling have examined such other marketing-related variables as advertising expenditure (Kilstrom and Riordan, 1984; Nelson, 1974) brand name (Erdem and Swait, 1998), product name (Mick, 1986), company name (Koku, 1997), umbrella branding (Wernerfelt, 1988). However, craftsmanship, to the best of our knowledge, has not been investigated as a signaling variable. On the surface, it would appear that craftsmanship is a good signaling candidate that warrants a close examination, particularly for high end products and services.

Craftsmanship: Then and Now

To most consumers craftsmanship is an embodiment of creativity, originality, care, and inspiration. Craftsmanship is separate and different from quality and design in the sense that it embodies both (Waldron, 2007). It can also be viewed as embedded in its place in history, reflecting the style, aesthetics, methods, tools, and natural resources of the day (see Bloch 1995 on the Ideal Product Form). Because it is evidence of quality, craftsmanship is not a measure of quality rather it communicates the level of quality.

As an end product of skillfulness, craftsmanship goes beyond the creation of physical products. It is equally applicable to services also, and reflected in the quality of a chef's preparation. For example, "culinary craftsmanship" which refers to the refined level of artistry in food preparation is amongst the factors used by The Michelin Star System which is well-known and respected for its ranking of high-quality or haute cuisine restaurants in Europe (see Johnson et al. 2005).

Signaling through Craftsmanship

As a communication model, signals must not only be capable of conveying the sender's message, but they must also be such that the receivers can unambiguously decode the intended message. Credibility is also a key component of a successful signaling model. A signaler must credibly communicate the level of some unobservable aspects or elements that are part of a transaction by providing observable unambiguous signal(s) (Kirmani and Rao, 2000).

To enhance their credibility, it is not uncommon for a signaler to send more than one signal at the same time. Previous studies have shown several instances in which firms sent multiple signals to the same target at the same time. For example, Milgrom and Roberts (1982) studied the use of promotional investment and high prices to signal high quality to consumers, while Desai (2000) analyzed the use of advertising, slotting allowance, and wholesale prices to signal high demand to retailers, and increasing wholesale price and decreasing fixed fee as a signal of high demand to retailers.

The use of multiple signals by themselves does not necessarily make signaling successful. Heil (1988) suggests that signal receivers' evaluation and interpretation is influenced by a signal's clarity, its compatibility with related signals, credibility of the sender, and the perceived commitment behind it. These observations are essential to our proposal to study craftsmanship as a signaling candidate. By signaling through craftsmanship, management will not only be distinguishing its firm in a crowded field of high end goods and services, but will also at the same time be able to reinforce its uniqueness in consumer's mind.

PROPOSITIONS

Firms can communicate their level of craftsmanship that cannot be easily imitated by revealing the number of skilled craftsmen employed. This is particularly true when the craftsmen are assembled from many different cultures and countries because buyers will infer superior quality to the specialized product or service that is made by all the different craftsmen. Because craftsmanship evolves over time, as such it is difficult to imitate. Thus,

P1: Craftsmanship can effect a separating equilibrium.

Craftsmanship is an embodiment of the high level of care reflected that is in a product or service. It can be seen in the level of care with which a leather car seat is stitched or in the number of stitches per inch of a blazer. It can be seen in the roundness of a car fender or in the richness of the cars color. The curves of a Gibson guitar and texture of its sound quality convey the level of craftsmanship that went into making the guitar, so does the aroma of a well made beer or the appearance of a hospital's waiting room (see Beckham, 2002). Because these indicators of craftsmanship also strongly correlate with high quality,

P2: Craftsmanship is a credible signal of high quality.

As a communication tool, it is important for the signaling model to possess clarity (Heil, 1988). It is also important for the signaling variable to be perceived by the signal receiver as consistent with other quality cues. In the case of signaling with multiple variables it is important for the multiple variables to be consistent in order to avoid ambiguity or possible misinterpretation by the signal receiver. Because craftsmanship strongly correlates with high quality, and consumers know that high quality products or services also consist of high quality components that are also expensive, they by extension expect well crafted products or services to be expensive. Thus,

P3: Craftsmanship could enhance price as a multiple signal of high quality.

Craftsmanship involves creating a product or service from “ground-up” with care and high quality. Thus, products and services that are outputs of craftsmanship will result in fewer defects, and will also result in less consumer dissatisfaction after purchase.

P4: Craftsmanship is a cost effective signaling variable

Mass production has diminished the importance of artisans and guilds that were powerful during the pre-industrial revolution period. However, the level of care reflected in simple mass produced items, such as the way that a car door’s handle is made, or the way that a car door looks cannot be replaced by industrialization. These are reflections of care with which the car designer designed the car’s door handle or car door. They also reflect the level of care that a factory worker puts the handle and door together (Waldron, 1978). Thus, even with industrialization companies that maintain and project high levels of care in spite of will be perceived as a cut above the rest. Thus

P5: Craftsmanship can be used as a signal of quality to mass produced goods.

Craftsmanship could play an important role in corporate identity, corporate advertising as well as product design and brand advertising. Craftsmanship can signal company reputation and build goodwill (Schlosser, 2005). Advertisements, web sites, DVDs, and brochures/product literature can frame messages around craftsmanship (Schlosser, 2005). These messages could convey a firm’s commitment to its level of craftsmanship which is a combination of technical, manipulative, and professional skills.

P6: Craftsmanship can convey a message that distinguishes a firm from others in the same group.

MANAGERIAL IMPLICATIONS

These discussions highlight a number of actions and decisions that could have strategic import for companies. First, craftsmanship is not dead, even in the face of an unprecedented level of automation of production processes however it is not cheap. The use of craftsmanship separates high quality producers from a pack of many producers, and its high cost can be offset by its benefits. Secondly, because consumers equate craftsmanship with high quality, management that places emphasis on craftsmanship as a part of its production process can use it as a signal of high quality. Thirdly, craftsmanship can be used to enhance multiple signals of quality such as high price.

CONCLUSION

This study is the beginning of a series of studies on the current state of craftsmanship in marketing. We have in this study examined signaling theory, its applications in marketing activities, and craftsmanship as a signaling variable for high end products. Because effective signaling requires clarity, and because craftsmanship is an unambiguous indicator of quality, we argue that craftsmanship can be an excellent signaling variable. On the basis of this argument we developed a number of propositions on craftsmanship as signaling variable. Even though this is a preliminary study, we believe our arguments have added something of significance to the dialog on signaling in marketing, particularly on craftsmanship which seems to be receiving less attention in the “industrial fog” of specialization and division of labor.

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STABILIZING CUSTOMER PREFERENCES FOR REALLY NEW PRODUCTS THROUGH INTERNAL AND EXTERNAL LEARNING THE ROLE OF DIFFERENT INFORMATION COMBINATIONS

Mario Rese, Ruhr-University Bochum, Germany
Wolf-Christian Strotmann, Ruhr-University Bochum, Germany
Markus Karger, Ruhr-University Bochum, Germany

ABSTRACT

In many situations in B2C as well as B2B environments customers are confronted with products or services they do not have any prior experience with. For some of these products many unbiased sources of information are available. This is not the case, however, for so-called Really New Products (RNP), which defy straightforward classification in terms of existing product categories and create a new category rather than reallocate shares within existing categories. For RNP no source of reference yet exists. One factor which is crucial for RNP success is the stability of customer preferences. Preference stability describes a situation where there is low variance around the range of subjectively acceptable alternatives. As customers possess only limited knowledge about these products, they face substantial uncertainty when trying to predict the future utility of RNP. When market research is used to evaluate RNP, this uncertainty leads to instability in customers' revealed priorities among design features. Customers have not yet developed stable preferences. Hence, their frame of reference is still highly volatile. This lack of preference stability poses a major threat for companies. If configured or altered based on instable preferences, RNP might not meet true customer needs, which seriously threatens companies' interest of establishing long-term customer relations by maximizing the long-term satisfaction of their customers. Against this background it is crucial to identify forms of knowledge transfer, which enable respondents to learn about RNP and help them to stabilize their preferences.

It is likely that customer learning occurs both through exposure to external information sources (referred to as external learning) and processes of internal knowledge transfer (referred to as internal learning). We therefore content that it is the combination of external and internal learning which influences respondents' preferences and the stability thereof. In this study, we set up an experimental framework to test the effect of combinations of external and internal learning stimuli on preference stability. As internal learning stimuli we apply analogies and mental simulations. As external learning stimuli we use the detail of information provided and the cognitive effort necessary to process this information. We specifically identify two kinds of effects on preference stability. Firstly, we identify the individual effect of single learning elements (internal or external) in combination with other elements. Secondly, we analyse the effects of different combination sets.

We develop a new way to assess the impact of the different learning stimuli. Within an experimental setup, participants are asked to rank different leasing products before and after information is given to them. As the leasing products only differ in monetary aspects, an objectively optimal ranking obtained by net present value calculations can be determined. By assessing the difference of the concordance between the empirical rankings and the optimal rankings before and after the information is given, the impact of the learning on the ability to evaluate the products is assessed. The preference stability is assessed based on the variances of the aforementioned concordances of four rankings after the learning. Our results indicate the importance of conveying information for learning about RNP. However, we found no support for the different effects of different ways of communicating information. When it comes to preference stabilization, the data draws a different picture. We found that internal learning as well as the external learning dimension of cognitive detail significantly influence preference stability when observed separately. What is striking and provides support for the importance of combining external and internal information stimuli is the fact, that differences in preference stabilization occur when the dimensions are regarded separately, but disappear when information combinations are investigated, which might be due to compensatory effects. This might be due to compensatory effects of the different learning stimuli.

These results have important implications for research and managers trying to develop or sell RNP. To our best knowledge, this study is the first to focus on purely monetary aspects regarding customer preference formation. This approach enabled us to determine the quality of customers' preference match with the optimal preferences for our experimental setting. In this context our approach may serve as a new way to assess the quality of the benefit evaluation. For managers trying to assess how to sell RNP to customers, our study holds important implications. While it may be tempting to primarily control for the effects of external learning stimuli, such as complexity and amount of information, this is a myopic approach. Only by regarding combinations of internal and external learning stimuli and determining appropriate information strategies alongside both dimensions can effects on customer preferences really be controlled for in the best possible manner.

SESSION 6.5: BRANDING AND ITS EFFECTS

Session Chair: Lars Erling Olsen, Norwegian School of Management, Norway

“Brands in Text—Attitudinal Effects of Brand Placements in Narrative Fiction”

Lars Erling Olsen, Norwegian School of Mgt., Norway

Even Johan Lanseng, Norwegian School of Mgt., Norway

Heidi Baalerud, Norwegian School of Mgt., Norway

Helene Holtman, Norwegian School of Mgt., Norway

“Effects of Personal Nostalgia on Cognition, Attitudes, and Intentions”

Chris Marchegiani, Curtin Univ. of Technology, Australia

Ian Phau, Curtin Univ. of Technology, Australia

BRANDS IN TEXT – ATTITUDINAL EFFECTS OF BRAND PLACEMENTS IN NARRATIVE FICTION

Lars Erling Olsen, Oslo School of Management, Norway
Even Johan Lanseng, Norwegian School of Management, Norway
Heidi Baalerud, Norwegian School of Management, Norway
Helene Holtmon, Norwegian School of Management, Norway

ABSTRACT

Brand and product placements have increasingly become popular as an alternative marketing communication tool for many companies. Although limited in numbers, previous studies have investigated the communication effects of brands placed in television programs, movies and computer games. However, to our knowledge, no empirical studies have looked at the effects of brands placed in narrative texts. The purpose of this exploratory paper is to investigate the effects of brand placements in text on consumers' attitudes toward the placed brand. We suggest that plot integration (high plot vs. low plot) will be positively related to favorable attitudes toward the brand. Additionally, we suggest that plot integration interacts with consumer involvement, and increases the importance of visible and dominant brands placed in the text for high involvement consumers. An experiment manipulating plot integration and involvement supports our hypothesized main and interaction effects.

INTRODUCTION

Brand and product placements have increasingly become a new and "hot" advertising alternative for b2c-companies. For example, Procter & Gamble announced in June 2005 that they would spend 25 % less money on TV-advertising, using these resources on brand placements instead. In 2004 the value of brand placements in American television grew by 46 %, worth \$3.5 billions (according to the alternative media research firm PQ Media). Russel and Belch (2005, p. 1) define brand placements as: "the purposeful incorporation of a brand into entertainment vehicles". Hence, brand placements blur the line between content and advertising, resulting in what Balasubramanian (1994) has labeled hybrid advertising. In today's fragmented advertising landscape, such hybrid advertising may prove to be an attractive substitute to more traditional advertising channels. Brand placements appear more natural to the consumers and serve as an alternative media channel to many advertisers. Albeit limited in numbers, communication effects of brand placements have been studied for several years. For example how well will consumers remember and recall brands placed in TV-shows, films, and computer games (Babin and Carder 1996; Brennan, Dubas, and Babin, 1999; Lee and Faber, 2007; Nelson, 2002), attitudinal effects of placements in sitcom pilots and movies (Gibson and Maurer, 2000; Russel, 2002), implicit attitudes toward brands in consumer games (Glass, 2007) and children's impulsive consumption behaviors after exposure to visual placements (Auty and Lewis, 2004).

However, even though the listed studies cover a range of settings and effects expected from brand placements, to our knowledge, no studies have focused on the attitudinal effects of brand placements in text and literature. Russel and Stern (2006) stress the importance of extending brand placement research to other media contexts. One of these potential contexts is texts, in the forms of novels and other narrative texts. The size and potential of this media channel is huge. In the United States alone, 172,000 new book titles were published in 2005 (Goldfarb, 2006). A well described example using text based brand placements is the novel "The Bulgari Connection" by Fay Weldon (see Nelson, 2004 for more details). In addition to the title, the diamond firm Bulgari is mentioned 12 times in the book, and apparently Weldon was paid 18,000 GBP for the placement (New York Times, 3. September 2001). Texts, ranging from novels and poetry, through comics, academic text books and nonfiction, can potentially be an important host of brand placements. Brands become more and more important players in everyday life, therefore it is reasonable that writers and artists increasingly use brands in their art work. Research from the 1980s supports this observation, showing that the use of brand names in British and American cultural products (e.g. novels, plays) increased steadily from the 1960s (Friedman, 1985). Hence, brands can and do play important roles in many narrative texts. For example, brands add to the reality of scenarios and settings in novels. In the "Da Vinci Code" (by Dan Brown), the main character Robert Langdon rents a room at both Hotel Ritz in Paris and Hotel Bernini Bristol in Rome, both classic hotels and credible choices in outlining the story plot. The side effect of these choices, as New York Times reports (20 May 2006), is a sharp increase in interest among American tourists to stay at these hotels while touring Europe. Another reason for using brands in narrative texts is that brands can help portrait the characters in the novel. It is hard to imagine the Patrick Bateman character in "American Psycho" (by Bret Easton Ellis) without his conspicuous consumption of luxury brands. The brands help the readers to understand the motives and the craziness of the yuppie character.

This paper's purpose is to investigate the impact of brand placements in texts on consumers' attitudes toward the placed brand. We report the results from one experiment, using a text passage from "American Psycho" as stimuli. The fashion brand Ralph Lauren is placed in the text, and manipulated between the experimental groups to either play a dominant and important role in the story (high plot) or serve the role as a passive bystander, only briefly mentioned (low plot). In addition, since reader involvement potentially has a large impact on attitude effects (Petty and Cacioppo, 1986), we manipulated the respondents' involvement in reading the text.

THEORY

In her pioneering study, Russel (2002) tests the attitudinal effects of products placed in a live sitcom pilot. According to Russel (2002), product placements can be divided into two main dimensions:

1. Modality of placement – visual or verbal
2. Plot integration – high or low

Visual and verbal channels differ in the amount of meaning they are carrying. The visual channel creates the context in which the story unfolds and product placements can serve as cues to make the setting more realistic (Russel and Belch 2005). The verbal channel, on the other hand, carries the script and will therefore be more meaningful for the audience. High levels of plot integration are characterized by instances where the brand contributes significantly to the story. This contribution facilitates memory (Russel, 2002) because the placement carries more meaning as an integrated part of the narrative structure. Visual placements, which are highly visible on the screen, are considered to be more integrated in the plot than placements serving a minor role.

In combining modality and plot integration, Russel (2002) states that there can either be a match or a mismatch between modality and plot. Match occurs when brands are highly integrated in the auditory script and contribute to the narrative structure. The match provides meaning and relevance to the audience. Match can also occur in low integrated visual placements, in which brands serve an accessory role. In these situations, the placement appears as a natural part of the scene. Match or mismatch between modality and plot affects whether the audience processes the combination as congruent or incongruent. Congruent information triggers less thinking (elaboration) about the placements, but incongruent information, on the other hand, prompts the viewers to think about the reasons for the placements and facilitates cognitive elaboration (Mandler, 1982). The placement triggers the respondents' awareness that someone is trying to persuade and influence them, and they will likely become suspicious about the placement. The consumers' "persuasion knowledge" (Friestad and Wright, 1994) impacts the outcome of the persuasion attempt. Most likely "persuasion knowledge" produces a negative effect on attitudes.

However, these results are only shown for verbal and visual placements in a pilot sitcom context. What should be the expected effects of high and low plot integrated placements in a completely different modality, for example a narrative text? Russel (2002) argues that verbal placements carry more meaning and thus are processed more deeply and become more integrated in the receiver's cognitive structure. We argue that texts and verbal channels share these properties. When children learn to read, they are encouraged to speak the words aloud. As we mature, the written text materializes as spoken words inside our heads, like an "inner voice". Hence, it is likely that these placement channels result in the same levels of incongruity and produce the same degree of attitude favorability. However, more interestingly than the channel properties, is how the channel can be combined with plot integration. Russel (2002) found most effects on attitudes when verbal placements were perceived as congruent, the result of high-plot integrated placements. The main reason is that these placements appear to more acceptable for the consumers and that high plot placements contribute significantly to the narrative plot. Based on these arguments we can formulate our first hypothesis;

H1: High-plot text placements will be more persuasive (affect brand attitudes in a favorable direction) than low-plot text placements.

Consumers read narrative texts in different ways depending on situation, type of text and individual differences. In some situations, we are highly involved in the text, concentrating on every facet of the information provided, and totally absorbed in the fictitious lives of the characters. In other situations, we are not involved in the text, only skimming the basics without much cognitive effort. Apparently, how we read a text, the level of involvement, impacts the effects of brand placements. The incongruency literature (Mandler, 1982) maintains that little elaboration takes place when the information is perceived as congruent. On the other hand, severe incongruent information triggers elaboration, and the result of the cognitive processing

can in many instances produce an adverse effect on evaluations (i.e. Friestad and Wright, 1994). Yet, in a text it can be difficult to produce severe incongruent placements based on low-plot integrated placements. Therefore, a more important direct trigger of elaboration is reader involvement (e.g. Petty and Cacioppo, 1986). Highly motivated readers tend to think carefully of all the information presented in the narrative text. Consistent with the incongruity literature, these readers will more likely be suspicious of incongruent placements (low plot), think about reasons for the placement, and look for relevant arguments of why the brand is used in the text. On the other hand, low involvement readers tend to think less of the information contained in the placement. It is less likely that these readers will be suspicious of incongruent placements since these thoughts are the results of scrutinizing this information carefully (Petty and Cacioppo, 1986). Hence;

H2: High-plot text placements will be more persuasive (affect brand attitudes in a favorable direction) than low-plot text placements for persons high in motivation to elaborate on the information in the narrative text. For persons low in motivation to elaborate on the information, we expect no differences in attitudes between high and low plot text placements.

METHODOLOGY

The study tests the hypotheses using a 2×2 between subjects experimental design, with two levels of plot integration (high vs. low), and two levels of involvement (high vs. low).

Stimuli Development

An extract of about three pages from “American Psycho” (by Bret Easton Ellis, 1992) was picked as the placement’s context. The book is well-known for using many brands throughout the text and it is generally easy to read. Although the book itself is 16 years old, a potential problem with this choice of context is the fact that high school students might be familiar with the film (released in 2000). However, even though the book’s story line and the general use of product placements may be well-known, specific brands used in the book is less likely to be remembered. We used a scene from the novel taking place in a dry cleaning store, where the main character tries to get his bed linen washed. In addition to the bed linen, his jacket and sunglasses are also mentioned in the scene. The text stimuli were developed in three steps. First, all the brands in the extract were removed and substituted with neutral product names (e.g. Gant sunglasses were changed to sunglasses). Second, we manipulated the text so that the jacket in the text played a significant role in the story and the sunglasses played a minor role. Third, we created two versions of the stimuli, one where Ralph Lauren is the brand of the high-plot integrated jacket and a second version where Ralph Lauren is the brand of the sunglasses (low plot integration).

Pretest

A pretest was carried out to test whether the two different text stimuli produced high- and low-plot integrated brand placements. Eight participants read both versions of the text stimuli before answering three items on a five-point scale after each text. The items were picked from Russel (2002); 1. Ralph Laurent played an important role in the story ($M_{high} = 4.38$, $M_{low} = 3.12$); 2. Without mentioning Ralph Laurent the story would have been different ($M_{high} = 3.50$, $M_{low} = 2.00$); 3. Ralph Laurent was connected to the plot ($M_{high} = 3.62$, $M_{low} = 1.75$). Eight respondents are not sufficient to produce statistically significant results. However, the mean values provide qualitative indications that the stimuli worked in the intended direction.

Participants and Procedures

In the main study, 103 high school students (60 females and 43 males, average age 18 years old) from two high schools and seven different classes served voluntarily as participants in the study. The participants were individually (randomly) assigned to one of the four experimental conditions, read the assigned text, and completed the questionnaire individually in a class setting. Upon arrival, the students were told that they would participate in a study of how people read and interpret a text. They were given a booklet with the stimuli and measures. At the front page of the booklet, high involvement was manipulated by adding an extra text box. High involvement participants were told that they would be required to answer a detailed questionnaire about the text in the end of the booklet. In the low involvement condition, no text-box was added. We acknowledge that this technique of increasing reader involvement does not represent a practical option for advertisers. In real life, different texts interest different persons, and thus increase or decrease reader involvement. However, we believe that the reported procedure produces the necessary difference in involvement between the experimental conditions, and as such serve as a proxy of real life situations. Next, the participants were exposed to the text stimuli in one of two versions. Following the exposure to the stimuli, the respondents were asked questions related to their interpretation of the text and reading habits in

order to keep to the cover story. Then target questions about brand attitudes were asked, using three seven point semantic differential scales with instructions and scale anchors: “To what extent did you find Ralph Lauren to be... bad – good, negative – positive, unfavorable – favorable” (see Haugtvedt and Petty, 1992). Finally, the respondents were asked to guess the true purpose of the study. Only two of the 103 respondents guessed the true purpose and were removed before further analysis.

FINDINGS

The manipulation check items were the same as in the pretest and they were all highly correlated (Chronbach’s alpha = .72). Thus, they were collapsed into an average summated scale and used as a dependent variable in a between subjects ANOVA. This analysis gave the expected significant differences between high and low plot connection: $M_{high\ plot} = 3.56$ vs. $M_{low\ plot} = 3.15$, $F(1, 98) = 4.93$, $p < .05$.

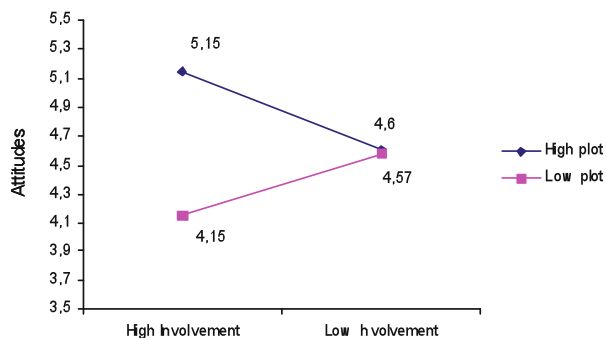
A 2 x 2 full factorial ANOVA was run to test the hypothesized main and interaction effects on brand attitudes. Hypothesis 1 predicts that high plot placements should outperform low plot placements. The main effect of level of plot integration on brand attitudes was statistically significant ($F(1,101) = 5.73$, $p < .05$). Specifically, brand attitudes were more favorable in the high plot condition than the low plot condition ($M_{high} - M_{low} = 4.88 - 4.36 = .52$, $p < .05$). Hence, the results support Hypothesis 1. The main effect of involvement was not significant ($F(1,101) = .83$, NS). More interestingly, Hypothesis 2 predicts that level of involvement will moderate the effect of plot integration on brand attitudes. More specifically, for high involvement participants, plot integration would matter, whereas in the low involvement condition we expect no differences between high and low plot integration. The interaction effect between level of plot integration and involvement is statistically significant ($F(1, 101) = 4.94$, $p < .05$). Simple effects tests within the high involvement condition, reveal that differences between high and low plot is statistically significant ($M_{high\ involvement, high\ plot} - M_{high\ involvement, low\ plot} = 5.15 - 4.15 = 1.00$, $F(1, 47) = 9.28$, $p < .05$). In the low involvement condition, the difference between high and low plot is not significant ($M_{low\ involvement, high\ plot} - M_{low\ involvement, low\ plot} = 4.60 - 4.57 = .03$, $F(1, 54) = .02$, NS). Figure 1 shows the results graphically.

CONCLUSION

The results from the current study demonstrate that brands playing a significant and important role in a narrative text are evaluated more favorably than less prominently placed brands. In addition, we show that these results are qualified by the level of reader involvement. Involved readers appreciate the high-plot integrated placements, but at the same time penalize brands that do not play any obvious roles in the text. On the other hand, less involved readers do not seem to care and do not differentiate between brands placed with different levels of plot integration. In this paper we have emphasized the importance of plot integration and involvement when placing brands in texts. Therefore, advertisers should consider placing brands in novels and texts based on what kind of texts the brand’s target group most likely would want to read. This policy would increase the likelihood of reader involvement. If the placement is offered in types of texts that the target group only would skim through, it is less likely that they will notice the placement and it will have little effect on brand attitudes.

FIGURES

Figure 1: Plot integration x involvement interaction effects



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EFFECTS OF PERSONAL NOSTALGIA ON COGNITION, ATTITUDES AND INTENTIONS

Chris Marchegiani, Curtin University of Technology, Australia
Ian Phau, Curtin University of Technology, Australia

ABSTRACT

This research examines the changes in cognition, attitudes, and purchase intentions of respondents as a result of the intensity of personal nostalgia experienced (high, medium and low levels). Although personal nostalgia has been found to be distinctly different from historical or 'unified' nostalgia, there has been a lack of empirical research conducted. The explored responses are generally shown to be significantly positively effected by increasing the level of personal nostalgia. Significant changes in such responses have clear implications to markets and brand managers alike and indicate a need for further future research.

BACKGROUND AND HYPOTHESES DEVELOPMENT

Nostalgia

The importance of nostalgia's use in advertising/marketing is clearly evident, with the appeal being shown to effect a range of important reactions including self-concept, brand loyalty, brand meaning, the human senses, attitude formation, cognition / memory process, consumption preferences, literary criticism, collective memory, and emotions (Muehling and Sprott 2004). Nostalgia is generally described as "a preference (general liking, positive attitude, or favorable affect) toward objects (people, places, or things) that were more common (popular, fashionable, or widely circulated) when one was younger (in early adulthood, in adolescence, in childhood, or even before birth)" (pp. 330 Holbrook and Schindler 1991). It is also believed that nostalgia concerns all persons, regardless of age, gender, social class, ethnicity, or other social groupings (Greenberg, Koole, and Pyszczynski 2004). Literature and evidence has also begun to show an important distinction between two specific 'types' of nostalgic reaction, specifically termed personal and historical nostalgia (Stern 1992). Personal nostalgia relates to reactions generated from a personally remembered past ('the way I was') while historical nostalgic reactions are generated in response to a time in history that the respondent did not experience directly, even before they were born (historical / communal nostalgia: 'the way it was'). (Havlena and Holak 1991; Stern 1992). The responses of consumers are expected to differ dependent on the type and level of nostalgia being experienced. As scales able to distinguish between personal and historical nostalgia have recently become available it is now also possible to begin to explore the different reactions that exist dependent on the intensity of each specific nostalgic reaction. This paper explores personal nostalgia specifically, with the hypotheses examining some of the most important reactions of consumers (cognition, attitudes and purchase intentions) under low (LPN), medium (MPN), and high (HPN) personal nostalgia levels as measured by the Personal the Nostalgic Scale (Marchegiani and Phau 2007). Specific results of responses are explained further under each subheading.

Cognition

Nostalgia in its unspecified form has been shown to effect on cognitive responses in a number of studies (Baker and Kennedy 1994; Belk 1991; Davis 1979; Holak and Havlena 1998; Holbrook and Schindler 1991; Muehling and Sprott 2004). Nostalgia is generally shown as a positive reaction (Holbrook and Schindler 1991) and is filtered of negative thoughts (Davis 1979; Belk 1990; Stern 1992). While studies have explored cognitive reactions in 'unified' nostalgia verses non-nostalgia appeals, no empirical knowledge is available on effects dependent on the intensity of specifically personal nostalgic reactions. In relation to personal nostalgia exclusively, the hypotheses reflects a general direction of an increase in the number of personal related thoughts as well as their valence, and decreases in negative thoughts, and numbers of non-personal nostalgic related thoughts as the intensity of personal nostalgia rises. The hypotheses developed relate to previous evidence and theory, especially those indicating changes in reactions when dealing with either 'autobiographical' or self-referencing thoughts and issues on memory accessibility and salience of thoughts (Belk 1990; Bettman 1979; Craik and Lockhart 1972; Davis 1979; Greenwald 1968; Krugman 1967; Muehling and Sprott 2004; Stern 1992; Sujan, Bettman, and Baumgartner 1993; Williams and Faber 1999; Wright 1980). Based on this previous work and our understanding of personal nostalgia we hypothesize:

H1: As the level of personal nostalgia increases we will see a significant;

- a) Increase in the number of thoughts overall
- b) Increase in the total number of positive thoughts
- c) Decrease in the total number of negative thoughts
- d) Increase in the number of personal nostalgia related thoughts
- e) Decrease in the number of ad execution related thoughts

- f) Decrease in the number of brand / message related thoughts
- g) Increase in the valenced indices of personal nostalgic thoughts
- h) Increase in the ratio of personal nostalgic related thought to total thoughts

Attitudes and Intentions

Commonly explored reactions related to increases in nostalgic responses to advertisements include Attitudes Towards the Advertisement (Aad), Attitude Towards the Brand (Ab), and Intentions to Purchase the Brand (Ib) (Pascal, Spratt and Muehling 2002; Muehling and Spratt 2004). However, as discussed previously, specific results in relation to variations in the intensity of specifically personal nostalgia have been untested. Based on previous theory and results, as discussed in H1, an increase in the intensity of personal nostalgia (which by definition should include increases in personal relevance, autobiographical memories, positive feelings, and more salient thoughts), leads to the following hypothesis;

H2: As the level of personal nostalgia increases we will see a significant positive increase in:

- a) attitude towards the advert
- b) attitude towards the brand
- c) intention to purchase the brand

METHOD AND RESULTS

Method

Respondents were exposed to an original broadcast style advertisement containing personal nostalgic cues of 'familiarity, lifelike incidents and ordinary people' as indicated by Stern (1992). The advertisement was pre-tested in small focus groups with samples similar to those used in the main study to ensure the intended nostalgic reaction occurred. Kodak was depicted in the advertisement, a brand successfully used in previous studies of nostalgia (e.g. Muehling and Spratt 2004). A total of 420 usable respondents were collected and an inter-quartile split based on their score on the personal nostalgic scale (Marchegiani and Phau 2007) was undertaken to result in LPN and HPN groups of 105 respondents each, and 210 respondents in the MPN group. In the hope for a more homogenous sample, respondents were delimited to ages 18-25 and were collected from a student sample in a large Australian university. Student samples have been successfully used in past studies of nostalgic reactions (Muehling and Spratt 2004; Baker and Kennedy 1994). [Table 1](#) provides a summary of the results. This table shows the significance between various levels of personal nostalgia and should also be referred to for mean and standard deviation scores. Differences in mean between the groups are measured using One-way ANOVA.

Cognition Results and Implications

Cognitive reactions were collected immediately after exposure to the advertisement using a thought collection process. This consisted of respondents listing each thought they had during the viewing on a separate line for 3 minutes, and then self-evaluating each thought as either positive, negative, or neutral (as per Wright 1980; Gurhan-Canli and Maheswaran 1998; Muehling and Spratt 2004). Following these authors, two independent judges later coded the thoughts into categories similar to that of Muehling and Spratt (2004) and Sujan, Bettman and Baumgartner (1993). The five categories were 'personal nostalgia', 'historical nostalgia', 'ad-execution', 'brand/message related', and 'miscellaneous'. Interjudge agreement was 83% with disagreement resolved by discussion between the two judges (as per Muehling and Spratt 2004). This data provided a total count, ratios, and valenced index of each thought category. Analysis follows the method set out in Muehling and Spratt (2004) in examining these results, with some variation under the new context of exploring specifically personal nostalgia.

H1a) Increase in the number of thoughts overall: Increased significantly when comparing the LPN group to MPN. The HPN group did not share this significance. This shows an increase in personal nostalgia led to more thoughts overall, indicating an increase in cognitive response. More thinking, and thus elaboration, on the advert could have implications for recall.

H1b) Increase in the total number of positive thoughts: Indicated the intensity of personal nostalgia significantly effects the number of positive thoughts overall when comparing LPN to MPN and HPN. However, it also indicates that to have a significant effect, meeting the mid level is all that is necessary, as no significantly greater benefit was received from elicited high levels (although it is not detrimental to do so). This result is taking into account thoughts regardless of the 'type'. Clearly an increase in positive thoughts, regardless of the type, as a result of personal nostalgic response is of use to marketers.

H1c) Decrease in the total number of negative thoughts: Indicated that the level of personal nostalgia has a significant effect on the number of negative thoughts overall when comparing LPN to MPN and HPN. However, to have a significant effect, meeting the mid level is all that is necessary, as no significantly greater benefit is received from elicited high levels (although it is not detrimental to do so). The ability to decrease general negative thoughts is of course significant to marketers also.

H1d) Increase in the number of personal nostalgia related thoughts: Results show that the level of personal nostalgia elicited has a significant effect on the number of personal nostalgic thoughts in comparison to those experiencing low levels of nostalgia. However, no significant increase was evident between the MPN to HPN groups, indicating no significant benefit in this case is received by reaching HPN levels. This may indicate a 'saturation' point of personal nostalgic thoughts.

H1e) Decrease in the number of ad execution related thoughts: Indicated that as respondents spend increase cognitive power on personal nostalgic reactions, other types of thoughts (in this case, ad execution type) may significantly decrease. This is similar to previous suggestions (e.g. Sujan, Bettman and Baumgartner 1993; Williams and Faber 1999). The implications of a decrease in ad execution type thoughts as personal nostalgic thoughts increase is unknown, although we could assume that ad spend on 'ad execution' items may be less important under HPN conditions as they will become less salient as nostalgia rises.

H1f) Decrease in the number of brand / message related thoughts: No significant effect was shown between those with either low, mid, or high personal nostalgia. This is contradictory to the hypothesis which suggested that (as per Sujan, Bettman and Baumgartner 1993; Williams and Faber 1999) increased instances of autobiographical memory may make brand / message related thoughts less accessible.

H1g) Increase in the valenced indices of personal nostalgic thoughts: Indicated that the level of personal nostalgia has a significant effect on the valenced indices of personal thoughts. It also indicates that to have a significant effect, meeting the mid level is all that is necessary, as no significantly greater benefit is received from elicited high levels in this case (although it is not detrimental to do so). This supports personal nostalgia as a positive reaction to personal nostalgic advertising stimulus.

H1h) Increase in the ratio of personal nostalgic related thought to total thoughts: As the level of personal nostalgia increases, so does the ratio of personal to total thoughts when comparing those experiencing LPN with the other groups. However, no significant increase occurs between the mid level and high. This could indicate of the high salience of personal nostalgia.

Attitudes and Intentions Results and Implications

Respondents completed items from commonly used scales (e.g. Bruner, James and Hensel 2001; Cox and Cox 1988; Holbrook 1993; Holbrook 1994; Holbrook and Schindler 1994; Krishnamurthy and Sujan 1999; Muehling and Spratt 2004) measuring Aad (4-items), Ab (4-items), and Ib (3-items). Cronbach's Alpha for each scale was .89, .88, and .92 respectively.

H2a: At each level of increase in personal nostalgia intensity, a significant positive increase ($p < .05$) in attitude towards the advertisement was found.

H2b: At each level of increase in personal nostalgia intensity, a significant positive increase ($p < .05$) in attitude towards the brand was found.

H2c: At each level of increase in personal nostalgia intensity, a significant positive increase ($p < .05$) in intention to purchase the brand was found.

Due to the clear importance of these responses, this clearly shows the importance of understanding the effects of personal nostalgia specifically. What's more, it shows the benefit of increasing the intensity of personal nostalgia to a high level.

CONCLUSION, LIMITATIONS, AND FUTURE DIRECTIONS

Considering the importance of consumer's thoughts, attitudes and intentions to marketing and the significant changes in these behaviors as a result of the intensity of personal nostalgic reactions, it is clear that personal nostalgia is an appeal that marketing academics and practitioners alike need to be informed about. The consumer reactions tested in this paper are of course of the utmost importance and these results allow better prediction and understanding and, combined with the use of nostalgia as a common advertising and marketing tool, fill an important gap in the knowledge. As a general summary of the results, we can see that in many cases it is likely to be worthwhile for practitioners to take the steps necessary to create high levels of personal nostalgia in order to positively affect attitudes and intentions. However, we can also see that thoughts seemed to 'peak' in significance at the mid level. This indicates a possible 'missing reaction' (possibly emotions) that could be explored under a similar context to account for these changes. As nostalgic cues are varied, they are likewise able to have various intensities of personal nostalgia as a result. Due to our ability to control what the viewer sees in advertisements, this paper has examined some of the major benefits and disadvantages that may occur in eliciting personal nostalgic responses in consumers.

Future research should provide similar evidence exploring reactions within historical nostalgia, comparison between personal and historical nostalgia, and inclusion of non-nostalgic reactions as a control. Inclusion of measures on 'nostalgic proneness' of individuals would also be beneficial. Additionally, non-student samples should be explored, as well as exploring possible variations between age, gender, cultural groups, and different product categories for generalisability of the results. Finally, exploration of emotions and other reactions related to nostalgia in specifically personal and historical nostalgic conditions.

TABLES

Table 1: Summary of results

	Personal Nost. intensity comparison of groups					
	Low / mid	Mid / High	Low / High	Low Mean(sd)	Mid Mean(sd)	High Mean(sd)
Increase in the number of thoughts overall	Sig.	n.s.	n.s.	6.11 (2.89)	7.36 (3.47)	7.09 (2.76)
Increase in the total number of positive thoughts	Sig.	n.s.	Sig.	3.76 (2.80)	5.84 (3.17)	6.04 (2.77)
Decrease in the total number of negative thoughts	Sig.	n.s.	Sig.	1.29 (1.77)	0.58 (1.03)	0.53 (0.98)
Increase in the number of personal nostalgia related thoughts	Sig.	n.s.	Sig.	2.64 (2.83)	4.99 (3.85)	5.00 (3.28)
Decrease in the number of ad execution related thoughts	Sig.	n.s.	Sig.	2.33 (2.28)	1.48 (2.04)	1.30 (1.62)
Decrease in the number of brand / message related thoughts	n.s.	n.s.	n.s.	0.71 (1.09)	0.67 (1.02)	0.60 (1.01)
Increase in the valenced indices of personal nostalgic thoughts	Sig.	n.s.	Sig.	1.75 (2.25)	4.03 (3.41)	4.33 (3.15)
Increase in the ratio of personal nostalgic related thought to total thoughts	Sig.	n.s.	Sig.	0.38 (.35)	0.65 (.33)	0.67 (.32)
Positive increase in Aad	Sig.	Sig.	Sig.	6.24 (1.74)	7.30 (1.20)	7.90 (1.26)
Positive increase in Ab	Sig.	Sig.	Sig.	6.27 (1.17)	6.67 (1.23)	7.34 (1.36)
Positive increase in Ib	Sig.	Sig.	Sig.	5.51 (1.98)	6.33 (1.76)	7.18 (1.66)

Significance (p<.05), mean score in groups (with standard deviation in parenthesis).

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SESSION 6.6: EVOLUTION AND CHANGE IN WHOLESALING SYSTEMS

Session Chair: Bert Rosenbloom, Drexel University, USA

“Changing Role of Wholesaling”

Camille Schuster, California State Univ. San Marcos, USA

“Format and Channel Evolution in Wholesaling”

Jim Quinn, Trinity College, Ireland

Leigh Sparks, University of Stirling, Scotland, UK

“A New Quest for Efficiency: The Post-War Programme of the Swedish Federation of Wholesalers”

Fredrik Sandgren, Uppsala University, Sweden

“The degree of Integration of Distribution and Marketing in Companies Operating in the Fishery Sector in Greece”

Nikolaos Papavassiliou, Athens University of Economics and Business, Greece

CHANGING ROLE OF WHOLESALING

Camille P. Schuster, California State University San Marcos, United States

ABSTRACT

As the pressure on the supply chain to increase cost effectiveness and provide more value to consumers intensified over the past ten years, the role of wholesaling changed. No longer are warehouses expected to be “holders” of merchandise for long periods of time; no longer is bulk-breaking a primary function; no longer is wholesaling reactive. The emphasis now is on turns, cycle time, data analysis, replenishment, and speedy movement of goods.

As suppliers and retailers work to identify the right assortment of products for each retail outlet or determine what is the most efficient inventory strategy for an online business, how to decrease their carbon footprint, or how to create an efficient replenishment process, wholesalers are no longer “just” the reactive middle player. In today’s seamless supply chain environment all channel members are expected to be proactive, collaborative partners accepting responsibility for driving business, creating value for consumers, and cutting costs.

To facilitate this process, accessing timely, accurate information is a critical variable for success. The Global Commerce Initiative (GCI) is a global user group whose charter is to drive the implementation of GS1 standards and best practices to lead global value chain collaboration through the identification of business needs and the implementation of best practices and standards to serve consumers better, faster, and at less cost. GCI operates through an executive board composed of senior representatives of more than 45 companies drawn equally from manufacturing and retailing that do business across continents or via global supply chains. It operates under the sponsorship of eight existing organizations representing the interests of one million businesses, large and small. GS1 has recently published Supply Chain 2018 with a description of what changes are likely to take place as companies work to become more efficient and effective. Wholesaling is predicted to be involved in major changes.

One section of the Global Scorecard, sponsored by GCI, is a set of Implementation Measures designed to measure the extent to which companies have adopted the global standards defined by GS1 (a joint venture between EAN and UCC). GS1 provides the standards through which collaborative business processes and transactions can take place between trading partners. They cover (1) Item identification, (2) Location Identification, (3) Electronic messages, and Master data synchronization. These criteria are essential for the timely, accurate exchange of data.

To facilitate collaboration activity in a seamless supply chain, all channel members need to use, read, exchange, and analyze data in a timely manner. Wholesalers are lagging in their use of standards for facilitating data exchange. Globally the data standards are not used consistently by wholesalers.

Data indicates that wholesalers could be considered a weak link in the seamless supply chain. Without the ability to efficiently and accurately collect and analyze data, goods can not be replenished in a timely manner. As a result retailers and manufacturers will have difficulty providing the value of getting the right product to the right place at the right time for consumers. Fulfilling this function requires a new set of skills and business practices leading to a set of interesting questions for discussion: (1) what can or should be the role of the wholesaler in the supply chain, (2) what data is relevant for that function, (3) how should the data be used, (4) to whom should it be transmitted and when, and (5) where and what kind of training is necessary? Future viability of the industry depends upon responding well to these questions.

In addition, wholesaling facilities and functions will dramatically change in response to the demand to decrease carbon emissions by suppliers, retailers, and transportation companies. The role of wholesalers will increase in importance but include major changes in functions. Future viability of the industry depends upon adapting to changing dynamics in the marketplace.

References available upon request

FORMAT AND CHANNEL EVOLUTION IN WHOLESALING: INDUSTRY ARCHITECTURE AND THE EMERGENCE OF NEW FORMS

Jim Quinn, Trinity College, University of Dublin, Ireland
Leigh Sparks, University of Stirling, Scotland

ABSTRACT

The use of evolutionary models to describe and explain channel change is underexploited. In part, this is due to the fragmented nature of theories of change especially at industry and business system level. In part, it is also due to the opposition between evolutionary and ecological models and mainstream strategy and marketing theory: the one emphasising environmental selection and the other adaptation and managerial choice.

Recent theoretical developments, particularly within the strategy field, challenge this fragmentation and opposition and develop models in which selection and choice coexist. This paper makes an early empirical contribution to the debate that has, so far, been largely theoretically based. It analyses the UK consumer food value chain, with a particular emphasis on wholesaling, that focuses on the period of major architectural change that shaped its present structure. It explores the evolution of the chain's architecture with particular reference to the emergence of new forms of organisation and draws conclusions concerning the interdependence of selection and adaptation processes.

The focal point of the empirical data analysed for this paper is the emergence of three new channel forms associated with the period of major architectural change in the contemporary chain. The basic structure of the value chain at the start of the period for which data has been collected (1930s) is simple and modular. It begins with the farm or producer sector followed in turn by the elements or modules of food processors / manufacturers, wholesalers, retailers and finally consumers. Two of the new forms that emerged during the period of focus (the 'fifties to 'seventies) – wholesaler controlled trading groups, also referred to as voluntary or symbol group retailers, and Cash-and Carry wholesalers - 'jumped out' from the traditional wholesaler population. The third – retailer controlled trading groups – 'jumped out' from the traditional independent retail grocery population. These new forms were the result of architectural changes triggered by evolving change among manufacturers and retailers that had been accumulating since the 1920s. The process of emergence and the most dramatic change in the overall value chain's architecture centres on the 1950s-1970s period.

The research programme on which this paper is based explores how context, social action and history interplay in driving and patterning the process of evolution. It employs an historical and qualitative methodology based on multi-modal and multi-level approaches, using detailed historical research and analysis of industry sources covering a long time period.

The paper's conclusions with regard to the integration of selection and adaptation explanations and the necessity for multi-level analysis are important. In the former case it gives empirical support to the mostly theoretical claims by other scholars of a significant opportunity for convergence between these two traditionally opposed schools of thought. In the latter it indicates that some significant part of the traditional opposition between adaptation and selection models lies in different levels of analysis and that once this is made transparent new integrated explanations may prove possible by ranging across hierarchical levels.

The focus on architectural evolution is helpful but once the emergence of new forms is studied, it is visible that a significant driver of architectural change lies in this phenomenon. As new forms 'jump out' of existing elements of a value chain – the wholesaler population in this instance – they necessitate the construction of new relationships and the adjustment of old ones. They must therefore form one of the central mechanisms at work in architectural change.

It is hoped that the paper extends the emerging theoretical rapprochement between the adaptation and selection perspectives in the strategy field through empirical analysis and that it helps to signal the significant potential for new insights in strategic management in terms of benefiting from recent developments on organisation ecology and in joining individual (leader) and organisation level to population (industry) and community (value chain) level analysis.

A NEW QUEST FOR EFFICENCY: THE POST WAR PROGRAMME OF THE FEDERATION OF SWEDISH WHOLESALERS

Fredrik Sandgren, Uppsala University, Sweden

ABSTRACT

In the mid 1950s OEEC published a report on the state of wholesaling in Western Europe. Here Swedish wholesaling and its business organisation, the Federation of Swedish Wholesalers (Sveriges Grossistförbund/SGF), were considered to be in the forefront of the rationalisation of wholesaling. While technological and organisational rationalisation of Swedish wholesaling took off in the 1950s, there had been interesting developments in the discussions on rationalisation within the SGF from the mid 1940s.

The aim of this paper is to explore the discussion about rationalisation and efficiency within the SGF in the mid 1940s. This discussion, which could be labelled 'the Post War Programme' of the SGF, is put into a wider context by also discussing the general debate on rationalisation of the distribution sector, as well as the Post War Programme of the Swedish labour movement. A hypothesis is that the post war programme of the SGF was formulated to prove that wholesaling had both the will and means to rationalise on its own accord, escaping more direct government intervention. The main sources used in this study are five reports/brochures that were published by the SGF in the years 1944-1946. To a certain extent I have also used the journal *Svenskt Affärliv/Svensk Handel* that was published by the SGF.

The SGF was formed in late 1922. Its members did not include co-operative wholesalers or retail owned buying groups. Rationalisation became an important topic within the SGF from the 1930s. Rationalisation was foremost seen as the responsibility of the manager of each company and ultimately driven by competition. The SGF saw its role as transferring experience from 'other countries and professions', as well as creating general guidelines that individual managers could follow. The most practical measure the SGF undertook before the 1940s in order to stimulate rationalisation was, however, to enter into a system of establishment controls organised in collaboration with retailers and producers.

The Post War Programme of the SGF was linked to a wider debate that took off in Sweden from 1944, the debate on a planned economy. The immediate start of this debate was the publication of the Post War Programme of the Labour Movement with 27 paragraphs organised under the three overriding goals of 1) full employment 2) fair distribution of wealth and an increased standard of living and 3) better efficiency and more democracy in business/industry. A key argument in this programme was more government intervention and increased planning. The mere threat of 'socialisation' in combination with political positioning and the dissolution of the broad coalition government in the summer of 1945 paved the way for a debate on a planned economy that lasted from 1944 until its zenith during the election campaign in 1948. The right wing parties together with private enterprise and the business associations launched a major campaign, the so-called 'planned economy resistance', against the Labour Movement and its new policies.

It is evident that the post war discussion within the SGF on rationalisation came as a reaction to the Post War Programme of the Labour Movement. While the latter programme seldom was mentioned explicitly in the discussions, the documents of the SGF argued for 'free enterprise' and 'competition' and said that 'Humans are not constituted for a centralised socialised society'. Thus, the threat of increased government intervention was taken seriously. Important in the discussion was the need to be proactive. Wholesaling had to set a good example and constantly strive for better efficiency and increased rationalisation. In that sense, the overriding idea of Social Democratic politics concerning the structure and function of business was accepted by the SGF.

By 1946 the SGF had formulated a quite progressive programme called 'What should I do?', directed towards managers of wholesale businesses. An important new aspect in this programme was an emphasis on 'industrial democracy'. Included in this concept were policies regarding aspects such as vacations and pensions, but also means to involve the employees more in rationalisation and to improve information and education within the company. A progressive programme such as this should not be interpreted as cosmetic. There was a true interest in the rationalisation and modernisation of business on the part of the SGF, although the swift development of this programme probably was forced by the actions of the Labour Movement.

References available upon request

THE DEGREE OF INTEGRATION OF DISTRIBUTION AND MARKETING IN COMPANIES OPERATING IN THE FISHERY SECTOR IN GREECE

Nikolaos Papapavassiliou, Athens University of Economics and Business, Greece

ABSTRACT

This paper examines the level of cooperation between marketing and distribution in companies of the Greek fishery sector. It examines the difficulties that characterize the distribution component and the way in which market orientation can have an impact upon those difficulties. It has been suggested that market orientation is an essential component of the distribution process and can affect corporate performance. This paper is based in survey data from 186 companies. Descriptive statistics for each variable were used to assess the importance of each problem of distribution and logistics. Cluster analysis was carried out based on the perception of the importance of the problems of distribution and logistics. In addition, cross-tabulation analysis was used to examine the association between distribution problems and the firm characteristics of each cluster. Finally, linear multiple regression analysis was carried out, with each problem of distribution and logistics taken as the dependent variable and each element of marketing and logistics as an independent variable. The importance of distribution and logistics problems varied widely as did the market orientation between the groups of participating firms. In addition, certain firm characteristics and infrastructure factors can become so significant that they directly affect the degree of importance of the above problems.

SESSION 7.1: AGE, AGEING, AND AGES

Session Chair: Curtis Haugtvedt, Ohio State Univ., USA

*“Understanding Cognitive Age: The Boomers’
Perspective”*

Rajesh Iyer, Bradley University, USA

Timothy Reisenwitz, Valdosta State University, USA

*“Not the Equal: The Impact of Age on Older Consumers’
Brand Relationships”*

Hansjoerg Gaus, Chemnitz University, Germany

Steffen Jahn, Chemnitz University, Germany

Tina Kiessling, Chemnitz University, Germany

“Consumer Decision-Making Styles in Turkey”

Bahar Yasin, Istanbul University, Turkey

UNDERSTANDING COGNITIVE AGE: THE BOOMERS' PERSPECTIVE

Rajesh Iyer, Bradley University, USA
Timothy H. Reisenwitz, Valdosta State University, USA

ABSTRACT

The baby boomer generational cohort consists of consumers born between 1946 and 1964. They are sophisticated consumers with money to spend and they are not averse to spending it on products and services. Baby boomers have been nicknamed the “forgotten generation,” as marketers have more aggressively targeted other generational cohorts. Considering that baby boomers are the biggest spenders in comparison to any of the other groups, surprisingly little work is done to understand their behavior. This study addresses this large, heterogeneous group and how cognitive age is a key discriminating variable that can be used in segmentation efforts. Results from the study indicate that baby boomers with a higher cognitive age will have less fashion interest, will report lower levels of innovativeness, and will be less socially involved. Also, higher cognitive age did not have an impact on brand/product loyalty or risk aversion. Implications for managers and academicians are suggested.

**NOT THAT EQUAL:
THE IMPACT OF AGE ON OLDER CONSUMERS' BRAND RELATIONSHIPS**

Hansjoerg Gaus, Chemnitz University of Technology, Germany
Steffen Jahn, Chemnitz University of Technology, Germany
Tina Kiessling, Chemnitz University of Technology, Germany

ABSTRACT

In industrialized Western countries, the population is rapidly aging. Companies took a long time to realize that this fact is relevant for their businesses and often responded with inappropriate marketing activities. Thus, in order to improve strategies aimed at mature consumers, we have to understand their behavior, investigate their consumption needs, and identify whether the older consumer market should be treated as homogeneous or further subdivided. However, the prominent field of consumer-brand relationships has not been addressed so far with regard to the elderly. The aim of this paper is to gain insights into the neglected field of elderly consumers' brand relationships.

Even if consumer-brand relationships have been a prominent field of investigation during the last decade, a review of the academic literature to find information on age-specific differences reveals only a few sources. From a scientific point of view, neglecting consumer-brand relationships for older consumers cannot be justified, since the psychology and sociology of old age provide numerous clues about the assumption of age-specific differences. Evidently, relationships and their significance are altered during life through experience, the aging process, and changes in personal circumstances. In later life stages, close relationships are usually more stable; both trust and commitment are higher, the older one grows. Research also indicates that in old age the dependability and reliability in relationships are of particular importance. Aging also appears to be related to risk avoidance. As the number of memories rises during their lives, elderly people might be prone to a stronger nostalgic commitment. Thus, we investigate how aging affects brand relationships by combining findings from the psychology of old age with research on consumer-brand relationships in general. Our main question is whether two groups of elderly women aged between 50 and 65 and over 65, respectively, will show differences in their relationships with coffee brands. Coffee as a frequently purchased packaged good was chosen because here strong brand relationships may continue to impact on buying behavior even into old age.

The general framework of our study consists of the variables self-concept connection, partner quality, trust, and commitment. To answer our main research question, the moderating effects of age are formulated based on the general model. The hypotheses are: The effect of trust on commitment is higher for the younger elderly (H1). The effect of self-concept connection on trust is higher for the older elderly (H2). The effect of self-concept connection on commitment is higher for the older elderly (H3). The effect of partner quality on trust is higher for the older elderly (H4). The effect of partner quality on commitment is higher for the older elderly (H5).

We empirically tested the model in a survey among 286 members of the target population. The respondents filled in a standardized questionnaire during regional meetings of a nationwide German women's association. The respondents were first asked to name the coffee brand they preferred most. All the subsequent questions were to be answered with reference to this brand. With regard to the variables self-concept connection, partner quality, trust, and commitment, we adapted existing measures wherever possible. We refined items drawn from literature through group discussions with members of the target group and a quantitative pre-test (n = 93). Respondents rated all measures on six-point Likert-type scales (1 = 'totally disagree,' and 6 = 'totally agree'). The general model shows a good fit. Moderator analyses with LISREL reveal significant differences between the 'younger' and the 'older' elderly subgroup (e.g., for the influences of self-concept connection, partner quality, and trust on commitment).

In conclusion, the results reported here first indicate that consumer-brand relationships are different for the elderly between 50 and 65 years from those over 65. In this respect, we shed light on another way age influences consumer behavior. The results of our study help practitioners with targeting more effectively one of the most promising groups of consumers in the future. From our findings we can derive recommendations for age-group specific marketing strategies and future research. Our findings support the assumption of shifts in brand relationships with respect to consumers' life cycle.

References available upon request

CONSUMER DECISION-MAKING STYLES IN TURKEY

Bahar Yasin, Istanbul University, Turkey

ABSTRACT

Consumer Decision-Making Style defined as a mental orientation that characterizes a consumer's approach to making choices and it was evaluated as a basic consumer personality, analogous to the concept of personality in psychology. Knowledge of consumer decision-making styles is clearly important to marketers because it is closely related to purchase behavior. Characterizing consumers in this way allows marketers to differentiate their offerings. This research was undertaken to identify decision-making styles of Turkish consumers by using a revised consumer decision-making styles inventory (CSI). Data was collected from an adult consumer sample. Nine decision-making styles factors were identified for Turkish consumers.

INTRODUCTION

Decision making is more complex and even more important for consumers today than in the past. Consumers, surrounded with information overload and variety of choices, tackle this complexity by displaying particular decision making styles and by employing certain purchasing strategies. Knowledge of consumer decision-making styles is clearly important to marketers because it is closely related to purchase behavior. Characterizing consumers in this way allows marketers to differentiate their offerings (Mitchell and Bates 1998). In this study, consumer decision-making styles in Turkey were examined.

CONCEPTUAL BACKGROUND

Consumer Decision-Making Styles

The investigation of consumer decision-making has a long tradition in marketing and consumer behavior research. Recently, considerable scientific effort has been devoted to the exploration of consumers' decision-making styles (Bauer et al. 2006). In consumer behavior literature, three approaches have been suggested to characterize consumer styles: The psychographic/lifestyle approach, the consumer typology approach, and the consumer characteristics approach (Sproles and Kendall 1986). In the consumer characteristics approach, it was assumed that consumers follow certain decision-making traits such as quality consciousness (Darden and Ashton 1974) or brand loyalty (Moschis 1976) to handle their shopping tasks. Following consumer characteristics approach Sproles and Kendall (1986), combined these decision-making traits and additional traits to develop a consumer decision-making styles inventory (CSI), a comprehensive instrument that measures eight mental characteristics of consumer decision-making. This measurement system (CSI), which is proposed by Sproles and Kendall (1986), provided a foundation for standardized testing of consumer decision making styles and had been tested and validated in international settings.

Tai (2005), in his study, attempted to investigate the fundamental motivations and shopping preferences of modern Chinese women based on the CSI. In the study found ten factors were named as follows; price and value consciousness, fashion enthusiasm, brand consciousness, quality consciousness, personal style conscious, environmental and health consciousness, convenience and time consciousness, brand and store loyalty, shopping influences and reliance on the mass media.

Leo, Bennett, and Hartel (2005) aimed to demonstrate that consumer decision-making styles differ according to consumers' cultural orientation. In the study, differences on CSI between Anglo-Saxon Australians and Singaporean Chinese were compared and examined. Findings of the study indicated that there were significant country differences for the decision-making styles of brand consciousness, innovativeness and confused by overchoice. Results showed that Australians are more brand conscious; Singaporeans are more innovation focused than Australians and Australians are more confused by overchoice than Singaporeans. Besides, no significant differences were found between consumers from Singapore and Australia for quality consciousness, recreation consciousness and brand loyalty decision-making styles.

Wesley, LeHew, and Woodside (2006), assessed consumers' decision-making styles related to their shopping mall behavior. They proposed that shopping contexts (e.g., shopping in regional versus local area malls) theoretically should not affect the structure of consumer decision-making styles. The findings of the study supported the view that CDM styles are independent of the mall shopping context that the loadings of items occur for the same factor for at least three of the four malls. Thus, CDM styles are found to be independent in structure to different shopping contexts.

RESEARCH METHODOLOGY

This research was undertaken to identify decision-making styles of Turkish consumers. The dimensions of decision-making styles of Turkish consumers were investigated using a revised consumer decision-making styles inventory.

Measurement and Data Collection

A questionnaire was designed to measure consumer decision-making styles in Turkey. It was based on the studies of Sproles and Kendall 1986; Hafstrom et al. 1992; Fan and Xiao 1998; Mitchell and Bates 1998; Tai 2005; Bauer et al. 2006; Walsh, Mitchell and Thureau 2001 and Chase 2004. First of all, scale items were translated into Turkish with minor changes in wording to clarify the meaning in the Turkish questionnaire and new items were included for each of the consumer decision-making styles confirmed by above mentioned researchers. As a result, a 54 items revised CSI inventory was utilized in order to examine the decision-making styles of Turkish consumers.

Data was collected from an adult consumer sample. Because high school and college students usually come from a very narrow age range and their consumer decision-making styles are likely to be less crystallized at this stage than later in life, the present study focused on adult consumers ranging in age from 18 to 46 plus. Also, data were collected around shopping malls and places nearby shopping centres in Istanbul, Turkey. Judgmental sampling method was adopted to generate respondents from different age groups, income levels, education levels, and occupations. To enhance the representativeness of the sample, respondents were drawn from different districts of İstanbul. In total, 612 questionnaires were received between 2007, May 28 and June 10. An initial check of data collected revealed that 602 questionnaires could be used for data analysis and 10 questionnaires were discarded because of either missing data or apparent inappropriate response patterns. Demographic characteristics of the respondents is shown in [table 1](#).

Analysis

Factor analysis with varimax rotation of factors was performed to identify the Turkish consumers' decision-making styles. Items loaded heavily on more than one factor, and items having low correlations with other items, were dropped. Totally seven items in the questionnaire were dropped. The remaining 47 variables were loaded on nine factors, with factor loadings all greater than 0.40 and ranging from 0.401 to 0.763. The nine-factor solution explained 57.057 % of the variance. The order of factors is based on the amount of variance explained. A new factor which is not found in the CSI, developed by Sproles and Kendall (1986), was named as Environmental and Health Conscious Consumer, in line with the work of Tai (2005). Cronbach's alpha coefficient was used to assess the internal consistency among the set of items on each factor. All factors had satisfactory levels of reliability. The results of factor analysis and reliability coefficients for each factor are presented in [table 2](#).

Description of decision-making styles factors for Turkish consumers are as follows; *Novelty-Fashion Conscious Consumers* like to buy new and fashionable goods. Fashionable styling is important for them and they avoid having old fashion styling and image. They follow changing fashions and interested in updating goods with the newest ones. *Confused by Overchoice Consumers* feel the quantity of different product alternatives alone is confusing, and the amount of information available about these products adds to confusion. *Brand Conscious Consumers* pay attention to the brand names of products and are interested in purchasing famous and well-known brand-name products. They seem to think high prices signal high quality. *Recreational Consumers* enjoy shopping. They find shopping one of the most enjoyable activities of their life. Shopping makes them feel good and they like shopping for long hours. They enjoy shopping for the fun of it. *High Quality Conscious Consumers* perceive the quality of a product to be very important and are willing to make special efforts to choose products with the very best quality. *Price Conscious Consumers* follow sales campaigns and price discounts. They tend to choose lower price products and prefer to go shopping at sales times. *Environmental and Health Conscious Consumers* are careful about buying the products that do not harm the health and environment. Expensiveness of the environment friendly products doesn't matter for them. They are ready to pay higher prices for green products. *Impulsive Consumers* are impulsive when buying. They are identifying themselves as a typical shopper who often goes beyond the planned shopping budget. They feel that they should plan their shopping more carefully than they do. *Brand Loyal Consumers* mention that they go to the same store each time they shop. When they find a brand they liked, they buy it over and over and they do not prefer to change their brand choices.

Comparison of Findings of CSI Replication Studies

When it is compared to Sproles and Kendall's (1986) study, it was seen that eight factors found by Sproles and Kendall (1986) were confirmed in Turkish data. A comparison of the present study with Sproles and Kendall's (1986) results revealed that the majority of factor loadings and reliability coefficients are higher in the present study, indicating that in Turkey, the items better explain the factors they load onto. A Time Consciousness (Fan and Xiao, 1998), or Time-Energy Conserving trait, as identified by Hafstrom et al. (1992) and subsequently in Mitchell and Bates' (1998) eight and ten factor models, and also Time Restricted trait identified by Mitchell and Walsh (2004) or Convenience and Time Consciousness trait identified in Tai's (2005) work were not found in the present study. Variety Seeking trait as identified by Walsh et al. (2001) and subsequently in Mitchell and Walsh's (2004) female sample and Bauer et al.'s (2006) study was not found in the present study.

CONCLUSION

Decision-making styles of Turkish consumers were identified in this study. While consumer decision-making styles have been extensively studied in Western Cultures, this research is the first study to apply the revised CSI in Turkey. Results of the study have provided general support for the usefulness of the revised scales in understanding Turkish consumer decision-making styles. In this study, after deeply examining the previous studies that applied CSI, items of the CSI, originally developed by Sproles and Kendall in 1986, were altered in order to have a more general approach to purchasing goods rather than a specific product type and to adopt the scale to Turkish consumers. And also one more dimension named as "environmental and health conscious consumer" was added to the scale, by refereeing the work of Tai (2005) and future research implication of Fan and Xiao (1998). Therefore, a nine-factor model was proposed. All the dimensions confirmed with the use of data recently collected from adult consumers living in İstanbul. These nine dimensions were Novelty-Fashion Conscious Consumer, Confused by Overchoice Consumer, Brand Conscious Consumer, Recreational Consumer, High Quality Conscious Consumer, Price Conscious Consumer, Environmental and Health Conscious Consumer, Impulsive Consumer and Brand Loyal Consumer. Eight factors found by Sproles and Kendall (1986) were confirmed in Turkish data. A comparison of the present study with Sproles and Kendall's (1986) results revealed that the majority of factor loadings and reliability coefficients are higher in the present study, indicating that in Turkey, the items better explain the factors they load onto. And also when compared to other replication studies, some factors like Time Consciousness, Time Restricted, Convenience and Time Consciousness and Variety Seeking were not found in this study. The reason behind the absence of time related factors for Turkish consumers can be explained by the long opening hours of shopping malls (until 10 pm on weekdays and 11 pm at weekend) in Turkey and the absence of Variety Seeking trait may be due to cultural difference in shoppers' attitudes among Turkey and other countries or because of financial constraints of Turkish consumers.

LIMITATIONS AND IMPLICATIONS

Considering the fact that Turkey is composed of seven regions, each having many cities with distinct characteristics, it may not be possible to generalize the results found with the consumer sample used in this study to whole population in Turkey. Future research with a more diverse sample representing consumers from all regions of the country is warranted in order to generate more robust support for the applicability of the CSI as well as to reveal more managerial implications in the Turkish consumer market. In conclusion, results of the study in regards to dimensions of Turkish consumers' decision-making are thought to be useful in predicting consumer behavior, meeting consumer needs and decreasing uncertainty for managers in strategy development.

TABLES

Table 1: Demographic Characteristics of Respondents

Characteristic	%	Characteristic	%	Characteristic	%	Characteristic	%
Occupation		Education		Age		Income	
Private Sector	26.1	Primary School	16.6	25 and below	24.3	1500 YTL and below	33.7
Public Sector	15.1	Secondary School	15.8	26-35	34.7	1501 YTL – 2500 YTL	32.2
Self-employed	8.3	High School	31.6	36-45	22.3	2501 YTL and over	34.1
Merchant	5.6	University and over	36.0	46 and over	18.7		

Tradesman	13.0	Marital Status	Gender	
Housewife	18.9	Married	49.5	Male 48.3
Student	13.0	Single	50.5	Female 51.7

Table 1: Consumer Decision Making-Styles Factors and Reliability Coefficients

Decision-Making Styles Factors	Loadings
Factor 1: Novelty-Fashion Conscious Consumer ($\alpha= 0.840$)	
I like to buy new and fashionable goods	0.734
Fashionable, attractive styling is very important to me	0.716
I keep my wardrobe up-to-date with the changing fashions	0.706
I am always avoiding to have old-fashion styling and image	0.704
Having out-of-date goods annoys me	0.660
I am very interested in updating goods with the newest ones	0.589
Factor 2: Confused by Overchoice Consumer ($\alpha= 0.845$)	
I often have difficulties in deciding when there are so many alternatives	0.763
All the information I get on different products confuses me	0.726
It is hard to choose among so many alternatives for me	0.713
The more I learn about products, the harder it seems to choose the best	0.700
Shopping is difficult for me when there are so many choices	0.700
There are so many brands to choose from that often I feel confused	0.615
Factor 3: Brand Conscious Consumer ($\alpha= 0.821$)	
The more known the brand of a product, the more confident I feel when purchasing	0.677
The higher the price of a product, the better its quality	0.672
I think getting best quality brands requires paying higher prices	0.631
I prefer to buy best-known brands, even though they are sometimes more expensive	0.625
Among the similar products, I tend to choose famous brands	0.603
The well-known brands are best for me	0.601
Factor 4: Recreational Consumer ($\alpha= 0.849$)	
Shopping is one of the most enjoyable activity that I like	0.763
Going shopping is one of the enjoyable activities of my life	0.733
Shopping is a pleasant activity to me	0.719
I feel myself so good when shopping	0.688
I like shopping for long hours	0.687
I enjoy shopping just for the fun of it	0.464
Factor 5: High Quality Conscious Consumer ($\alpha= 0.775$)	
A product have to be perfect, or the best to satisfy me	0.671
I always buy the most quality products that are best in all attributes	0.615
In general I usually try to buy the best overall quality	0.586
Getting very good quality is very important to me	0.557
When it comes to purchasing products, I try to get the very best or perfect choice	0.483
I make a special effort to choose the best quality product available	0.431
Factor 6: Price Conscious Consumer ($\alpha= 0.720$)	
Price discounts and sales campaigns have an important role on my purchasing decisions	0.743
I compare discount rates of products when choosing among alternatives	0.689
The lower price products are usually my choice	0.613
Price discounts and sale specials shape my shopping decisions	0.601
I go shopping as much as possible at sales season	0.573
Factor 7: Environmental and Health Conscious Consumer ($\alpha= 0.733$)	
I never buy products that harms health and environment	0.713
I prefer environment friendly products without looking if they are more expensive or not	0.698
I am willing to pay higher price for green products	0.648
I frequently purchase products that claim to be environmental friendly	0.634
Factor 8: Impulsive Consumer ($\alpha= 0.699$)	
I am a typical shopper who often goes beyond his/her shopping budget	0.697
Sometimes, I expend over the amount I planned	0.643
I am impulsive when purchasing	0.633
I should plan my shopping more carefully than I do	0.410

Decision-Making Styles Factors	Loadings
Factor 9: Brand Loyal Consumer ($\alpha = 0.684$)	
I go to the same stores each time I shop	0.603
Once I find a product or brand I like, I stick with it	0.602
I have favourite brands I buy over and over	0.503
Once I have made a brand choice, I prefer to buy it without trying other brands	0.486
Total Variance Explained: 57.057% ; Total Scale Reliability (α) = 0.926; α = Cronbach's Alpha	

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SESSION 7.3: ENVIRONMENTAL & SOCIAL ISSUES IN MARKETING

Session Chair: David M. Gray, Macquarie University, Australia

“Responsible Waste Disposal: An Exploratory Study of Affluent British and Brazilian Consumers”

Caroline Moraes, University of Birmingham, UK

Marylyn Carrigan, The Open University, UK

Isabelle Szmigin, University of Birmingham, UK

“Environmental Marketing and Competitiveness: The Moderating Role of Environmental Orientation”

Elena Fraj-Andres, University of Zaragoza, Spain

“Can Social Marketing Initiatives Increase Household Electricity Conservation?”

David M. Gray, Macquarie University, Australia

“Do Consumers Care about a Retailers’ Corporate Social Responsibility? —An Investigation of the Impact of CSR Activities on Consumer Behavior”

Hanna Schramm-Klein, Saarland University, Germany

Joachim Zentes, Saarland University, Germany

Dirk Morschett, University of Fribourg, Switzerland

Bernhard Swoboda, University of Trier, Germany

Sandra Pocsay, Saarland University, Germany

RESPONSIBLE WASTE DISPOSAL: AN EXPLORATORY STUDY OF BRITISH AND BRAZILIAN CONSUMERS

Dr. Caroline Moraes, University of Birmingham, United Kingdom
Dr. Marylyn Carrigan, Open University, United Kingdom
Prof. Isabelle Szmigin, University of Birmingham, United Kingdom

ABSTRACT

This paper explores how British and Brazilian consumers dispose of their unwanted or no longer used goods. Post-consumption environmental impact has become a global issue, and the need for consumers to reduce, reuse and recycle is paramount. A study of seven participants with recycling experience was undertaken. Divergent concerns in relation to waste, and distinct symbolic roles for disposal reflected the economically distinct contexts of the participants. Insights from this study can inform future consumer and policy research, and provide a more holistic view of the consumer behavior cycle.

INTRODUCTION

Post-consumption environmental impact has become a global issue and, in the UK, Defra (2007) has stated the need to prevent, reduce as well as recycle, reuse and recover energy from waste. While some UK local authorities, such as Lichfield District Council, have managed to achieve household waste recycling rates of 46% (Hickman 2006), and despite UK recycling figures going from 11.2% in 2000/01 to 22.7% by April 2005, there remain barriers to consumers' commitment to action, including inappropriate incentives and structures, apathy and ignorance (Heap 2005). However, for every ton of waste produced by UK consumers, about six tons are generated by commercial business (Hickman 2006), so assigning consumers sole responsibility for waste would be myopic. Indeed, consumption practices should be viewed as the realms in which solutions may be achieved, rather than as sources of environmental issues (Dolan 2002). Therefore, this exploratory research seeks to address this gap in the literature by viewing consumers and their meaningful practices as solutions to environmental issues. Thus, the first aim of this research is to explore how a few UK consumers dispose of their unwanted goods.

Defra (2007) highlights the need to break the linkage between waste and economic growth. However, such a severance may serve to elide the intrinsic links between economic development, affluence and waste, and the manner in which consumers dispose of unwanted goods. We contend that consumers from countries with distinct levels of economic development will dispose of goods in different ways. Therefore, the second aim of this small-scale study is to compare the varied paths to disposal adopted by middle-class British and Brazilian consumers, and to examine any differences between consumers' disposal attitudes and practices in both countries. Insights from this interpretive qualitative study can inform future consumer and policy research, and present paths for improved solutions to disposal practices in the UK and Brazil.

HIGHLIGHTING A FEW SOCIO-ECONOMIC DIFFERENCES BETWEEN BRAZIL AND THE UK

With 186 million people (IBGE 2007a) Brazil is marked by widespread unemployment, social inequality and increasing environmental degradation. Current indicators suggest illiteracy rates of about 9.3% among women and 9.9% among men above 10 years of age (IBGE 2006), as well as decreasing unemployment rates of over 10% in 2005 (IBGE 2007b). While only 3% of the economically active population earned 10 or more minimum monthly wages in 2006, about 60.5% earned between 0.1 and 2 minimum monthly wages in that same year (IBGE 2007b). Thus, purchasing power is low for the majority of the Brazilian population and informal employment is to the fore. Current media and specialist discourses on waste acknowledge its risks, but portray it as a source of economic opportunity. This view is also embraced by those with few opportunities for social mobility, and is reflected in the role played by waste cooperatives in keeping the streets clean. In the state of Sao Paulo, affluent consumers (middle, upper middle and upper classes) tend to rely on the domestic services of housekeepers, and general household consumption and disposal practices are mediated by such employees.

Compared to Brazilian society, most of the 60 million UK consumers experience relatively affluent lifestyles, although nationwide certain marginalized populations experience high levels of deprivation and economic constraint (Williams and Paddock 2003). Around 16% (5.2 million) adults remain functionally illiterate (NLT 2008), while two-thirds of the population experience below national average income (Brewer et al. 2006). Yet, consumption throughput is relatively high compared to Brazil, such that commerce and household waste in the UK amounts to over 434 million tons annually (Milmo 2005). This and other signs of environmental degradation have led UK government, media and pressure groups to campaign for more sustainable consumption and responsible waste disposal practices. The UK has also presented some interesting

community-led initiatives based on the use of waste, such as the Brighton & Hove Community Wood Recycling Project which collects waste wood daily from sites, and prevents landfill disposals (Williams 2006). Such initiatives, however, emanate from the perceived need to combat environmental issues rather than from economic need. Indeed, UK media discourses on waste address it as burdensome, which in turn is accompanied by inconsistent government recycling initiatives and ineffectual commitment by marketers to green development strategies. Research also suggests that perceived effort is a relevant attitudinal component in the responsible disposal decision making process (Dahab, Gentry, and Su 1995), so, given that the employment of domestic help is not as common in the UK as it is in Brazil, UK consumers are in charge of their own disposal. The UK and Brazil, therefore, provide useful backdrops against which to explore consumers' waste disposal attitudes and behavior, and the literature addressing disposal (throwing things away) is discussed next.

A BRIEF OVERVIEW OF THE LITERATURE ON DISPOSAL BEHAVIOR

In the past two decades, a number of studies have sought to examine disposal as an integral part of the consumption experience. Yet, there remains much to be explored in terms of how consumers dispose of goods in the ways that they do. Additional studies have examined recycling attitudes and motivations as well as 'reduce' and 'reuse' behaviors. Bagozzi and Dabholkar (1994), for example, investigate consumers' recycling motivations using the theory of reasoned action, means-end chain analysis and laddering techniques, and find fifteen salient goals relevant to consumers. These moved from concrete (i.e. 'avoid filling up landfills', 'reuse materials') to more abstract values (i.e. 'sustain life', 'provide for future generations'), and overall findings suggest that the provision of specific goals and procedures for recycling to consumers would likely increase the practice of recycling. Smith, Haugtvedt and Petty (1994), on the other hand, suggest that recycling behavior is subject to affective influences, which in turn are moderated by attitudinal strength toward recycling, and Mobley et al. (1995) support the influence of affect on evaluation processes of recycled products, and suggest that consumers' attitudes are positively influenced by the inclusion of recycled materials in products, independent of type.

However, from an environmentalist perspective, recycling should be adopted alongside other waste-reduction and disposal practices (Cooper 2005), and studies on ethical consumption (Shaw and Newholm 2002) have revealed a range of responsible waste-reduction practices adopted by consumers. These include composting, recycling, extending products' lifespans by repairing, re-using and creating unintended usages for products, purchasing second-hand products, reducing and avoiding consumption. Therefore, we explore whether this broad range of disposal practices are employed by our study's participants, and how such practices may differ among Brazilian and British consumers. We draw on Harrell and McConocha's (1992) framework – keep, throw away, sell, pass along, donate with and without tax deduction – and adapt it to fit our research context alongside the additional practices identified in the literature (see [Figure 1](#)).

METHODOLOGY

We have adopted an interpretive methodology, which systematically explores consumer subjectivity, the process of meaning construction, individual and shared systems of meaning, and ways of representing these phenomena through qualitative research (Marsden and Littler 2000). In order to restrain the research to a particular set of social circumstances (Thompson 1996) despite the distinctiveness of each chosen market, the purposive sampling criteria included middle-class, working mothers in their thirties and forties, with recycling experience. A discussion guide was developed in English and translated into Portuguese; topics were based on the key disposal issues identified in the reviewed literature and the framework presented in [Figure 1](#). In the UK, three semi-structured interviews of approximately 1 hour were conducted face-to-face, whereas four Brazilian respondents were interviewed through computerized telephone calls. The interpretation followed the hermeneutic process involving reading and systemizing the interview transcripts, where patterns of meaning, similarities and distinctions among answers were sought, and where interpretation was developed through each reading (Thompson 1996).

FINDINGS AND DISCUSSION

Distinct Levels of Economic Development and Attitudes toward Waste and Disposal

Both UK and Brazilian respondents made the connection between how we dispose of goods and natural environment degradation. Crammed landfills, litter and excess packaging were highlighted by UK participants, whereas Brazilian respondents were more concerned with pollution. Lack of landfill capacity was also stressed by Márcia, a São Paulo resident, who supported the local authority's decision to institute a tax on the amount of household waste disposed. Cecília, too, linked disposal, climate change and health issues: "I fear that in a very near future we are not going to have water, food... We are spoiling everything. Mothers come to the surgery complaining that their sons don't stop coughing, that they have bronchitis. I

tell them that it's our fault. Here asthma is a big issue. It is the disease which makes most people unfit to work, and pollution has a great deal to do with it (Cecília)." UK participants harbor occasional guilt arising from throwing away something which could potentially be reused or recycled. They also portray the pursuit of responsible disposal practices as something of a burden, which, as seen in the literature, impacts the decision to dispose of goods responsibly (Dahab, Gentry, and Su 1995). Suzanne laughingly recounted her conflicts with bottle waste: "I don't want to blame culture, but I think the council should meet you halfway. I think people would be willing to do a lot more recycling if it was more convenient to do so. (Suzanne)." There was also a feel good factor reflected from their social stewardship: "I do feel good about it. It's not so much feeling actively good about it, but feeling that there's an element of social responsibility, and people should be doing this, because if nobody did, then it's just obscene the amount we waste and throw away (Sarah)." Therefore, extended disposal cycles (Harrell and McConocha 1992) are seen as responsible and necessary by UK participants, despite the inconvenience.

However, the overall impact of waste and disposal on UK participants' lives was less obvious than their impact on Brazilian participants' experiences. Arguably, much of the Brazilian condition of lack of education (including about disposal), social inequality, and poverty is intrinsic to Brazilian participants' discourses on waste and disposal. Poverty is close to home, yet part of a parallel social world. Scrap mongers, who collect the recyclable waste from households and public spaces, are cited by Márcia as "part of the urban landscape." Brazilians greatly disapprove of (and possibly feel guilt and denial regarding) waste and irresponsible disposal practices, for, in their view, how can there be waste under such social conditions? "I just think that any waste is absurd! Most of what is wasted can usually be used in one way or another... And how can there be waste if some people have nothing? (Márcia)" In these participants' experiences, extended disposal is a duty, but the 'burden' is usually incurred by someone else (the housekeeper or scrap monger). This is a key difference between Brazilian and UK participants' attitudes toward responsible disposal, which emanates from distinct socio-economic realities.

Cecília and Fátima reported feelings of altruism and citizenship when engaged in responsible disposal practices, and Raquel described feeling "less guilty" when separating waste and recycling. Stern et al. (1993, in Kollmuss and Agyeman 2002) found that the egoistic orientation is the foremost orientation in altruistic behaviors, followed by social and only then environmental concerns. Fátima reported buying purses made of braided supermarket plastic bags out of sympathy for community project's members. Yet these purses were not used because they were perceived as unfashionable, and so again became items selected for disposal. Therefore, and in contrast to UK participants, Brazilian respondents experienced waste and extended disposal cycles as signifiers of distinction (Bourdieu 1984); a distinction which sets them apart from a disconcerting social reality. Despite the issues, UK and Brazilian participants strive to adopt an array of disposal practices.

Distinct and Varied Paths to Disposal

British and Brazilian participants exhibit a distinct range of disposal practices. Food composting is recognized in the UK, but only Sarah undertakes it. Brazilian interviewees, however, are unaware of food composting. All participants separate their general packaging and paper waste, and Fátima compared her annual disposal of magazines and receipts to a cleansing ritual, by which she prepares herself for the start of a new year. This resonates with some of the literature on the symbolic role of disposition practices in relation to rites of passage (McAlexander 1991). In the UK, geographical location impacts upon how much recycling is done due to the variable Council services, or the distance to the recycling point. Sarah (rural town dweller) and Suzanne (city dweller) explain as follows: "We have a collection that comes fortnightly that will take paper, glass, cans and tins, aluminum, plastic. And also I live about two or three miles from a municipal tip that has got more and more organized where you can also take cardboard, garden waste, wood, metal, stuff that's got to be disposed of (Sarah)." "We get a paper collection, so that's great. You can save as much paper as you want, and leave it out for collection. Mind you, that annoyed me a bit because there was paper everywhere, and the recycling only comes every two weeks (Suzanne)."

In Brazil, some of these practices are dependent on the type of living accommodation; collection services and civic amenities are seldom offered by local governments. The Brazilian participants who live in high-rise buildings (Raquel and Fátima) argued that each floor has its separate bins for recyclable materials, collected by the building's maintenance team and passed to waste cooperatives that re-process the recyclable waste. But families living in houses face greater barriers to recycle. Brazilian scrap mongers seldom pass by, and waste cooperatives are not always local. Cecília separates recyclables, but ends up leaving the separated waste to be collected by the litter truck due to alleged lack of time. Both UK and Brazilian house-residing respondents emphasized the accumulation of waste (and thus clutter) due to their recycling efforts, while Suzanne lamented the inability of her UK neighbors to organize themselves and collectively engage in responsible disposal practices: "It needs somebody to initiate it and do it and get on with things; it's the responsibility of it. It's like, at the back of us we've got a shared driveway to all the gardens and we need to put some gates up to stop intruders, but nobody will actually go round all the houses and collect the money and organize the actual gates to be put up. Somebody needs to be responsible for

it (Suzanne).” Biswas et al.’s (2000) US research indicates a significant correlation between purchasing recycled and recycling practice. In Brazil, only Raquel bought notebooks made out of recycled paper, whereas UK participants were all enthusiastic purchasers of recycled and/or second-hand goods.

Both UK and Brazilian participants tried to donate unwanted clothing. All UK respondents either pass unwanted items of clothes to friends or family, charity shops, or recycle bins. Liz described her surprise at learning that regardless of the condition, clothing and shoes could be reused, and this had encouraged her to donate further: “A friend told me that charity shops will take more or less anything, they’ll sort it out and then they will send stuff where it’s needed. I’ve done the lot, you know things like school shoes that are a bit battered, but again if you’ve got nothing then you might appreciate them, so my attitude has changed towards that (Liz).” UK respondents repair shoes and clothes: “Oh I’m pretty good at repairing things. I patch clothes and things like that (Sarah).” This contradicts recent UK research suggesting most UK consumers are unwilling to buy second hand goods, or repair products (Cooper 2005). Brazilian respondents also reported passing clothing and shoes to mainly family and friends, repairing most items, and donating directly to social institutions.

The disposal of electronics and white goods differs somewhat in both countries. UK respondents would repair washing machines if worthwhile economically vis-à-vis a new purchase; cheaper electronics or unwanted white goods go directly to the recycling point or for council collection under a reasonably effective call and collect service. Brazilian consumers would also normally repair and make secondary use of them around the house, donate them to family members, or send them to second homes. Items beyond repair are donated to scrap cooperatives or to the poor, who in turn profit from selling the electronics’ and white goods’ parts. DeBell and Dardis’s (1979) study on the factors influencing consumer purchase and disposal of white goods found that although technologically possible to increase products’ durability and consequent lifespan, consumers discard such products due to either technological or fashion obsolescence. However, both our Brazilian and UK participants clearly demonstrate making-it-last behaviors towards their electronics and white goods, and the importance of extending their product life cycle beyond the expected norm: “Hoover, we’ve had it for years, it still works. Gosh...we’ve got one TV, we’re quite unusual among our friends. It’s a really old one and me personally, I’m not into, kind of you know I’ve got friends who want the latest this, that and the other, and to me you can get one that works just the same, it’s the same telly isn’t it? (Liz).” Sarah described her approach to replacing worn out goods, a view that was reflected by all the UK participants: “I quite often tend to look at things and think do we need it? And that’s usually far less based on an economic principle than I just hate having too much stuff (Sarah).” These findings provide a contrast to Cooper’s (2005) study on UK consumer attitudes to product obsolescence. All our participants value their goods, eschewing pointless and overpriced upgrading. They contemplate buying products with extended lifespans, such as energy efficient washing machines, and suggest the value of their goods is derived from longevity and functionality.

Where feasible, UK participants buy local, which in turn is seen to reduce environmental impact: “Yes we use local farm shops for meat when we can actually get around to getting there. It probably only accounts for 20-25% of our meat but I try and use that. And even when I’m in the supermarket... Waitrose have an organic and locally grown section, and I will pick up the locally grown stuff (Sarah).” UK participants would like to buy more local produce, but found barriers to this particularly in the city, from either lack of choice and availability, or because of high prices. These participants’ participation in alternative consumption spaces (i.e. charity shops, eBay) reflects an agency-orientated cultural reading ascribed to affluent populations that “views the engagement in such spaces as about the search for fun, sociality, distinction, discernment” and so forth (Williams and Paddock 2003, 137). However, Brazilian participants had little knowledge of, or interest in second-hand items, and took the traditional view (Williams and Paddock 2003, 137) that alternative consumption spaces such as second-hand stores were “marginal spaces used out of economic necessity by disadvantaged populations.” This reinforces the social role of distinction associated with disposal in the case of Brazilian participants. Buying local was an inevitable, rather than deliberate strategy for Brazilian participants, as most food staples are produced locally in Brazil. However, even where their food shopping practices are mainly dominated by supermarket trips, all participants source their fresh produce from a range of local outlets, which reduces food mileage and negative environmental impact. While this choice is socio-culturally influenced by Brazilian tradition, it is also supported by availability; such choice is diminished for UK participants.

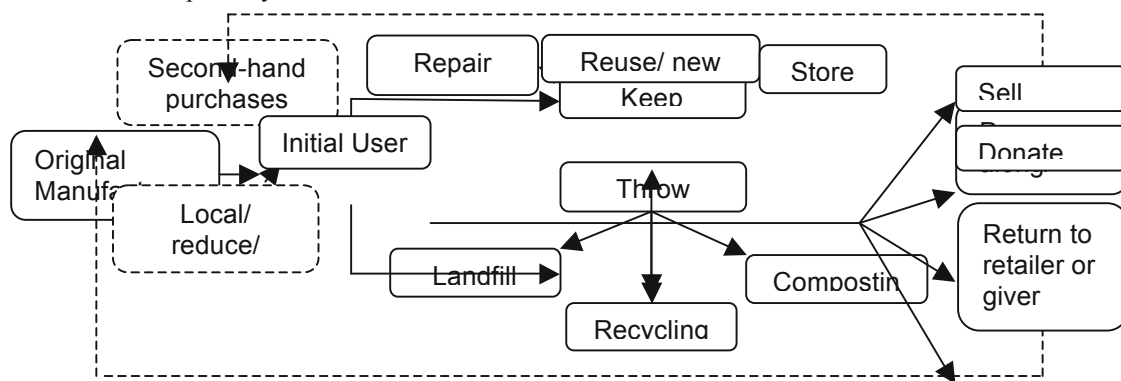
CONCLUSIONS

This paper has explored British and Brazilian consumers’ distinct disposal attitudes and practices. Although non-representative and drawing on a small sample of participants, this study clearly indicates the need to question Defra’s (2007) intention to break the link between economic development, waste and disposal. UK and Brazilian participants presented divergent concerns in relation to waste, and articulated distinct symbolic roles for disposal, which emanate from their economically-distinct contexts. Although extended disposal cycles are seen by British participants as burdensome, but

necessary and responsible, Brazilians see them as a duty, with the ‘burdening’ aspects of such practices being passed on to third parties. Both UK and Brazilian participants make the connection between irresponsible disposal and natural environment degradation, and all participants repair and value the longevity of electronics and white goods. Despite the lack of appropriate government-led collection services, Brazilian participants’ disposal practices seem more intricate, hierarchical and geared towards charity and non-wastefulness than those adopted by UK participants. Conversely, UK participants avidly reuse and purchase recycled and second-hand products, practices which are not adopted by the Brazilian participants. Although Brazilian participants’ narratives embrace the waste-as-opportunity viewpoint communicated by the local media, such discourses seem to reproduce the social inequalities idiosyncratic of the country. Exploratory findings from the present study have both specific and general relevance to further studies in the UK, Brazil and other countries. Future research could interview and survey a broader range of participants in these and other countries, including consumers with varied demographic, geographic and socio-economic backgrounds, as the findings and literature suggest these factors impinge upon consumers’ disposal attitudes and practices. Finally, policy-driven interventions would have to be accompanied by context-specific participatory processes and experiential education (Kollmuss and Agyeman 2002), as well as coherent legislation aimed at facilitating not only recycling but also additional, more energy-efficient disposal practices (Defra 2007).

FIGURES

Figure 1: The extended disposal cycle



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ENVIRONMENTAL MARKETING AND COMPETITIVENESS: THE MODERATING ROLE OF ENVIRONMENTAL ORIENTATION

Elena Fraj-Andrés, University of Zaragoza, Spain
Eva Martínez-Salinas, University of Zaragoza, Spain
Jorge Matute-Vallejo, University of Zaragoza, Spain

ABSTRACT

Empirical research about the competitive consequences of environmental marketing is still scarce and inconclusive. The aim of this study is double. First, it analyses whether implementing proactive environmental marketing influences different dimensions of organizational performance. Second, it studies if companies with a stronger environmental orientation may achieve better results by developing these practices than the less oriented firms. Findings suggest that environmental marketing drives companies to optimize its operational and commercial results and such improvement is a source of higher economic results. And, the intensity of this influence varies depending on the company's environmental orientation, what determines the success of environmental marketing.

INTRODUCTION

Environmental marketing is a businesses' philosophy by which companies aim to response to society's awareness for environmental issues, and is considered as a source of competitive advantages (Baker and Sinkula 2005; Miles and Covin 2000). In spite of the fact that the most traditional view of the company has considered that managing environmental issues damages firms' economic health (Walley and Whitehead 1994), some recent researches have shown the existence of competitive advantages associated to these practices (Hart 1995; Porter and van der Linde 1995). Most of these investigations have focused on the financial performance and little attention has been paid to analyze alternative dimensions of organizational performance. Furthermore, it is important to explore the circumstances under which environmental proactive initiatives contributes to the firm's competitiveness, since not all companies will be able to translate environmental strategies into a competitive advantage (Christmann 2000). Following the complementary assets theory, this study considers environmental orientation as a resource that enhances the link between proactive strategies and the firm's performance. Consequently, this study attempts to empirically analyze two issues. First, it involves whether developing environmental marketing activities contributes to optimize the firm's organizational results. And, second, it addresses if environmental orientation, as a company's valuable resource, moderates the relationship between environmental marketing and organizational performance.

THEORETICAL BACKGROUND AND HYPOTHESES

Environmental issues have influenced the design of firms' strategies, arousing the interest of marketing practitioners and academics (Baker and Sinkula 2005). Firms, aware of the natural resources' limitation, have adopted a new business philosophy that has resulted in a more rational depletion of these resources (Sheth and Parvatiyar 1995). The philosophy that is behind environmental marketing is based on the assumption that companies must be responsible for the negative externalities they generate (Fuller 1999) so it requires them to adopt a culture based on saving and reducing resources, but also to re-use some inputs and outputs that previously were spilled out. But, this concept also represents a competitive opportunity for firms because it implies adapting its conduct to the society's norms, values and expectations (Chamorro and Bañegil 2006).

Empirical research about the influence of environmental marketing on competitiveness is scarce and inconclusive (González and González 2005). On the one hand, there are some studies that evidence the existence of certain barriers that impede companies to achieve economic benefits from environmental actions. Most of these studies support the idea that the payback associated to environmental practices is not enough to cover the large investments associated to prevention technologies and it negatively influences business performance (Walley and Whitehead 1994). On the other hand, many papers have demonstrated the existence of economic and financial positive outputs consequence of developing proactive strategies (Baker and Sinkula 2005; Klassen and MacLaughlin 1996; Menguc and Ozanne 2005). Following González and González (2005), this paper assumes that it does not exist a single path between these variables and that environmental marketing can favor the optimization of different measures of organizational performance. Thus, we propose a theoretical model that suggests that the improvement of the operational and commercial results, derived from the application of environmental marketing, will lead firms to obtain better economic results.

Proactive environmental strategies help companies to increase their operational efficiency and to improve production quality. Meeting pollution reduction objectives requires changes in products and processes that reduce the quantity of waste generated and optimize the productivity of some resources by, for example, using cheaper and cleaner raw materials or reducing the consumption of energy and water (Hart 1995). Besides, prevention environmental practices may reduce production cycles, eliminate inefficient processes (Hammer and Champy 1993) and minimize potential liability costs derived from environmental laws (Rooney 1993). Environmental marketing involves proactive activities that result in a more rational management of the company's resources. Following this idea, we hypothesise that:

H1) The development of environmental marketing will positively influence the firm's operational performance

H2) The optimization of the firm's operational performance as a result of developing environmental marketing will positively influence its economic performance

Marketing performance, which refers to the effectiveness of the marketing functions to meet the customers' requirements, it is an important consequence of developing proactive environmental strategies (González and González 2005). Sharma and Vredenburg (1998) highlighted the importance of incorporating more intangible indicators to measure performance, including aspects like company reputation or goodwill and the improvement of the relationships with stakeholders. Thus, the commercialization of environmentally friendly products and services may also generate important differentiation advantages as a result of projecting a more responsible image to these stakeholders. Miles and Covin (2000) affirmed that environmental marketing will enhance the company's reputation since it is considered as the result of the customer's and stakeholder's perceptions of the company's ethical behaviour what will influence the commitment and the trust of such groups. In view of this, the following hypotheses are formulated:

H3) The development of environmental marketing will positively influence the firm's marketing performance

H4) The optimization of the firm's marketing performance as a result of developing environmental marketing will positively influence its economic performance

Hart (1995) proposed the natural-resource view of the firm defending that the constraints imposed by the natural environment can help companies to build up distinctive resources and capabilities able to generate better results. Within the natural-resource-based view of the firm, Christmann (2000) adopts the concept of complementary assets (Teece 1996) to explain why companies do not obtain the same benefits from adopting the same environmental practices. The complementary assets are resources that a firm needs to appropriate the benefits derived from the development of a strategy. This author found that some technical resources moderate the link between friendly environmental initiatives and the company's costs. Following this framework, this paper proposes that environmental orientation can be considered as an intangible asset that will moderate the influence of environmental marketing activities on organizational results. Environmental orientation involves the integration of the ecologist values within the firm's culture and can be codified in mission statements, formal policies, training and information programs for employees and managers, etc. (Banerjee et al. 2003; Stone et al. 2004). Having a strong environmental orientation means that companies will be able to capture the benefits associated to these practices because all the corporate and functional levels share the same environmental values and norms. On the contrary, companies that decide to implement environmental proactive strategies, without previously adopting an environmental orientation, could not have enough experience to successfully implement these practices. Thus, we propose that:

H5) The effect of environmental marketing on operational performance will be stronger in firms that present a higher environmental orientation.

H6) The effect of environmental marketing on marketing performance will be stronger in firms that present a higher environmental orientation.

METHODOLOGY

To meet the objectives of this study, a market research aimed to Spanish manufacturing companies was conducted. The target population consisted of 2098 manufacturing firms that employed more than 150 employees and covered different industrial sectors like: food, textile, wood and paper, chemical and plastics, metallurgy, electronic and electric equipment, vehicle manufacturing and utilities. A postal survey was sent to each company's environmental manager. Finally, 361 valid questionnaires were received, what represent a response rate of 17.20%. To measure environmental marketing, a novel scale was developed. A qualitative approach through in-depth personal interviews with seven marketing and environmental managers of important large companies in the manufacturing sector was employed to design the scale. The proposed final

scale collected 14 items (5 point Likert scale: 1= null intensity; 5= high intensity). To measure operational, marketing and economic performance, we developed measure instruments adapting some scales used in previous studies (Gonzalez and Gonzalez 2005; Sharma and Vredenburg 1998) (5 point Likert scale: 1= with respect to our competitors, our position is much worse; 5= with respect to our competitors, our position is much better). To measure environmental orientation, the scale proposed by Banerjee et al. (2003) was selected. This scale presented 6 items (5 point Likert scale: 1= strongly disagree; 5= strongly agree). [Table 1](#) presents the scales of the study.

ANALYSES

Exploratory and confirmatory factor analyses were employed to validate the scales. The Cronbach's Alpha for all the scales exceeded the critical limit of 70% (Nunnally 1978) and the item-to-total correlations exceeded the value of 0.5. Items EP2 and EP5 were eliminated to increase the consistency of the scale. In order to identify the dimensions underlying the different scales, a principal component analysis was carried out. Items of the environmental marketing scale, loaded into two different factors. The first factor captures practices like eco-design, the use of cleaner or recycled materials in packaging and products, green logistics and reverse logistics systems, and was called *strategic environmental marketing* (SEM). The second dimension refers to short-terms focus and reversible practices like green advertising, the launch of green product lines, the use of eco-labels or the sponsorship of environmental groups and received the name of *tactical environmental marketing* (TEM). It also should be noted that operational performance loaded into two different dimensions labeled as *cost performance* (CP) and *process performance* (PP). The next step within the validation process is to carry out a confirmatory factor analysis following Jöreskog and Sörbom's (1993) recommendations. We ensured if all the items of the model were significant, presented significant factor loadings and had a strong lineal relationship. The scales also presented a global validity because all the items present factor loadings above 50% (convergent validity) and met the discriminant validity criteria. Moreover, the goodness of fit is at an acceptable level (Hair et al. 1998).

To test the hypotheses 1, 2, 3 and 4 structural equation modeling was performed with software EQS 6.1. [Table 2](#) reports the results of such model. Hypothesis 1, which proposed a positive relation between environmental marketing and operational performance, is supported. The relationship between the strategic and tactical dimensions of environmental marketing and the operational and cost performance are positive and significant. The hypothesis 2 was only partially supported because only cost reduction positively affects economic performance but process performance is not related to such variable. Hypothesis 3 is accepted because tactical and strategic environmental marketing positively influenced marketing performance. Finally, hypothesis 4 is supported because the influence of marketing performance on economic performance is positive and significant. To test the hypotheses 5 and 6 we carried out a multisample analysis. Therefore, we divided the sample between companies that present a strong environmental orientation (SEO) and firms with a weak environmental orientation (WEO). To establish such differentiation cluster analyses were employed using SPSS 14.0. Results, displayed in [table 3](#), partially support hypotheses 5 and 6. Significant differences can be observed for the paths between strategic environmental marketing on cost performance and tactical environmental marketing on marketing performance.

DISCUSSION, IMPLICATIONS FOR MANAGERS AND LIMITATIONS

Results suggest that integrating the ecological factor within some strategic decisions, like eco-design, reverse logistics or the employment of cleaner materials contribute to optimize performance. These actions require modifications at the operational levels that will allow companies to increase their efficiency. Findings also indicated that process performance was not translated into higher benefits, which could mean that some environmental investments are difficult to offset, at least in the shorter term. But also, this study supports the idea that environmental proactive actions contribute to optimize the firm's profitability, not only because it helps to reduce costs and to achieve a greater productivity of the resources, but also because it creates a differentiation advantage that will increase the firm's incomes. This study shows that the influence of environmental marketing on organizational performance varies depending on the company's resources. Specifically, having a strong environmental culture means that companies will have better information-gathering abilities that will help them to identify profitable opportunities from environmental strategies. Finally, this study is not free of some limitations. First, it employs measures of organizational performance and of environmental behaviors that are based on subjective perceptions. Second, this study only provided cross-sectional data.

TABLES

Table 1: Scales of the study

Environmental Marketing (EM)	Marketing Performance (MP)
EM1. Use environmental considerations in product design	MP1. Corporate reputation
EM2. Use ecological and clean materials in packaging	MP2. Alignment between company's offer and market expectations
EM3. Develop market research to detect green needs in the markets	MP3. Successful launching of new products onto the markets
EM4. Launch of green positioned brands onto the market	MP4. Corporate and brand image
EM5. Use of recycled or re-usable containers in logistics	MP5. Customer loyalty
EM6. Use of recycled or re-usable materials in our products	MP6. Customer satisfaction
EM7. Use environmental considerations in distribution and reverse logistics systems	Operational Performance (OP)
EM8. Selection of cleaner transportation systems	OP1. Final production costs
EM9. Provision of information about environmental management to consumers and institutions	OP2. Product quality
EM10. Green alliances or collaboration agreements with governmental agencies	OP3. Innovation capacity in new product development
EM11. Employ green arguments in advertising and promotions	OP4. Pace of new product launching and range of products in catalogue
EM12. Use eco-labels or environmental certification	OP5. Costs efficiency
EM13. Sponsorship or patronage of environmental groups or events	Economic Performance (EP)
EM14. Consider environmental aspects within price policy	EP1. Firm's profitability
	EP2. Market share
	EP3. Firm's economic results
	EP4. Profit before tax
	EP5. Sales growth
Environmental Orientation (EO)	
Environmental issues are very relevant to the major function of our firm	
At our firm, we make a effort to make every employee understand the importance of environmental preservation	
We try to promote environmental preservation as a major goal across all departments	
Our firm has a clear policy statement urging environmental awareness in every area of operations	
Environmental preservation is a high priority activity in our firm	
Preserving the environment is a central corporate value in our firm	

Table 2: Data from the causal model: Hypotheses contrast

Hypotheses		Standardized β (t)	Hypothesis verification	Fit Indices
H1	H1a SEM \rightarrow CP	0.220 (3.39)	Yes	S B $\chi^2=993.27$ (368) $p<0.001$ RMSEA = 0.0069 CFI = 0.901 IFI = 0.902 NNFI = 0.880
	H1b SEM \rightarrow PP	0.249 (4.15)	Yes	
	H1c TEM \rightarrow CP	0.194 (3.08)	Yes	
	H1d TEM \rightarrow PP	0.230 (3.94)	Yes	
H2	H2a CP \rightarrow EP	0.418 (6.83)	Yes	
	H2b PP \rightarrow EP	0.072 (1.29)	No	
H3	H3a SEM \rightarrow MP	0.199 (3.45)	Yes	
	H3b TEM \rightarrow MP	0.328 (5.43)	Yes	
H4	H4 MP \rightarrow EP	0.338 (6.36)	Yes	

Table 3: Results of the multisample analysis

Hypotheses		SEO Non Standardized β (t)	WEO Non Standardized β (t)	LM Test χ^2 dif (sig.)
H5	SEM \rightarrow PP	0.166 (3.42)	0.135 (1.80)	0.253 (0.633)
	TEM \rightarrow PP	0.240 (2.18)	0.141 (2.58)	0.255 (0.630)
	SEM \rightarrow CP	0.233 (3.01)	0.109 (1.80)	2.743 (0.092)
	TEM \rightarrow CP	0.301 (2.45)	0.130 (1.63)	1.416 (0.236)
H6	SEM \rightarrow MP	0.219 (2.58)	0.056 (1.35)	0.825 (0.383)
	TEM \rightarrow MP	0.283 (5.16)	0.076 (0.057)	2.870 (0.091)

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CAN SOCIAL MARKETING INITIATIVES INCREASE HOUSEHOLD ELECTRICITY CONSERVATION?

Dr David M. Gray, Macquarie University, Sydney, Australia
Belinda Bean Macquarie University, Sydney, Australia

ABSTRACT

Australia is the highest per capita emitter of carbon dioxide in the world, therefore improving energy conservation efforts is important to Australia's economic, social and environmental wellbeing. The use of Social Marketing as an intervention mechanism provides a means of affecting the required societal paradigm shift to enhance energy conservation. This paper focuses on the application of market segmentation to social marketing as a potential motivator to electricity conservation efforts in the context of residential New South Wales (NSW), Australia.

INTRODUCTION

Based on the current state of research it is unclear what specific conservation measures energy policymakers should take in order to achieve the desired reduction in residential electricity consumption. Some scholars have however, identified market segmentation as a more efficient mechanism than incentivising each individual, and also more effective than a mass-market appeal (Schiffman, Bednall, O'Cass 2005; Paladino and Kanuk 2005). Although social marketing has previously been used to influence individual action on climate change (Abrahamse, Steg, Vlek, & Rothengatter 2005), the use of a social marketing segmentation approach to influence household behavior to reduce the impact of climate has been neglected (McMakin, Malone and Lundgren 2002). In this paper, we examine from a social marketing perspective the potential role of targeted incentive packages for reducing household electricity consumption within a segmentation framework and some potential policy implications arising.

LITERATURE REVIEW AND CONCEPTUAL ANALYSIS

Unfortunately, there has been relatively little research into behaviour and attitudes of Australians towards specific greenhouse issues (Shipworth 2002) either individually or organisationally (Scherbaum, et al. 2008). On the other hand the literature focusing on energy conservation and environmental sustainability conservation (for reviews, see Gardner & Stern, 1996; Howard, 1997; Winter, 1996), and incentives is considerable (Gardner & Stern, 1996). For example, individual-level factors such as values and attitudes (Roberts & Bacon, 1997) and the amount of sacrifice involved (Howard, 2000) have been identified as either encouraging or inhibiting individual energy-conservation behaviours (e.g., Stern et al., 1999). An integration of these theories as "value-belief-norm theory" (VBN) was proposed by Stern and colleagues (Stern, 2000; Stern et al., 1999) to explain environmentally significant behaviour. Consistent with VBN theory, Scherbaum, et al. (2008, pp830-831), found that environmental personal norms were a statistically significant predictor of self-reported conservation behaviours at work, as well as behavioural intentions. They also found that environmental worldviews were a statistically significant predictor of environmental personal norms, and environmental personal norms mediated the relationship between environmental worldviews and reported conservation behaviours and behavioural intentions.

The literature in respect of the kind of incentives which could usefully encourage energy conservation is also substantial but equivocal. Previous studies have shown that major determinants of energy use are cost and financial incentives/disincentives (e.g. Winett, 1978, Winett et al., 1978). Social marketing programs that are designed to encourage sustainable behaviour are often information intensive. In many cases the marketing mix tactics used to encourage behaviour change are usually based around media advertising and the distribution of printed materials. A variation of this has identified significant energy savings resulting from the feedback of advanced energy consumption information displays (ECD) (Wood & Newborough, 2003), but the evidence base for developing effective ECD arrangements is, as yet, very limited. Examples of these ECDs' are "home automation systems, smart meters, digital televisions with set top boxes and broadband-connected home computers provide excellent potential platforms for introducing electronic energy consumption displays for enabling energy conservation, by informing people about the energy consumption of their own home" (Wood & Newborough 2007, p57). Unfortunately, one cannot assume that providing information and creating supportive attitudes has significant impact upon behaviour. For example, just participating in a workshop on residential energy conservation designed to improve energy efficiency failed to change behaviour despite a significant increase in knowledge and attitudes (Geller, 1981). More generally two surveys of Swiss respondents found that environmental attitudes and knowledge were poorly associated with environmental behaviour (Finger, 1994).

The question to be considered in this paper is the efficacy of mass media campaigns versus targeted campaigns. Plotnikoff, Wright, & Karunamuni (2004) argued for mass media campaigns to influence the public to act in a more environmentally responsible manner pertaining to climate change. However, Abrahamse et al. (2005) argued that mass media campaigns failed to realise the benefits of segmenting the public into heterogeneous groups, hence relinquishing an efficient and effective communication strategy. As a basis for segmentation, Stern (2000) argues that one should focus on beliefs and motives, which are the underlying determinants of Environmental Attitude and Belief (EAB).

The Department of Energy and Conservation (DEC) in NSW conducted such an EAB study in 2007. It segmented consumers either as “Committeds”, “Middles”, “Privates”, or “Reluctants” according to the respondents’ level of involvement in specific pro-environmental behaviours. Three dimensions of behaviour were identified through multivariate analysis to distinguish the EAB segments – i.e. citizenship, purchasing, and household behaviours. DEC (2007) defines ‘citizenship’ behaviours as those occurring in the public domain (e.g. encouraging others to engage in a pro-environmental behaviour). ‘Purchasing’ behaviours are defined as those in the commercial domain relating to shopping (e.g. avoiding plastic bags), and ‘household’ behaviours are defined as those in the private household domain (e.g. recycling). These behavioural segments were then found to differ on a number of other measures such as environmental concern and demographics. DEC (2007, p.i) identified the substantial demographic and motivational differences in NSW residents: “The motivation shaping environmental behaviour differs across issues and groups in the [NSW] community”. “Privates” and “Middles” for example are motivated by personal benefit, environmental concern and perceived environmental benefits. However, they are “more strongly motivated by personal benefit” (DEC 2007, p.86), indicating they will predominantly opt for financial rewards, however they may consider high frequency of feedback as valuable. “Committeds” are motivated by “an understanding of environmental problems, a sense of personal responsibility and a belief that individuals can create change if all people contribute” (DEC 2007, p.86). Furthermore, this segment places more emphasis on individual responsibility than the other segments, implying that this segment will be the most receptive of, and motivated by high feedback frequency. Conversely, “Reluctants” are motivated by “personal benefit (e.g. financial cost or health) of pro-environmental activities and/or legal requirements”. Parnell & Larson (2005) suggest the predominant personal gain is financial. Since there is ample evidence to support that financial incentives are an attractive motivator for individuals who are limited in their concern for the environment (DEC 2007; Jackson 2005), it is likely that the “Reluctants” segment will be more strongly motivated by financial rewards than the other segments. Moreover, literature has suggested that personal gain is negatively correlated with altruism (a characteristic found predominantly in the “Committeds” segment), especially in the domain of environmental preservation (DEC 2007; Jackson 2005), indicating that “Committeds” may respond more negatively to financial rewards than the other segments.

The conceptual model developed in this paper links community environmental attitudes and beliefs to specific environmental segments and argues that there is an interaction effect between each EAB segment and the kind of incentive implemented to encourage energy conservation. The application of social marketing principles to this problem argues for a targeted campaign at each of the residential electricity EAB consumer segments. Such a campaign would apply consequence financial reward and feedback incentives targeted specifically to the needs of each EAB segment. The conceptual argues that each NSW EAB segment will respond to consequence incentives (i.e. financial gain and feedback frequency). As no such study of this kind has been conducted in this industry in Australia there are many research propositions which need to be tested. Abrahamse et al. (2005) defines consequence interventions aimed at household energy conservation as either feedback or monetary reward. Feedback, defined in terms of energy conservation, is “giving household information about their energy consumption, or energy savings.” (Abrahamse et al. 2005, p.278). Parnell & Larson (2005) stresses the importance of making information relevant to the everyday householder. Rewards are expressed in terms of monetary rewards only. Moreover, they are postulated to be “an extrinsic motivator to conserve energy” (Abrahamse et al. (2005, p.280). In this paper rewards are presented as a cash rebate, equal to a percentage of the respondents’ yearly expenditure on electricity in 2008. The following hypotheses have been drawn from the literature and a careful analysis of each EAB segment.

- H₁: The higher up a segment is on the EAB spectrum, the more consumers of electricity are likely to conserve.
- H₂: The higher up a segment is on the EAB spectrum, the more they will prefer feedback frequency. For example, “Committeds” are postulated to prefer feedback frequency more than any other EAB segment.
- H₃: The lower down a segment is on the EAB spectrum, the more they will prefer financial reward. For example, “Committeds” are postulated to prefer financial reward less than any other EAB segment all else being equal.

Parnell and Larson (2005, p.802) consider that success for motivating sustainable consumption “rest on engaging the householders’ powerful self-interested motivations, building on their existing energy knowledge, and using their considerable cognitive capacity to better effect”, indicating that EAB segmentation could be the basis for a social marketing campaign.

RESEARCH METHOD

A stratified random sample of individual consumers of electricity using local telephone books was used to extract a sample from the target EAB segment metropolitan populations of Sydney, Wollongong, and Newcastle. Data from 188 respondents was collected using Survey Monkey, an on-line survey instrument, representing at least 40 people per segment. This was deemed adequate as strong effects could be observed from preliminary analysis of this sample. Logistic regression using SPSS and conjoint analysis provide the statistical analysis tools. The on-line survey instrument consisted of firstly, 12 behavioural questions identified as being important for the identification of pro-environmental behaviours from the DEC (2007) study to determine the respondents' likely EAB segment. Secondly, an experimental design was used to develop ratings scales in the on-line survey to examine respondent likelihood to conserve under various incentive packages. To contextualise the treatments for the respondents, the following scenario is given: "For the following scenarios, I would like you to imagine that the Australian Government has set targets for reducing Greenhouse Emissions, and has asked all households to save 10% of their electricity used (as shown on your quarterly Energy Bill) for each quarter in 2008. We are asking you to rate and rank what you would consider to be the most effective incentive of achieving this 10% reduction in electricity usage for your Household". The specific levels for each attribute that were deemed actionable and communicable were established from an extensive literature review (Abrahamse et al. 2005; Parnell & Larson 2005; Staats et al. 2004). A status quo package was included to enable a base line of comparison with the other packages.

RESULTS AND CONCLUSIONS

The demographics of the sample of 188 respondents were heavily skewed towards Sydney respondents (65.8%), with the rest of the sample from Newcastle, Wollongong, or "Other" (11.6%, 17.4% and 5.3%, respectively). The mean respondent age of the sample is 34.37 years, with the average number of children per dwelling less than one (i.e. 0.89). A larger sample of females was obtained (i.e. 54.2%), and the majority of respondents spoke English in their household (i.e. 87.9%). The sample was skewed towards higher education levels, with the largest proportion of respondents with degree status (i.e. 40%).

Respondents were categorized into their most likely EAB based on individual answers to the 12 behavioural questions. The standardized score for each segment is represented indicates a distinction between each EAB segment. The sample mean for likelihood to conserve was 6.37, with a standard deviation of 2.53. More specifically, the higher the segment is on the EAB spectrum, the more likely respondents were to conserve under any incentive package. This translates to a higher within segment mean of likelihood to conserve. Additionally, the conservation likelihood standard deviation increases down the EAB spectrum. This means that the spread of responses is larger in the lower EAB segments. The means and standard deviations for each segment were subject to an F-test and t-tests to determine any statistical differences between the means of the EAB segments. An F-statistic of 76.898 and a critical value of 0.000 indicated that one or more of the EAB segment means were statistically significantly different from each other. In comparing the means of "Committeds" and "Middles", there was a significant difference. This means that "Committeds" have a statistically higher conservation likelihood mean than "Middles". From the tests it can be concluded that "Committeds" have a significantly higher mean for conservation likelihood than all other segments, and "Reluctants" significantly have the lowest.

Table 1 shows all 188 respondents in a binary coded table. Responses for incentive packages with conservation likelihood scores of five (5) or above indicated that they would conserve the requested 10%, and were therefore categorized under "will conserve". Conversely, responses with a conservation likelihood score of zero to four were categorized under "will not conserve". It can be seen from Table 3 that more than three-quarters of all respondents (i.e. 77.25%) indicated that they would conserve household electricity if requested to do so thus supporting H₁. The "instantaneous feedback with 5% financial reward" package was most preferred with 95.2% of respondents ranking this incentive package their most preferred. In terms of conservation likelihood, 93.1% of respondents would conserve under this incentive package. Additional results showed that the higher up a segment is on the EAB spectrum, the more they will prefer feedback frequency thus supporting H₂. For example, "Committeds" are postulated to prefer feedback frequency more than any other EAB segment. Alternatively, the lower down a segment is on the EAB spectrum, the more they will prefer financial reward, thus supporting H₃. For example, "Committeds" are postulated to prefer financial reward less than any other EAB segment all else being equal. It is strongly evident that the "quarterly feedback with no financial reward" package (a.k.a. the status quo, or current incentive condition) is the least preferred incentive. Furthermore, half of respondents indicated that they would not conserve under the status quo condition. In general however, respondents preferred instantaneous feedback to weekly feedback, and preferred weekly feedback to quarterly feedback (see Table 1). Statistical testing of all hypotheses showed significant results for all hypotheses, therefore all hypotheses are supported.

IMPLICATIONS FOR THEORY AND POLICY, LIMITATIONS AND FURTHER RESEARCH

This study finds that interaction effects exist for the following: 1) Between EAB segment and conservation likelihood; 2) between incentive package and conservation likelihood; feedback frequency and EAB segment; and 4) between financial reward and EAB segment. These findings support the proposition that a social marketing segmentation approach could be used to guide appropriate intervention strategies that will improve energy conservation. In this respect energy conservation policy makers would be better advised to design marketing communication and intervention programs segmented and targeted to specific segments such as the EAB rather than a mass media campaign. In such a campaign for example, “Committeds” would not need to be offered incentives because they would conserve energy under any circumstances. Reluctants on the other hand are likely to need financial incentives to encourage them to participate in electricity conservation. The limitations of the this paper include its exploratory nature, the small sample size of 188 respondents limited to metropolitan NSW, the use of subjective self reporting measures for ‘likelihood to conserve’. Another limitation relates to the practical issue of how one is to identify people in each of the targeted segments so as to be able to direct specific media and promotional programs to those segments. As to further research Moser & Dilling (2004) suggest that research to develop and test alternative frames, strategies, and approaches is seriously lacking. A practical research task in addition to this paper would be to test the preexisting frames of reference of NSW residents to see if there is a correlation within EAB segment. Providing a correlation exists, a segmented strategy for engaging cognitive deliberation about electricity consumption could be developed. Another relevant research task here would be to analyze EAB segments’ responses to negative reinforcement, as this paper only examined positive reinforcement.

TABLES

Table 1: Responses for Likelihood to Conserve

ALL RESPONDENTS								
Incentive Package		Will Conserve			Will Not Conserve			Percentage Preferred
Financial Reward	Feedback	Not Preferred #	Preferred #	% Will Conserve	Not Preferred #	Preferred #	% Not Conserve	
5%	Instantaneous	6	169	93.1%	3	10	6.9%	95.2%
	Weekly	7	165	91.5%	4	12	8.5%	94.1%
	Quarterly	66	99	87.8%	12	11	12.2%	58.5%
2.5%	Instantaneous	39	121	85.1%	8	20	14.9%	75.0%
	Weekly	93	60	81.4%	29	6	18.6%	35.1%
	Quarterly	126	17	76.1%	40	5	23.9%	11.7%
0%	Instantaneous	92	38	69.1%	52	6	30.9%	23.4%
	Weekly	110	5	61.2%	72	1	38.8%	3.2%
	Quarterly	92	2	50.0%	93	1	50.0%	1.6%
		Total "Will Conserve":			Total "Will Not Conserve"			Respondent Total
		77.25%			22.75%			188

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DO CONSUMERS CARE ABOUT A RETAILERS' CORPORATE SOCIAL RESPONSIBILITY? – AN INVESTIGATION OF THE IMPACT OF CSR ACTIVITIES ON CONSUMER BEHAVIOR

Hanna Schramm-Klein, Saarland University, Germany
Joachim Zentes, Saarland University, Germany
Dirk Morschett, University of Fribourg, Switzerland
Bernhard Swoboda, University of Trier, Germany
Sandra Pocsay, Saarland University, Germany

ABSTRACT

Even though it is by no means a new idea, corporate social responsibility (CSR) is of high topicality both in business practice across all industries and in the academic literature. An impressive body of research has addressed the impact of CSR activities on corporate performance, for example, with a focus on the company market value or financial performance (see Orlitzky, Schmidt, and Rynes 2003 and Wu 2006 for meta-analyses). Anyhow, despite the number of studies on this particular relationship, there still is a limited understanding of whether and how CSR actions have a positive impact on firm performance (Luo and Bhattacharya 2006). Only few studies have analyzed the role of CSR in retailing in a comprehensive manner. With our study, we address the question whether and how CSR activities of retailers contribute to retailers performance.

Our study on CSR's impact on consumer purchasing behavior is in line with the research that generally suggests that the influence on companies' market performance is positive in terms of affecting customer loyalty and purchasing behavior. We reconfirm this for the retailing industry. We show in this study that CSR is more important as a direct factor of influence on consumer purchasing behavior while customer loyalty is less affected. Our results show that perceived retailer attributes are more important for consumer loyalty intentions while retailer CSR activities are more important in terms of their impact on purchasing behavior. Not all domains of CSR are of equal importance. Most important are (non-) domestic sourcing (e.g. not selling products that originate from manufacturers that violate human rights), employee support and product and assortment aspects (e.g. product safety issues).

The results of this study indicate that (permanent) communication of CSR activities, highlighting the most important CSR domains, both at the point of sale and in general marketing communications is important to keep consumers informed about the companies' activities. Also, this study shows that CSR communication activities are of high importance for company success with the results from our survey accentuating that sincerity and credibility of communication activities are of key importance.

References available upon request

SESSION 7.4: INTERNATIONAL CULTURE AND INDIVIDUAL EFFECTS

Session Chair: Mark Cleveland, University of Western Ontario, Canada

“Individual and Cultural Values as Precursors of Cosmopolitanism”

Mark Cleveland, Univ. of Western Ontario, Canada

Christine Yip, Univ. of Western Ontario, Canada

“Country of Origin – Does it Matter Anymore?”

Thomas J. Maronick, Towson University, USA

“Acculturation and Isomorphism: Modeling Global Consumer Culture

Stephanie Slater, University of Cardiff, UK

“Uniformity in Global Markets: Defining the Standardization Construct and Related Problems”

Peter Walters, Hong Kong Polytechnic University, HK

“International Consumer Admiration: An Extension of the International Consumer Animosity Model”

Amro A. Maher, Indiana State University, USA

Ahmed Maher, Kuwait University, Kuwait

INDIVIDUAL AND CULTURAL VALUES AS PRECURSORS OF COSMOPOLITANISM

Mark Cleveland, the University of Western Ontario, Canada

Christine Yip, the University of Western Ontario, Canada

ABSTRACT

In the modern world, both individuals and cultures need not be territorially-bounded, yet the conventional method of segmenting international markets has hitherto been at the country level. The unprecedented interconnectedness between economies, cultures, and individuals has blurred the traditional boundaries between 'home' and 'away'. Furthermore, a growing number of theorists contend that many individuals worldwide now develop bicultural identities, consisting of their local or traditional-culture identity with an identity connected to an emerging global culture. Researchers and practitioners increasingly recognize that consumer segments transcend national borders. Consequently the focus of international marketers should expand beyond deriving within- and between- country segments, towards identifying common groups of consumers irrespective of where they might live. Psychographic dimensions are suitable bases for international market segmentation, complementing the more commonly employed demographic approaches. Cosmopolitanism (COS) is a theoretical concept that is found in the fields of anthropology, sociology, and psychology, with growing applications in marketing and management. COS refers to a specific set of beliefs, attitudes, and qualities held by certain individuals, specifically an openness towards and appreciation of distinctive cultural systems, a willingness to engage with peoples from other cultures, along with personal competence in navigating different cultures. Global forces (e.g., mass media networks) have now made it possible for a wider variety of individuals to inculcate cosmopolitan values and to exhibit the traits of cosmopolitans, even without ever having left one's own country of birth. Thus, belonging to an elite class is no longer a prerequisite for COS. To date, the application of COS has been widespread yet chiefly theoretical. Among the few empirical studies, most have focused on the outcomes rather than the causes of COS.

In this research, we empirically examine the antecedents of COS, focusing on individual and cultural values. A survey-based methodology was employed (n=347 usable surveys, drawing from a multicultural sample of Canadians), utilizing the cosmopolitanism scale developed by Cleveland and Laroche (2007), Schwartz's (1992) motivational/cultural values survey, Hofstede's (1991) survey of cultural dimensions, as well as various socio-demographic measures. Twenty-six hypotheses were developed with respect to the individual- and cultural-level antecedents of COS, as well as the several demographic predictors. Factor analyses were conducted to verify the dimensionality of COS and the Schwartz values; Hofstede's indices were calculated using the appropriate formulae. A series of stepwise multiple regression analyses were conducted to test the hypotheses. Among Hofstede's dimensions, only masculinity was significantly and inversely predictive of COS. Concerning Schwartz's 10 individual-level values, four significant antecedents of COS were found: universalism (+), achievement (+), tradition (+), and security (-). For Schwartz's 7 cultural-level values, intellectual autonomy and harmony were both positive predictors of COS. Foreign-born, multicultural, and/or multilingual respondents scored significantly higher on COS than their Canadian-born, monocultural, and/or unilingual counterparts. Numerous sex differences were also obtained, with respect to mean COS levels (females > males), and mean scores along many of Schwartz's individual- and cultural-level value dimensions. Separate regression analyses conducted on the male and female subsamples also revealed some notable differences with respect to the antecedent roles of the individual and cultural values on COS.

Linking individual and cultural values to COS can help international marketers to identify, across national borders, similar groups of world-minded consumers for segmentation purposes, and to predict where cosmopolitan dispositions are most likely to occur. Since cosmopolitans perceive themselves as less provincial, and more adept to foreign cultures, consumers falling into this segment would presumably be more responsive to global branding and positioning strategies. High COS consumers are unlikely to be consumer ethnocentric and therefore less prone to automatically select local brands over foreign/global alternatives. Beyond market segmentation purposes, research under this topic has applications in the areas of product positioning and the construction of brand personality, as well as in the formulation of communication appeals (e.g., message themes, content, and spokespersons).

References available upon request

COUNTRY OF ORIGIN – DOES IT MATTER ANYMORE?

Thomas J. Maronick, Towson University, Towson, Maryland, USA

ABSTRACT

Literally hundreds of articles have examined factors related to country of origin (COO) over the past thirty years. Additionally, the Federal Trade Commission (FTC) has mandated that “all or virtually all” of a product claiming to be “Made in USA” must be made with US parts by US laborers. The questions are, in a global marketplace, does COO still play an important role in consumers’ decision-making process, do consumers associate a COO claim as reflecting a level of parts and/or labor content from the specified country, and is the FTC’s standard still needed? This study presents an internet-based empirical analysis of factors important to 897 US consumers considering purchase of a small home appliance and their perception of a “Made in USA” claim separately and as compared to a “Made in China” claim. The results show that COO is one of the least important factors in a purchase decision and that products with a “Made in China” label are seen more favorably than those with a “Made in USA” claim. Implications and directions for future research are presented.

INTRODUCTION

As noted by Pharr (2005), literally hundreds of articles have examined Country of Origin (COO) and its role in the marketplace in the past thirty years, including three meta-analyses (Bilkey and Ness 1982, Peterson and Jolibert 1995, Pharr 2005). The multitude of studies have examined single vs. multiple cues, intrinsic vs. extrinsic cues, and differences in perceptions within more developed countries and between more and less developed countries. Empirical studies have been conducted using foreign and US-based student samples as well as cross-cultural studies with household consumers and sales representatives. Also, the array of products examined has included both high and low involvement products and everything from dishes, computers, televisions and VCR’s to cars and wristwatches. Dependent variables that have been examined have included perceptions of quality, workmanship, reliability, durability, value for the money, and intent to purchase. Other factors that have been examined in the multiple-cue models have included: brand, design/style of the product, prior experiences with the brand and with products from that country, general perception of products from specific countries, reputation of the manufacturer/marketer, reputation of the retail store, and warranties.

The general conclusion that can be drawn from this extensive body of past research is that, while COO played some role in consumers’ decision to buy in the past, particularly when examined as a single-cue construct, its role has become less important over time in a world of increasing globalization and outsourcing. The diminished role of COO was captured in an Advertising Age headline (6/4/2007) “Ditch the Flag: Kids Don’t Care Where You Come From.” The question is, therefore, whether empirical evidence supports the general conclusion that COO is less important than it was in the past, and, if so, is there a continuing justification for the Federal Trade Commission’s “Made in USA” Guideline (15 U.S.C. 45) which specifies that “all or virtually all” parts and labor must be from the USA if a “Made in USA” COO claim is made.

PRIOR RESEARCH

The extensive body of research on COO is beyond the scope of this paper. There are, however, three important meta-analyses of the COO literature which can provide a comprehensive summary of the research in the area. The first, by Bilkey and Nes (1982), provides a comprehensive review of twenty-five early empirical studies on COO. The results of the meta-analysis showed that, at least in the early 1980’s, country of origin had considerable influence on perception of product quality, and there was a positive relationship between product evaluations and degree of economic development of the country making the COO claim.

The second meta-analysis is by Peterson and Jolibert (1995). These authors examined over 200 articles, proceedings, book chapters, and manuscripts published between 1965 and 1994 and found that in the middle 1990’s a COO cue was more important in perceptions of quality/reliability than for purchase intentions and that the influence of COO for both quality/reliability and purchase intention was context dependent. They also found that the importance of COO claims in perceptions of quality/reliability increased between 1965 and 1994 while COO claims decreased in importance for intent to purchase over the same time period.

A third meta-analysis is by Pharr (2005) who developed a “holistic” model of COO from research published between 1995 and 2005. Pharr found that, during the period studied, COO evaluations were subject to culturally-derived antecedents and

that brand constructs moderated the effect of COO on both product quality evaluations and purchase intentions.

In addition to the three meta-analyses, there are two streams of research related to the question of whether the FTC standard is still relevant. One stream of that research has focused on the meaning of “Made in USA” as a COO cue. For example, Ahmen, d’Astous and Eljabri (2002) found that the “Made in USA” claim was “less negative” for technologically simple products such as a television than for technologically complex products such as computers. They also found that the more technologically sophisticated the consumer was, the more favorable he/she was towards products from more industrialized countries. Moreover, two of the same authors (d’Astous and Ahmen 1999), found that consumers buying VCRs don’t “seek out” COO information but, when the information was made available to them, they do take it into account during the purchase process, although it was less important than other factors such as product quality, brand reputation, warranty, and price. Finally, Teas and Agarwal (2000) examined the effect of extrinsic cues such as price, brand name, store name, and country of origin on consumers’ perception of quality and value in the purchase of Swiss wristwatches and electronic calculators. They found that the effect of country of origin was small when compared with the price on ‘perceived value,’ but larger than price or store name on ‘perceived quality’.

Another stream of research involving COO is that conducted by the Federal Trade Commission (FTC). Specifically, there were three studies commissioned by the FTC in the 1990’s that were directed toward litigation flowing out of the FTC Guidelines for use of the “Made in USA” claim. This Guide (FTC 1997) prohibits a marketer from using the “Made in USA” claim unless “all or almost all” of the parts and labor are from the US. Two of these studies were brought as actions against marketers under this statute while the third study was commissioned by the FTC as part of the Commission’s reassessment of the “Made in USA” statute. The third study resulted in the change in the FTC standard to “all or virtually all.”

The first study was undertaken in 1991 (Maronick 1995) and examined consumers’ perceptions of the meaning of ‘Made in USA’ as a country of origin claim and its relative importance to consumers when exposed to multiple cues. The results showed that over 70% of respondents believed that a ‘Made in USA’ claim connotes that all or almost all of the parts and labor were American made. The study also found that, “...country of origin, when presented as part of a complex ad with multiple cues, is not very relevant for most consumers” (Maronick 1995) since only 9% of respondents who had seen a COO claim in a multi-cue context said it was “important” in their purchase decision compared to 21% who said it was “important” when exposed to the COO claim as a single-cue context.

Similar results were found in an FTC study on consumers’ interpretation of print advertising for athletic shoes (Ford, 1995). The results showed that significantly more respondents (51.5% vs. 31.4%) recalled “where the product was made” when exposed to simple COO claim than when exposed to the complex COO claim. A higher percentage of respondents (39% v. 25%) also indicated that a COO claim indicated “quality” or “good quality” when exposed to the COO claim in the simple cue context compared to the complex cue context.

The third country of origin study commissioned by the FTC was designed to investigate consumers’ interpretations of ‘Made in USA’ claims in print ads or package labels” for three products – a coffee maker, stereo receiver, and a pen (Gallup-Robinson 1995). The results showed that, on an unaided basis, only 11.5% of respondents, across the three product groups, i.e., coffee maker, stereo, and pen, noted a COO claim, i.e., “where the product was made.” This was compared to 66% of respondents across the three product groups who saw a performance claim (i.e., how well it worked) and 37.5% who noted one or more product features (heating element, pen tip, stereo system amps). This suggests, consistent with the 1991 study, that COO claims are substantially less important than other product features/claims. Also, the study showed that only 25% of respondents believed that a “Made in USA” claim implies that “some or all of the parts and labor/assembly” are from the USA. These results notwithstanding, the FTC changed its standard from “all or almost all” to “all or virtually all” parts and labor from the US if a “Made in USA” claim is made (FTC 1997).

RESEARCH QUESTIONS

Given the extensive body of literature and empirical studies through 2005 on consumers’ perceptions of country of origin and the dramatic shift toward global manufacturing and global brands, the questions are, first, does COO still play an important, or in fact, any role in consumers’ decision-making process? Second, do consumers associate a COO claim as reflecting a level of parts and/or labor content from the specified country? Third, if COO isn’t an important factor and/or consumers don’t associate specific parts and/or labor content with a COO claim, does this draw into question the need for the FTC’s “Made in USA” Guidelines?

METHODOLOGY

Sample

To answer these questions, an internet-based empirical study was undertaken with 897 adult consumers who had purchased a small kitchen appliance such as a coffee maker, toaster, or similar product in the prior two years. The sample was drawn from a nationwide internet panel of 2.5 million US households who had agreed to respond to internet-based surveys on a periodic basis. 69.3% of respondents were female and nearly half of the sample (48%) was between ages 35-44, with an additional 32% between age 45-60. Over half of the sample (57%) were college graduates, while slightly more than one fourth (28%) had at least some college or technical school training.

Product Category

The product category selected for this study was a small kitchen appliance, e.g., coffee maker, toaster, or similar appliance. The product category was chosen because there is no dominant brand or country affiliation in the product category. The product category is seen, therefore, as “country neutral.” Small kitchen appliances were also selected so that the results could be compared with the Gallup-Robinson (1995) study, which also studied importance of COO with a small kitchen appliance, a coffee maker.

Questionnaire

The respondents were first asked a series of questions about factors important in their purchase decision. These eighteen factors were drawn from previous studies and represented a multiple-cue assessment of the importance of COO. For example, d’Astous and Ahmen (1999) examined product quality, brand reputation, price, and warranty, while Teas and Agarwal (2000) studied store name, perception of quality, and value. Finally, Chao (1993) studied country of design, reliability, durability, workmanship. Second, respondents were asked their perception of the meaning of a COO claim in terms of the source of parts and labor in order to compare the results with the prior FTC studies. Third, respondents were asked their perception of products with COO claims from a developed country (i.e., USA) and a less developed country (i.e., China) and likelihood of purchasing a small kitchen appliance with “Made in USA” and “Made in China” on the label or package.

FINDINGS

Factors Important in Purchase Decision

The factors selected for assessment of importance in consumers’ purchase decision process were selected from a review of the exigent literature and studies. The results show that, at least for consumers purchasing small kitchen appliances such as coffee-makers and toasters, country of origin is one of the least important factors. The relative importance of the eighteen factors fall into three distinct groups: those cited by 70% or more of respondents; those cited by at least 25% of respondents, and those factors cited by less than 20% of respondents. As noted in [Table 1](#), the most important factors in a decision to buy a small kitchen appliance, cited by 70% or more of the respondents, relate to product performance characteristics. Included in these factors are: expected performance, reliability, durability, and quality/workmanship. Also important for seven out of ten respondents are the two value-related factors: price and value for the money. Importantly, at the bottom of the list of eighteen factors, cited by less than 15% of respondents as important in their purchase decision, are four factors related to where the product was made: where it was designed, where it was made, the reputation of the country, and its political and social climate.

Meaning of Country of Origin

The second issue examined in the research is consumers’ perception of the meaning of a COO claim. Specifically, following on the work of Maronick (1995) and Gallup-Robinson (1995), the question is how consumers see a COO claim relative to parts and labor. Respondents were asked, when they see a COO claim (here ‘Made in USA’; ‘Made in China’) on a package or label for a small kitchen appliance, does the phrase relate to where the parts and/or labor/assembly are from?” As noted in [Table 2](#), few respondents (2%) believe the COO claim relates only to where the parts come from, while almost a third (31%) believe it relates only to where it is assembled, while slightly more than a third (37%) believe it relates to both where the parts come from and where it is assembled. Respondents who said the COO claim referred to both parts and labor were then

asked how much of the product's parts and/or labor is perceived to be from the country making the COO claim. As noted in Table 3, about 60% of consumers believe that a COO claim means that more than 90% of the parts are from the country making the claim and a similar percent (58%) believe a COO claim implies that at least 90% of the product is assembled in the country making the claim. Thus, given that only 37% of all respondents believe that a COO claim relates to both parts and labor and only 60% of them believe that at least 90% of the parts and labor come from the country making the claim, the net is only 22% of all respondents (i.e., 60% of 37%) see a COO claim as an "all or virtually all" standard consistent with the FTC Guidelines, assuming "at least 90%" is accepted as the definition of "all or virtually all."

Perception of a Product "Made in USA" vs. a "Made in China" Product

The third issue examined in the study was consumers' perception of products with a "Made in USA" claim and how it compares to their perception of a product with a "Made in China" COO claim and whether that perception affects their intent to buy a small kitchen appliance with a "Made in USA" or a "Made in China" label on it. China was selected for the comparison since such a large percentage of consumer durable goods are now made in China yet it is seen as a less-developed country.

As noted in Table 4, small kitchen appliances with a "Made in USA" COO claim generally get lower marks on all performance factors than do small appliances with a "Made in China" COO claim. In fact, the results show that on every dimension, the respondents rated Chinese small kitchen appliance products more highly than those made in the US. These findings represent a significant departure from earlier studies which showed a positive relationship between a "Made in USA" claim and perceptions of quality and performance. It also shows a departure from prior studies (e.g., Ahmen, d'Astous and Eljabri 2002) which found that the consumers had a more favorable attitude toward products from more industrialized countries.

Respondents were then asked their likelihood of purchasing a product with a "Made in USA" and "Made in China" COO claim. The results show that, in spite of the weak perceptions of US-made small kitchen appliances, a significantly ($p = .05$) higher percentage (72%) of respondents said they were "very likely" or "likely" to buy a small kitchen appliance with a "Made in USA" label on it, compared to the percentage (28%) who are "very likely" or "likely" to buy an appliance if the product had a "Made in China" label on it, with an additional 37% being "somewhat likely" to buy a product with the "Made in China" label on it.

SUMMARY AND CONCLUSIONS

Three conclusions flow from the research reported here. First, consistent with prior empirical research, COO claims are among the least important factors in their purchase decisions. Second, when consumers see a COO claim on a package or in an ad, a majority (60%) presume that at least 90% of the parts and the labor/assembly is from the country making the COO claim. These findings raise questions as to need for the FTC's "Made in USA" Guideline. Consumers clearly don't think it's important where the product is made and, even if consumers do attend to a COO claim, only six in ten believe it connotes at least 90% of the parts and/or labor from the country making the claim. This is clearly far below the FTC's current requirement that "all or virtually all of the parts and labor" be from the USA if a marketer makes a "Made in USA" claim. Third, the perception of superior quality of US-made goods compared to those made in a less-developed country (here China) is drawn into question. Chinese-made small kitchen appliances are rated higher than American-made appliances on all quality and performance factors examined. This suggests that, while there is no evidence that the quality of American-made goods is declining, the perceived quality of Chinese-made goods is clearly improving. Finally, even though COO claims are not important to consumers and the perceived quality of foreign-made goods is higher, consumers are still more likely to buy an American-made appliance over one that is made in China.

LIMITATIONS AND SUGGESTED FUTURE RESEARCH

This study is limited, first of all, to one sample, namely US consumers, and one product category, namely small kitchen appliances. Secondly, the sample was drawn from an internet panel and, while an extensive body of literature is building which show no significant differences between telephone, mail, and internet studies, some bias may have been introduced in the study by the internet-based panel, particularly since many of the other studies were conducted prior to the internet and used mail and mall-intercept methodologies. Third, the comparison in this study is limited to differences in perceived quality between US and Chinese products. Future research should expand beyond the US and compare these results with samples from other developed and less-developed countries. Furthermore, the study should be expanded to other product categories,

particularly higher-involved ones where one would expect more thoughtful decision-making and, hence, more careful attention to product claims, including COO claims.

TABLES

Table 1: Factors Important in Small Appliance Purchase Decision

Factor	Percent
How product is likely to perform	80%
Reliability	79%
Durability	76%
Value for the money	73%
Quality/Workmanship	71%
Price	70%
Prior experience with the brand	55%
Company reputation	47%
Components	45%
Warranty	38%
Design/style of product	38%
Brand	29%
Store reputation	28%
Overall reputation of country's products	26%
Country's reputation for type of products	13%
Where product made	13%
Political/social climate in country	10%
Country where product designed	9%

Table 2: Meaning of "Made in USA"

	Number	Percent
Only where parts are from	19	2%
Only where product assembled	278	31%
Where both parts and labor/assembly are from	326	37%
Don't know/Not sure	268	30%

Table 3: Perception re: How Much of Parts/Assembly is from Country

	Parts Percent	Labor/Assembly Percent
<u>All</u> parts/assembly from country	37%	31%
<u>Almost all</u> parts/assembly from country – at least 90%	23%	27%
From 70% - 90% parts/assembly from country	18%	21%
At least half parts/ assembly from country	20%	18%
Other	2%	3%

Table 4: Perception of Products Made in USA/Made in China

	Poor USA/China	Neither USA/China	Good/High USA/China	Very High/Good USA/China
Workmanship	27%/18%	57%/51%	15%/29%	1%/2%
Durability	29%/20%	56%/50%	15%/28%	1%/2%
Quality	30%/21%	55%/50%	14%/27%	1%/2%
Reliability	29%/20%	56%/50%	14%/28%	1%/2%

Design	24%/16%	60%/54%	14%/29%	1%/2%
Value for Money	19%/12%	52%/44%	27%/40%	3%/4%

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ACCULTURATION & ISOMORPHISM: MODELLING GLOBAL CONSUMER CULTURE

Stephanie Slater, Cardiff Business School, U.K.

ABSTRACT

In this paper, we examine DiMaggio and Powell's theory of isomorphism and whether or not the theory can be transplanted from the organisation and used to explain the buying decision making process of global consumers.

The original DiMaggio and Powell (1983) studies did not focus on modelling consumer behaviour but sought to offer an explanation of the way population groups, in this context, organisations, behave in response to the challenges of the environment. The research explained the degree of corporate homogeneity that exists between organisational fields (i.e. population clusters such as industry, suppliers and consumers) by hypothesising "...*about the impact of resource, centralisations and dependency, goal ambiguity, and technical uncertainty, and professionalisation and structuration on isomorphic change....*" (DiMaggio and Powell, 1983. pp147). Their thesis proposed that, over time, organisations respond in similar ways to the uncertainty of the market place and they described these converging behavioural patterns as 'isomorphic' (DiMaggio and Powell, 1983).

In this paper, we revisit the social construction model of knowledge and behaviour proposed by scholars such as DiMaggio and Powell (1983). First, we explore how consumer culture affects the way consumers construct knowledge about products. Second, we investigate how they allow this knowledge to influence their purchasing decisions. Third we explore isomorphism in consumer purchasing decisions. We address this question in the context of societies that have become multicultural through immigration. Is consumer acculturation generating forces acting in the direction of market convergence, paving the way, in theory at least, for a more homogenous global consumer culture?

This study's rationale is threefold. First, the ability to manage culture remains an essential pre-requisite for successful global marketing since cross cultural differences affect not only the way consumers perceive and identify with self but also influence the way they make purchasing decisions. Second, the acculturation literature implies that despite differences in national culture, population groups will adapt their behaviour in favour of the dominant culture. Third, the role of globalisation and macro-force effects in moderating culture remains largely unexamined in prior work. One notable exception, Cleveland and Laroche (2007), explored the role of scale development for measuring acculturation in global markets. Our paper explores the extent to which cultural orientation influences behaviour in multicultural societies. Historically, marketing literature has focused on developing market segmentation strategies that are aligned to national culture, rather than investigating the effects of cultural convergence.

This manuscript outlines a piece of research that is currently work in progress. The author explores whether globalisation is reducing the degree of cultural variance across population groups by asking whether the range of ethnic diversity that exists within and between countries is increasing the opportunity for acculturation. The paper outlines a conceptual model which proposes that socio-cultural flux has increased the opportunity for customer acculturation, altering the way consumers make purchasing decisions.

References available upon request

UNIFORMITY IN GLOBAL MARKETS: DEFINING THE STANDARDIZATION CONSTRUCT AND RELATED PROBLEMS

Peter G. P. Walters, CPCE, Hong Kong Polytechnic University, Hong Kong

ABSTRACT

Despite over fifty years of research, definitional and measurement problems have clouded the debate on the appropriateness of “uniform” versus “responsive” international strategies in overseas markets. In this paper, discussion is framed in terms of international advertising strategy, with the intent of focusing on definitional and measurement problems that are primary reasons for the difficulty in reaching robust, normative conclusions that can provide meaningful guidance for practitioners. Attention is also given to potential pathways to dealing with the problems identified.

In respect of the difficulty of comparing research findings on international advertising standardization, key problems arise because of differing interpretations of both what standardization implies and the nature of the uniformity template. Measurement issues further complicate analysis because global advertising strategy has multiple dimensions, and there is also a need for alignment between the research questions addressed and the geographic and product scope of the study undertaken.

INTERNATIONAL CONSUMER ADMIRATION: AN EXTENSION OF THE INTERNATIONAL ANIMOSITY MODEL

Amro Maher, Indiana State University, U.S.A
Ahmed Maher, Kuwait University, Kuwait

ABSTRACT

Government or company actions can lead consumers in other countries to form poor perceptions of the countries involved. For example in the recent press, countries in the Middle East boycotted Danish manufacturers of consumer products because the Danish press published of a comic that Middle Eastern consumers considered offensive (Munter 2006). This phenomena has also been observed in the United States when the populous advocated renaming “French Fries” to “freedom fries” when France refused to join the United States into war (Loughlin 2003). Ample anecdotal evidence clearly indicates how consumers feel toward particular countries will affect their behavior in the market place.

International consumer animosity is one particular stream of literature that has examined the affective effects of a product’s country of origin. Animosity experienced towards other countries is defined as “the remnants of antipathy related to previous or ongoing military, political, or economic events” (Klein, Ettenson and Morris 1998, p. 90). It has been found that when consumers harbor animosity toward other countries, they are less likely to purchase products from those countries (Klein, Ettenson and Morris 1998; Klein 2002; Nijssen and Douglas 2004; Russell and Russell 2006). An emerging stream of social psychology literature suggests that individuals as members of groups experience a variety of different emotional reactions toward other groups (Smith 1993; Smith 1999; Mackie, Devos, and Smith 2000). Therefore animosity is only one possible emotion that an individual might experience towards members of other countries. The purpose of this research is to examine another emotion, namely admiration, and how such an emotion might be related to consumers’ perceptions of and preferences for foreign products. Another purpose of this research is to examine whether the effects of animosity might vanish over time.

This research builds upon and extends the model introduced by Klein (2002). Like Klein (2002) the authors here examine Japan as a country to which U.S. consumers might harbor certain emotions. The research departs from Klein (2002) in that admiration is introduced as another emotion that might have an effect on the preference for Japanese products over U.S. or Korean products. 280 responses were collected via an online consumer panel, and then analyzed using Structural equation modeling.

The results of this study suggest several interesting findings. First, animosity was found to be unrelated to preference for a Japanese product over either a product from the U.S. or South Korea. This indicates that the effects of animosity over the preference for a product from a country towards which animosity is directed might be attenuated over time as the events that lead to its elicitation become less salient in people’s minds. Second, Admiration was found to be positively related to a preference for a product from a country that is admired over another, but this effect does not extend to a preference over a product from one’s own country. This result suggests that the effect of consumer ethnocentrism on favoritism for local products might be difficult to overcome. Third, admiration was found to be positively related to the product judgments of Japanese products. Future research needs to assess whether positive product judgments of a product lead to feelings of admiration towards the product’s country of origin.

This research argues that emotions towards other countries might be short lived and therefore managers need to assess whether the events that lead to its elicitation are still salient in consumers minds as to trigger animosity. Managers would also need to understand whether such events are easily activated in people’s minds after they are forgotten, and whether such elicitation would lead to any animosity. A second observation is that admiration of other countries might be of important to managers. This research shows that admiration of citizens of another country might have a Halo effect and thereby lead to the preference for its products over products from other nations. Future research needs to examine other factors that might lead to the elicitations of admiration. This research only examined the perceived competence of foreign products. A third observation is that admiration may not overcome the impact of ethnocentrism. It seems that the belief that buying foreign products because it harms one’s own country plays an important role in deciding between a foreign brand and a domestic brand.

References available upon request

SESSION 7.5: RETAILING AND LOYALTY

Session Chair: Charles W. Lamb, TCU, USA

*“An Individual Difference Approach to Understanding
Loyalty Program Effects: Customer Loyalty Program
Involvement”*

Sejin Ha, Purdue University, USA

Leslie Stoel, Purdue University, USA

**AN INDIVIDUAL DIFFERENCE APPROACH TO UNDERSTANDING LOYALTY PROGRAM EFFECTS:
CUSTOMER LOYALTY PROGRAM INVOLVEMENT**

Sejin Ha, Purdue University, USA
Leslie Stoel, The Ohio State University, USA

ABSTRACT

Although retailers continue to devote scarce resources to customer loyalty programs as a means to build customer loyalty, controversy over their effectiveness exists. Based on identity congruency concept (Sirgy 1982) and Bhattacharya and Sen's customer-company identification model (2003) built on social identity theories, this study proposes and tests a model describing how characteristics of a loyalty program (i.e., loyalty program – identity congruency and distinctiveness) influence a consumer's identification with his/her loyalty program membership and attitude toward the focal retailer. Additionally, the moderating impact of loyalty program involvement on the evaluation of the loyalty program is examined. Using data collected from a web-based experiment, this study provides overall support for the model. Implications for retailers and researchers are discussed and suggestions for future research are provided.

References available upon request

SESSION 7.6: NONPROFIT AND SOCIAL ISSUES

Session Chair: Fabio Cassia, University of Bergamo, Italy

“Explaining Citizen Surveys Non-Adoption in Local Governments”

Fabio Cassia, University of Bergamo, Italy

Francesca Magno, University of Bergamo, Italy

“Defining and Measuring Supporter Loyalty”

Walter Wymer, University of Lethbridge, Canada

Sharyn Rundle-Thiele, University of Southern Queensland, Australia

“Adapting For-Profit Branding Models to Small Nonprofit Organizations: A Theoretical Discussion and Model Proposition”

Mary Conway Dato-on, Rollins College, USA

Eileen Weisenbach Keller, University of Northern Kentucky, USA

Doris Shaw, University of Northern Kentucky, USA

“Why Don't NGOs have a Marketing Strategy? An Attempt to Answer Using an Example of Polish NGOs Activity”

Joanna Hernik, West Pomeranian Technological University, Poland

EXPLAINING CITIZEN SURVEYS NON-ADOPTION IN LOCAL GOVERNMENT

Fabio Cassia, University of Bergamo, Italy
Francesca Magno, University of Bergamo, Italy

ABSTRACT

In order to measure the outcomes of service delivery activities public administrators often relies on citizen surveys. At the same time citizen surveys have been severely criticized and labelled as useless and unreliable. Drawing on available literature, the aim of this paper is to explore the antecedents of the decision to adopt those tools from the decision maker point of view. Data were collected through questionnaires sent to a sample of Italian town mayors. Results particularly emphasize public officials' perception that surveys are often useless for their decision process. On the other side findings do not support the hypothesis that surveys are not conducted because they are believed to be as not reliable as objective indicators. Results are discussed and managerial implications are drawn.

INTRODUCTION

Performance measurement continues to be one of the most important and debated topic within public administration today (Dahlehite, 2008), more than 20 years after the conceptualization of the "New Public Management" paradigm (Kelly, 2005; Pollitt, 1988). In this perspective performance measurement should be intended as a support for public officials' decision making. In order to measure the outcomes of service delivery activities public administrators often relies on citizen surveys (Kelly, 2005). Anyway the use of surveys has been criticized for several reasons, above all the absence of a clear statistical correlation between service outputs and citizen evaluations of services outcome (Stipak, 1980; Swindell and Kelly, 2005; Swiss, 1992; Van Ryzin and Immerwahr, 2007) and their uselessness in supporting decision making (Poister and Thomas, 2007). Some other authors state that regardless their rational usefulness citizen surveys may be adopted for their symbolic value, since according to the managerial perspective "survey adoption is either inherently good or driven by the need for representative information" (Dahlehite, 2008, p. 901). Anyway available studies report that citizen surveys have been conducted in a medium-low percentage of cities and counties: e.g. Dahlehite (2008) registered a value of 31%. Before expressing any disappointment about these data it is necessary to better understand the decision to adopt citizen surveys. This represents a significant gap in available literature. A recent study (e.g. Dahlehite, 2008) tries to fill this gap by suggesting a model including several variables in order to identify the determinants of the decision to conduct citizen surveys. Results show that the most significant antecedents are the presence of community policy programs and the form of government. Drawing on the available literature this article aims to contribute to fill the mentioned gap by analyzing from the inside of local governments the decision to adopt citizen surveys. As a matter of fact the research performed by Dahlehite (2008) includes only structural factors (e.g. the form of government, the population size, etc.) as antecedents, while not exploring the attitude of the decision maker. Moreover in the mentioned study the decision to conduct citizen surveys is not always made by the agencies being surveyed but by the main county or city political authorities. Therefore this article aims to give a further contribution through the exploration of the attitude of those authorities who personally decide whether to adopt citizen surveys or not. The article is articulated as follows: first of all criticism against citizen surveys is reviewed in order to develop a comprehensive set of testable propositions. The empirical setting, data collection procedures and results are then presented. Finally findings are discussed, further explanations of the observed phenomena are developed and conclusions are drawn.

LITERATURE REVIEW AND HYPOTHESES

Citizen surveys as sources of useful information for decision making

Some authors question the usefulness of citizen surveys because too often they tell administrators what they already know so that they add little or no value to public managers' understanding of their agencies performance (Poister and Thomas, 2007). Moreover some scholars argue that data cannot be clearly translated into meaningful information (Van Ryzin and Immerwahr, 2007) because the appropriate interpretation of even reliable and valid opinion data may be quite obscure (Stipak, 1980). As a consequence it is sometimes not clear what public managers can learn from the analysis of citizen ratings and how actions could benefit from these insights (Kouzes et al., 1999). These difficulties are also emphasized by the fact that decision-making in the public sector is more complicated, since efficiency and satisfaction must be combined with "political distribution" (Brudney and England, 1982).

Innovative techniques to analyse data have been recently suggested in order to extract more useful information from data.

Among the others (e.g. Melkers and Thomas, 1998), Poister and Thomas (2007) state that it could be useful to ask public administrators to predict citizens' opinions in advance of receiving the survey results and then compare the outcomes. Similarly Swindell and Kelly (2005) suggest that citizen satisfaction surveys could be used in conjunction with more objective measures of output, giving the officials more complete information about service quality. Therefore from a rational point of view citizen surveys should be adopted only if they provide useful information to improve the decision process. Several studies are then trying to assess the link between citizen inputs and the following decision making (e.g. Askin and Hanssen, 2008; Cassia, 2008). Anyway this relation is still not clear. Therefore, following Dahlehite (2008), we make the following hypothesis:

Hp1: citizen surveys are not performed because they are perceived as useless by public officials.

The public-sector producer must learn about consumer satisfaction through proxy measures (Kelly, 2005). Given this premise different methods are available to gather citizen ratings and each of them has distinct potential strengths and weaknesses (Ebdon and Franklin, 2004). Some municipalities have chosen to perform citizen surveys (Ebdon and Franklin, 2004; Kelly, 2005) but alternative methods such as public meetings, focus groups and citizen advisory committees are available, as well. Each one of these tools has its own advantages and drawbacks. At the same time, many public managers think that voluntary feedback such as complaints, or alternative unstructured methods such as informal contacts, can provide them with enough citizen knowledge (Poister and Thomas, 2007), even if these unstructured methods are criticized because they are not comprehensive and representative of the whole population (Watson et al., 1991). Therefore citizen surveys should provide a higher comparative usefulness (Dahlehite, 2008), otherwise other tools will be preferred:

Hp2: citizen surveys are not performed because they do not provide better information than alternative sources.

Citizen surveys as sources of reliable information for decision making

Many studies have demonstrated the absence of a clear statistical correlation between service outputs and citizen evaluations of services outcome (Stipak, 1980; Swindell and Kelly, 2005; Swiss, 1992; Van Ryzin and Immerwahr, 2007), generating a tension between customer feedback and objective measures of performance (Kelly, 2005). Brudney and England (1982) responded that both kinds of indicators (objective and subjective) are necessary for the evaluation of municipal services performance and that citizen perceptions are significant in themselves. Similarly Poister and Thomas (2007) argue that citizen measures are useful in that they provide a different perspective on program performance and service delivery. Sometimes it is argued that customer ratings reliability depends in part on how well they are designed and administered (Poister and Thomas, 2007). More deeply, some public managers claim that the differences between objective and subjective performance is due to the fact that citizens do not have enough knowledge about local government to correctly evaluate municipal services (Stipak, 1980). In a similar way Van Ryzin and Immerwahr (2007) argue that officials often think that customers are sometimes unaware of, or unwilling to, confess their true motivations and preferences. According to this stream of literature we suggest the following hypotheses:

Hp3: citizen surveys are not performed because they are not perceived as reliable as objective output indicators by public officials

Hp4: perceived reliability of surveys outcomes is influenced by public officials' opinion about citizens' level of public services knowledge.

Organizational constraints

Turning to agencies internal organization, a last proposition is now suggested in order to explain why citizen surveys are not performed. As a matter of fact planning, conducting and interpreting these surveys (Dahlehite, 2008) requires to have or to acquire particular competencies, which were not common in the "old" public management. Alternatively municipalities could outsource this task to specialized private agencies, which anyway could imply high costs: hence resources should be an important determinant of survey adoption (Dahlehite, 2008). Therefore we suggest the following hypotheses:

Hp5: citizen surveys are not performed because: local government employees do not yet have adequate specific competencies (a), these competencies cannot be easily learned (b), conducting surveys is not compatible with actual internal routines (c) and surveys outsourcing is not feasible because costs are too high (d).

EMPIRICAL ANALYSIS

Methodology

To test the suggested hypotheses a survey was administered to a sample of mayors of Italian towns. The questionnaire was firstly developed through a focus group with three mayors, which were involved in the final discussion of the results, as well. Depending on the information needed, different question formats were included, as it will be described in detail in the results section. As a consequence, data were analysed applying different methods, as well, ranging from descriptive statistics to correlation coefficients and regressions. The questionnaire was mailed to the mayors of 225 towns selected from a population of 8,101 Italian towns, according to geographical and dimensional sampling. Given the average small to medium size of Italian towns, mayors were chosen as key informants, since we believe they own all the needed information to fill in the questionnaire. 52 questionnaires were returned giving a final response rate of 23.11%. Only 8 municipalities (15,3%) had previous experience with citizen surveys. Sample towns average population was about 4,500 inhabitants.

Results

The first proposition states that citizen surveys are not performed because they are perceived as useless by public officials. To test this hypothesis, mayors were asked to rate perceived importance of different methods to gather citizen satisfaction. Results show that only 26.9% of the respondents believe that surveys are useful to understand needs and evaluate satisfaction. To better understand public administrators' perception, we looked for a moderator effect of experience, which means that who had already performed a survey in the past, could have emphasized its usefulness. Surprisingly the percentage of respondents thinking that citizen survey is a useful instrument was much lower in towns with previous experience as compared to the remaining part of the sample (14% and 41% respectively). Suitable explanations are presented in the discussion section. Hypothesis 1 is therefore supported. According to hypothesis 2, citizen surveys are not performed because they do not provide better information than alternative sources. Mayors were then asked to indicate what were the most useful tools in order to assess citizens needs' and satisfaction. Results (table 1) demonstrate how other "unstructured" methods are preferred over surveys. The same scheme is repeated also for towns with previous experience with surveys. In particular, analysis of complaints is the best alternative according to the respondents, followed by informal public meetings and personal informal contacts. As regards the category "others" in table 1, some mayors indicated they mainly rely on election results to evaluate services satisfaction. To fully test the suggested hypothesis, Pearson correlation coefficients among different methods were calculated so that it could be verified if other methods were perceived as alternative (or complementary) to surveys. Results show that public meetings and citizens surveys are negatively correlated ($r = -0.257$, $p = 0.066$), indicating that public meetings are evaluated as substitutes for surveys. These findings give further support to Hp2. Analysis of complaints and personal informal contacts are not significantly correlated with surveys. According to the third proposition citizen surveys are not performed because they may be perceived as not reliable as objective output indicators by public officials. In order to verify if this hypothesis really reflects public administrators' view, respondents were asked to express their opinion about citizen surveys and objective indicators reliability on 7-point Likert scales. Results show an average perceived reliability of 4.92 for survey ratings and of 5.00 for objective performance indicators. A t-test was conducted to compare the two means, resulting in the absence of a statistical difference between the two values ($t(49)=0.28$). Similar results were obtained when isolating municipalities with previous experience with surveys, even if in this case the level of perceived reliability was lower both for survey ratings (4.75) and for objective indicators (4.86). Therefore surveys and objective indicators are perceived by public officials as equally reliable and Hp3 is not supported. Hypothesis 4 suggests that perceived survey reliability is influenced by public administrators' perception that citizen have or don't have all the necessary knowledge to evaluate services performance. Therefore the questionnaire asked the respondents if they believed that citizens had a good knowledge about services quality (7-point Likert scale). A regression analysis was then performed using this rating as an independent variable and survey perceived reliability as the dependent variable. Findings give strong support ($\beta=.527$, $t=4.25$, $p < 0.001$) to the hypothesis that perceived citizens' knowledge significantly influences administrators' propensity to consider the results as reliable. Hypothesis 5 is therefore supported. Hp4 states that citizen surveys are not performed because of organizational obstacles, mainly related to the absence of proper human and financial resources. Respondents were asked specific questions (7-point Likert scales) about their organizational readiness to perform surveys or to outsource this task. Results are summarized in table 2. Results indicate that competencies to conduct surveys are scarce (mean = 3.54), but they could be quite easily acquired (mean = 4.28). Even if competencies are available, actual routines will represent the most difficult obstacle to be overcome, since they are perceived as not compatible (mean = 2,74) with the new task. At the same time outsourcing surveys to external specialized agencies is not feasible because expenditures would be too high (mean = 5,72). It should also be observed that municipalities with previous experience show a more pessimistic view regarding organizational constraints as compared to the whole sample. Therefore Hp5(a), 5(c) and 5(d) are supported, indicating perceived lack of proper human and financial resources. Hp5(b) is rejected since mayors believe that technical competencies could be quite easily acquired.

DISCUSSION

Findings disconfirm the common assumption, which states that surveys are not performed since they are not statistically correlated to objective indicators and this makes them unreliable. Results show that subjective and objective indicators are perceived as equally reliable by public officials. Since they record different performance components they are not necessarily statistically linked. If these indexes are well defined and formulated they will be equally reliable. For subjective indicators this also means that a good citizens' knowledge about public services is a necessary prerequisite for officials to trust them.

On the other side the empirical study gives support to the hypothesis that sometimes local governments are not willing to conduct citizen surveys because they add little or no value to officials' understanding of services performance. In particular, it is interesting to observe that only 15.4% of mayors with previous experience with surveys believe that this tool can be useful. This result could mean that the collected data didn't provide them with meaningful information. Probably this indicates that actual data analysis methods are not developed enough to give significant support to decision making in public sector. At the same time findings indicate that officials are more willing to rely on other methods they perceive as more useful: analysis of complaints, public meetings and personal informal contacts. The analysis also underlines a significant negative correlation between public meetings and citizen surveys, showing that these methods are perceived as alternative. Moreover some respondents claim that they mainly use election results to evaluate citizen satisfaction with public services: these mayors could eventually be more sensitive to the phenomenon described by Dalehite (2008) of adopting surveys to influence voting behaviour.

Moreover findings underline the presence of a number of strict organizational limits, which make surveying citizens more difficult. First of all internal specific competencies to perform such a specialized task are often absent, even if they could be quite easily acquired. Furthermore competencies availability would have to face established internal routines, which are perceived as not compatible with performing surveys. To overcome these internal obstacles one may choose to outsource this task. Anyway this decision would result into too high costs for local government. More interestingly, municipalities with previous experience with citizen surveys express a more pessimistic view about internal organizational limits. Through further interview with three mayors from those municipalities, it was possible to clarify that they also experience a lack of internal cooperation (difficulties in data sharing within the organization and in change management) and that some public officials continued to base their choices on internal quality indicators, while ignoring citizen surveys or considering them just as broad indications. Therefore organization-related factors reveal to be significant antecedents of citizen surveys non-adoption.

CONCLUSIONS

Findings show that public managers' awareness about citizen surveys usefulness is a strong antecedent of the decision to conduct them. Therefore it is necessary to further explore how decision making could benefit from the adoption of those instruments, by better determining also the comparative usefulness of surveys. In particular the link between citizen ratings and improvement in the decision process should be assessed. Future researches should also investigate why mayors with more experience with surveys have more doubts about their usefulness than mayors without any previous experience.

Some limitations of this study should be underlined. First of all results could have been influenced by the degree of development of public managerial practices within the specific research setting (Italian local government). Therefore attention should be paid when generalizing the results to contexts characterized by more advanced practices. Moreover given the limited sample size and the explorative nature of the analysis, further studies will be necessary to strongly corroborate findings. Finally the possibility of respondents self-selection should be mentioned. In this case the sample could contain a bias, in that mayors who completed the questionnaire could have been more oriented toward advanced public management" and surveys than the whole population.

TABLES

Table 1: The most useful methods to assess citizens' needs and satisfaction.

Method (more than one answer allowed)	% of respondents reporting that the method was useful
Analysis of complaints	55.8%
Public meetings	42.3%
Personal informal contact	40.4%
Surveys	26.9%

Others	5.8%
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Table 2: Organizational obstacles in conducting citizen surveys (Likert scale: 1=strongly disagree; 7 strongly agree)

	Mean	
	All municipalities (n=52)	Only municipalities with previous experience (n=8)
We already have proper competencies to conduct citizen surveys	3.54	2.75
Competencies to conduct citizen surveys can be easily learned	4.28	3.50
Our internal routines are compatible with conducting citizen surveys	2.74	1.88
Citizen surveys outsourcing implies high costs	5.72	5.88

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DEFINING AND MEASURING SUPPORTER LOYALTY

Walter Wymer, University of Lethbridge, Canada
Sharyn Rundle-Thiele, Griffith University, Australia

ABSTRACT

Supporter loyalty refers to loyalty by various types of supporters (such as donor, volunteers) to nonprofit organizations (nongovernmental organizations, etc.). A conceptual description of the supporter loyalty construct is first developed. Then a scale development study is described for a measure of supporter loyalty.

The process to properly develop a psychometrically sound measure begins with the conceptualization of what is meant by supporter loyalty. In the main paper, supporter loyalty is described. It is also differentiated from supporter retention which has been confused with supporter loyalty in prior research.

The next step described in the development of a measure for supporter loyalty was the creation of an item pool. The methodology used to create scale items was both deductive and inductive. It was deductive in that we reviewed the literature and developed a definition of supporter loyalty prior to item generation. It is inductive in that we elicited from a group of student responses to the loyalty concept as well as consulted a variety of dictionaries and used that information to help ensure comprehensive coverage of the supporter loyalty domain, but avoiding extending beyond the domain's boundaries (as defined by theory). We primarily relied on theory, but secondarily on critical incidents that were useful in developing items.

Once the initial item pool of 30 Likert type items was generated, an explanatory factor analytic (EFA) study was conducted to assess the psychometric properties of the measure. In selecting a sample, we wanted to avoid reliance on a single organization which has been criticized as a weakness in prior scale development research. An email list of 4800 individuals who reported making at least one charitable donation in the past was rented from the Australian Post. The Australian Post list is designed to be demographically representative of the general Australian population. An email message was sent to the sample, requesting that they complete an online questionnaire.

Of the 4800 email messages that were sent, 884 were returned undeliverable. In total, 234 individuals completed the questionnaire, resulting in a response rate of approximately six percent. Larger samples increase confidence that factor loadings reflect true population values. Research shows that a sample size of 150 observations should be sufficient to obtain an accurate solution in exploratory factor analysis as long as intercorrelations are reasonably strong. The item to participant ratio is 7.8 to 1, exceeding the 5 to 1 recommendation of Gorsuch (1983). The communalities are all greater than [.40], exceeding Worthington & Whittaker's (2006) recommendation.

The KMO is .953 for the sample in this study. The Bartlett's Test of Sphericity is significant (approx. chi square = 5161, d.f. = 435, $p = .000$). An anti-image correlation matrix was created. The diagonals were all well above the .60 threshold, ranging from .901 to .976. Our extraction method was common-factors analysis (FA). We used the oblique rotation method. The eigenvalue rule, the scree test, and conceptual interpretability of the factors resulted in a one factor solution. In deciding to delete or retain scale items we examined factor loadings, cross loadings, communalities, and the contribution of each item to the internal consistency reliability of the measure. As a result, two items were replaced, and the reverse coded items were reworded to avoid having reverse coded items in the measure.

This study reports the first EFA in our scale development program. We need to conduct a second EFA to ensure that the factor solution does not change after deleting items 29 and 30 and also to assess the restructuring of the formerly reverse coded items. Subsequent to the second EFA, a confirmatory factor analysis (CFA), preferably using structural equation modeling (SEM), will need to be performed to evaluate or confirm the extent to which the measure for supporter loyalty is replicated in the sample data, helping to support the factor structure reliability and the validity of the scale.

References available upon request

ADAPTING FOR-PROFIT BRANDING MODELS TO SMALL NONPROFIT ORGANIZATIONS: A THEORETICAL DISCUSSION AND MODEL PROPOSITION

Mary Conway Dato-on, Rollins College Crummer Graduate School of Business, U.S.A.
Eileen D. Weisenbach Keller, Northern Kentucky University, U.S.A.
Doris Shaw, Northern Kentucky University, U.S.A.

ABSTRACT

The purpose of this manuscript is to advance theoretical underpinnings that can assist small NPOs with planning, executing, and evaluating brand strategies that can be used to better position them in the marketplace. Small NPOs, because of organizational and capacity issues, are dissimilar to larger, more affluent national/international NPOs and require their own tools for strategic planning and brand management. Thus, the current manuscript suggests a customized branding model to assist small NPOs to achieve their objectives of enhancing awareness, improving image in the community, managing limited resources, increasing funding, and ultimately enhancing the long-term health of the organization. The proposed model is derived from three, existing models that cover the tasks of planning, executing, and evaluating a branding strategy. The objective is to adapt the existing models to better address the needs of small NPOs. Although our discussion does not address details of individual branding activities such as logo design, event planning, and survey creation, we will provide an overall framework customized to the needs of NPOs with less than \$1 million annual income.

To achieve the manuscript's objective, we first review the relevant literature on brand models and branding applicable to NPOs, with an emphasis on unique conditions reflective of the small nonprofit environment. We then discuss the basic models utilized in the present manuscript that are initially developed in the for-profit context by others in the areas of brand planning, brand execution, and brand evaluation respectively. The parsimony of these models permits adaptation to unique characteristics of small NPOs and use by non-marketing NPO staff. Next, we introduce the derivation and construction of our small NPO Brand Model and suggest specific methods for planning and executing brand activities and assessing outcomes.

The proposed small NPO Brand Model is divided into three parts: planning, execution, and evaluation. The first phase of planning requires an examination of the current state of a brand, selection of dimensions crucial to the establishment of an "aspirational" brand identity, and articulation of the brand's value proposition. Several modifications are proposed to adapt the previously described brand planning process to the small NPO domain. The next step, execution, is to target the plan toward the appropriate constituencies and select suitable tactics for influencing them. The best execution targets high priority stakeholders with brand-building activities that relate to the stakeholder groups' highest priority values. Lastly, based on the traditional Balanced Score Card (BSC), we propose that a small NPO use a brand scorecard to manage the various types of evaluation data needed to properly develop the agency's brand. The branding scorecard for a small nonprofit should include the various measures that track progress toward the overall organization's strategic goals, and the individual execution tactics that cascade from these goals.

In conclusion, this paper outlines a unique model to facilitate implementation of a brand strategy for the small NPOs, which is strengthened by its derivation from proven models and adds value by its focused customization to small NPOs. Our proposed model includes a *Planning* phase simplified in the construction of brand identity but with an analysis of the brand's current state directed to better capture the NPO environment, an *Execution* phase where the small NPO is advised to consider unique stakeholders and prioritize them succinctly, and an *Evaluation* phase where small NPOs must identify ways of obtaining strategic qualitative and quantitative data and implement a tracking method using a modified brand scorecard. Finally, it is worth pointing out that although the current manuscript is practical because of its application to a specific and unmet need, it is limited by the lack of empirical testing of the proposed, theoretical model.

References are available upon request

WHY NGOS DO NOT HAVE A MARKETING STRATEGY? AN ATTEMPT TO ANSWER ON AN EXAMPLE OF POLISH NGOS ACTIVITY

Joanna Hernik, West Pomeranian Technological University in Szczecin, Poland

ABSTRACT

This article considers internal and external determinants for creating strategic plans in NGOs activities. According to the literary overview, it seems to be obvious that every organization ought to have short-term and long-term plans with accurate goals. But evidence from practice put forward in this statement is not fully true; conducted research shows that 30% of Polish NGOs generally do not plan anything and the next 43.5% do this for only one year, therefore the great bulk do not deal with strategic planning at all. These results are a motivation for trying to find the causes of this situation and propose some areas for future surveys.

INTRODUCTION

Every organization, regardless of its form and structure, has to have a person (or group of persons) who manage (Drucker 2005). The ability of organizations to survive or develop in the market depends on the way in which managers pinpoint future goals and how they pursue their ends (Kozminski and Piotrowski 1995). Among the basic tools of management, in other words things regulating an organization's functions according to its chosen aims, are strategy, structure, operational processes and corporate culture (Šmid 2000). And it is not a true, that NGOs should not behave as a market entity, because they do not run a business - they can effectively compete and remember about a mission as well (Weerawardena and Mort 2008). The opening goal of this article is to analyze the first of the mentioned tools – strategy – with reference to non-governmental organizations activities on the competitive market. This analysis is also an attempt of discover differences between the management theory and practice, which refers to the fact, that Polish NGOs generally operate without any long-term plans, which will be discussed in a further part of this article. The last goal is to propose new spheres of survey, that – in brief – should refer to the problem of NGOs leaders' involvement in management, public donations, professional trainings and the need of development. These matters are illustrated by a literary overview and first results of original survey conducted among 291 Polish non-governmental organizations in 2008. The survey was realized due to Polish Ministry of Science and Higher Education grant.

The conception of 'strategy' usually refers to the formulating of the main tasks and purposes of an organization, as well as to the politics of its attaining (Steinem, Miner^{and} Gray 1986). If we assume that strategy is a realization of long-term goals, then it should be underlined that activity in this direction has to regard the environment and will have a certain dependence upon it. Therefore the strategy should consider not only today's situation, but future changes and trends. Moreover, it should be expressed in a lucid way, and should be coherent with enterprises that have been realized up-to-now, and finally should enclose workable goals in an appropriate timescale. Very seldom one may find articles with the opinion, that the formal planning process is not necessary (Crittenden, Crittenden and Hunt 1988). More often authors underline that a basic matter is overall strategic planning, which influences, i.e. on general marketing strategy, and must involve all levels of an organization (Greenley 1984; Tavish 1989). One may find some conceptions of how to adapt business strategies to the non-profit sector by examining similarities between non-profit-making and profit-making organizations (Smith and Saker 1992; Yorke 1984). Although non-profit organizations frequently seek professional support for market decisions (Briks and Southan 1990) they are more and more often aware of 'customer attitude' necessity (Grønbjerg 2001; Olson and Boyer 2005).

Every year some new ideas referring to the planning for NGOs appears, so there may be proof that this theme is still important and worth discussing. The support of a debate on NGOs management may be J.M. Radtke's book addressed to non-profit leaders and outlining the recipe for creating communication strategy (Radtke 1998), and the next one written by M. Allison and J. Kaye about general strategic planning (Allison and Kaye 2005), or the 7th edition of the well-known book on strategic marketing for non-profit organizations written by A.R. Andreasen and Ph. Kotler (Andreasen and Kotler 2007) – all of which offers a good set of advice about how to create and manage with a success a non-profit organization. And it is very significant that every author emphasizes the role of the strategy.

NGOs ACTIVITY - THEORY VS. PRACTICE

As NGOs activity is concerned, it is very interesting if management boards create any plans for the future and if they can be described strategies. As it was stated before, the key thesis that NGOs usually do not have plans for the future is discussed in

this paper. If this thesis comes true further questions will appear: How it is possible to exist in a modern market without any plan? What causes the inability of creating a strategy? Whether the level or specialty of NGOs leaders education plays any role? How the role of the local authority can be described – as a facilitating factor or as a inhibitor? All these problems seems to be potential new spheres for future surveys of NGOs`, present and future.

As mentioned above, to show what role overall planning and strategy plays in NGOs activity, data from the sample of 291 organizations were collected. A questionnaire, sent mainly by internet mail, was the tool of survey. Organizations act all over Poland; the structure of the sample from the point of view of the main sphere of activity is shown in [fig. 1](#).

Respondents were questioned about their organization's period of activity, about education and experience, second occupation in another company (for profit usually), participation in different professional trainings, changes planned in the near future, self-assessment according to general activity and the main difficulties connected with management of an NGO. So, the first conclusion resulting from the survey is that management boards are very highly educated and most have taken part in additional courses in management and marketing. This should cause rather positive effect, as far as planning is concerned, and the outcome of the research is rather satisfying, because 73% of respondents stated that their organization has a plan for the future (while almost 30% do not plan the future at all). A quite different question is what kind of plan do they mean? A plan for next month, next year or longer? The answer is in [fig. 2](#).

Surprisingly NGOs create plans for 1.9 years (average); the shortest plan given in questionnaire referred next three months, the longest – 9 years; besides 43.5% of checked organizations plans for the next year and 6.3% for two years. Remembering, that 30% do not have any plan and the next 50% considers future activity only for one-two years, one can state that there's no lucid effect of the fact, that 65% of NGOs leaders have been trained in management/marketing; even respondents with an economic education as a base, plan for 2 years at most. It is rather an unexpected and alarming conclusion, because it questions the effectiveness of economic and management courses.

The next question is if this kind of planning may be called strategic? It appears that only a dozen or so organizations (6.8%) pointed out that their devices are longer than 5 years, and can be considered from the strategic planning theory. But although the average time of planning does not possess a strategic approach, some of accepted goals have long-term influences, i.e. tying new contacts with other organizations, gathering information for future activity or organizational development ([fig. 3](#)). Nevertheless, the majority of goals (60%) are connected with everyday actions. So, the strongest conclusion that can be drawn from this exploration is that most organizations do not create the strategy in their current activity and do not use it as a tool of development.

WHY THEY DO NOT PLAN FOR LONGER TERMS?

Trying to answer the question of how it is possible that so many NGOs exist without any longer plans, one should consider how these organizations behave? The surveys show that over 62% of leaders are engaged in other (for-profit) occupations, therefore it is evident that they are not able to spend as much time and effort on the NGO as they should. It is connected with the fact, that Polish NGOs usually do not have an adequate amount of money, so workers are partly-paid or not paid at all, and they have to earn money working in other places. 73% of Polish NGOs says that they have financial problems and only 15% are going to run for-profit activity to realize charter aims. So a lack of money is a next barrier of planning. And one may ask why they do not look for another ways of gaining money, as door-to-door fundraising for example (Sargeant and Hudson 2008). Polish law regulations allow local governments to support NGOs existing in their area. For this reason special units for NGO issues exist in the local authorities` structure, and this units supports NGOs in both a financial way and by passing office-space. Whilst discussing financial support from the city halls/local governments one may mention that a lot of donations flow to organizations dealing with sport, welfare and childcare. This relationship may be one of reasons of not preparing long-term plans... they do not have to because of local government policy.

CONCLUSION

In Poland several thousand new NGOs appear every year. They are small at the beginning and usually do not have a clear conception of the coming years. But after the first year of activity they should prepare some actions in the future and start to plan for longer periods. The surveys describing Polish NGOs approach to strategic planning show that leaders do not foresee extended periods... It seems to be an unprofessional method of running an organization even if one mentions that only 15% of Polish NGOs wants to act in a business sphere as well. The rest are not so active in the market, so maybe, therefore, they do not need to possess a plan. But then a further question appears: why do they not want to develop?

Summing up all the considerations one may underline:

NGOs do not plan for longer periods that may be named ‘strategic plans’ – it may result from too little leader/members involvement in managing and financial problems.

NGOs do not want to behave as other market organizations – they want to lean on the charity of people, or assistance of local government, but do not do anything to strengthen fundraising and other fields of their own activity.

It is necessary to verify and improve efficiency of management/marketing courses referring to the ability of activity planning, because people after such courses, trainings cannot create long-term plans.

In Poland it is a competitive market, but it is not so apparent that all have to behave as active entities. So, one may risk a theory that although NGOs have their competition, they often are supported by local governments and really behave as in socialist times, when all decisions were taken ‘somewhere above’ and nobody had to be concerned about the future.

To appraise these conclusions, it would be worth of researching how NGOs leaders assess their involvement, why they do not want to/are not able to behave in a more active way and whether local government support can be always considered as positive policy. Of course, organizations active in problematic spheres are very important from societal point of view, but aren’t they in a kind of a trap? These answers could be the next threshold for future discussion.

FIGURES

Figure 1: Structure of explored organizations according the main sphere of activity

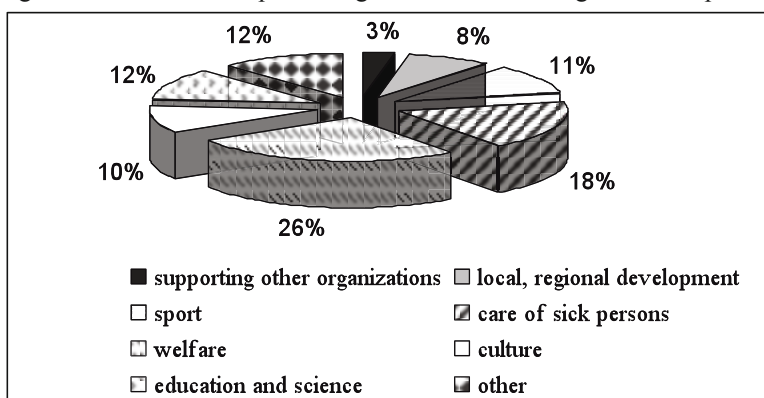


Figure 2: Length of a plan according NGOs leaders` education

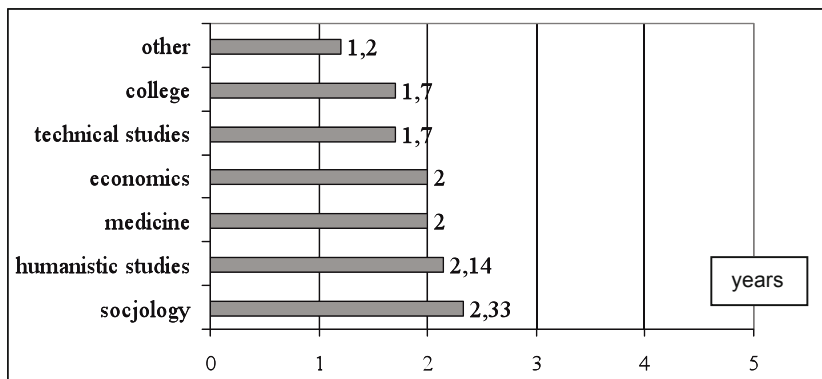
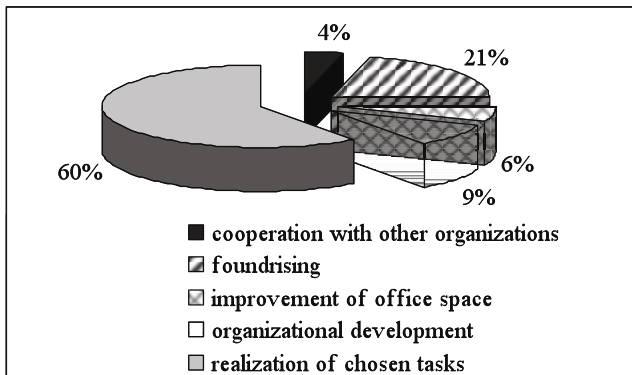


Figure 3: Aims enclosed in plans



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SESSION 8.1: INTERNATIONAL ENTREPRENEURSHIP AND MARKET ASSESSMENT

Session Chair: Carol Finnegan, University of Colorado at
Colorado Springs, USA

*“International Corporate Entrepreneurship of Chinese
Exporters”*

Lance Mac, University of Macau, Portugal

Felicitas Evangelista, Univ. of Western Ontario, Canada

*“Environmental Uncertainty and Market Attractiveness:
Do Regions Matter?”*

Rodney C. Runyan, University of Tennessee, USA

Carol Finnegan, University of Colorado at Colorado

Spring, USA

Alexandre M. Rodrigues, European Business School,
Germany

*“An Examination of the Effects of Family Training on
Expatriate Marketing Managers’ Performance”*

Berrin Dosoglu-Guner, Rowan University, USA

Nevin Deniz, Marmara University, Turkey

*“Signaling and Attribute Effects of Country-of-Origin
Information: Role of Consumer Knowledge and
Involvement”*

Yaqin Sh, Hakuodo, Japan

Akinori Ono, Keio University, Japan

INTERNATIONAL CORPORATE ENTREPRENEURSHIP OF CHINESE EXPORTERS: AN EMPIRICAL STUDY

Lancy Mac, University of Macau, China
Felicitas Evangelista, University of Western Sydney, Australia

ABSTRACT

Market orientation, corporate entrepreneurship and learning orientation are relevant and important organizational capabilities determining performance particularly for exporters who face an increasingly complex environment. A survey was undertaken in China to investigate their inter-relationships as well as their impact on performance. Results show that learning orientation is the major cultural precursor instrumental to market orientation and entrepreneurship development. It was also found that corporate entrepreneurship is a perfect mediator between learning- and market orientation-performance relationships. Chinese exporters are advised to cultivate themselves in developing a learning culture which can help them become more market-oriented and entrepreneurial, and thus outperform in foreign countries.

INTRODUCTION

There have been numerous studies investigating the impact of market orientation, entrepreneurship and learning on firm performance. Most of these studies view these constructs as corporate capabilities (Hult and Ketchen 2001), resources (Kropp, Lindsay and Shoham 2006) or strategic orientations (Noble, Sinha and Kumar 2002; Zhou, Yim and Tse 2005) that have a direct impact on performance with only a few investigating the direction of influence between them. These studies were undertaken in various settings including large and small firms, developed and transitional economies, industrial and consumer firms, but none in the context of exporting firms that often are faced with more complex environments.

This study is based on two arguments. *First*, we argue that both market and entrepreneurial orientations are organizational capabilities that can be enhanced by a commitment to learning. Commitment to learning is the fundamental value a firm holds towards learning (Sinkula, Baker and Noordewier 1997) which determines the learning culture of the organization. A learning culture enhances a firm's motivation to learn from its customers, competitors and the environment. It also induces a firm to develop its capacity to engage in systematic problem solving and experimentation (Garvin 1993) and be more entrepreneurial. *Second*, we also argue that market orientation can help instill entrepreneurship. The more concerned a firm is with learning from the market, the more likely it is to engage in risk-taking activities and be entrepreneurial in adapting to the changing needs of the market. This study therefore aims to fill the current research gap by investigating the interrelationships among the three constructs including market orientation, international corporate entrepreneurship and commitment to learning and determining their effects on firm performance in the context of exporting firms.

CONCEPTUAL FRAMEWORK AND HYPOTHESES

Commitment to learning and market orientation

Market orientation, being regarded as the implementation of the marketing concept (McCarthy and Perreault 1984; Kohli and Jaworski 1990) and the major cornerstone of the marketing discipline, is considered the principal cultural foundation of a learning organization (Slater and Narver 1995). Firms adopting this orientation are also able to outperform others in terms of their ability to "continuously sense and act on events and trends of the market" (Day 1994: 9). Thus, market orientation and learning orientation are highly related. Not only are they both important elements contributing to the positional advantage of firms (Hult and Ketchen 2001), combined together they are contributive to maintaining the sustainable competitive advantage of firms (Day 1994). A market orientation requires firms to continuously learn about their customers, competitors and other constituencies (Narver and Slater 1990) and is regarded as contributive to adaptive or single-loop learning. However, generative or double-loop learning which is a higher level of learning can only be reinforced if market orientation is accompanied by a strong orientation towards challenging existing organizational norms and behavior (Argyris and Schon 1978; Sinkula 1994). Results of studies also showed that learning orientation is an important predisposition of market orientation arguing that a learning orientation can only have performance impact if it can bring about behavioral change in the long run. Since market orientation is regarded as a behavior encouraging intelligence collection and dissemination (Kohli and Jaworski 1990), it is in a good position to facilitate firm performance as a result of a learning orientation. (Baker and Sinkula 1999)

According to Sinkula, Baker and Noordewier (1997), learning orientation can be dimensionalized into commitment to learning, open-mindedness and shared vision. Commitment to learning is the fundamental value a firm holds toward learning. Firms with a commitment to learning value the need to understand the cause and effects of their actions so they can constantly update their theory in use (Shaw and Perkins 1991). After all, it is only if the firm values learning which is a mental mode then it is motivated to learn (Sackmann 1991). Under such argument, commitment to learning is considered a main ingredient in instilling and facilitating a learning orientation in organizations. As such, we hypothesize that
H1: Commitment to learning and market orientation are positively related.

Commitment to learning and international corporate entrepreneurship

Corporate entrepreneurship is an emerging concept which is referred to as the “process of extending the firm’s domain of competence and corresponding opportunity set through internally generated new resource combinations” (Burgelman 1984: 154). It is an organizational value and belief that can enhance better grasps of opportunities when moving to a different market (Dimitratos and Plakoyiannaki 2003). When applied to an international setting, it is referred to as international corporate entrepreneurship or just international entrepreneurship which McDougall and Oviatt (2000: 903) define as a “combination of innovative, proactive, and risk taking behavior that crosses national borders and is intended to create value in organizations”. Entrepreneurship involves substantial searching which brings about changes in the organization and such search for better alternatives (products or processes) allows values to be created with reshuffling of resources and also create knowledge and knowledge-creating outcomes – something that learning can also create (Zahra, Jennings and Kuratko 1999). It is argued in this study that commitment to learning drives firms to learn and to become innovative, proactive and more confident in dealing with the environment. It can also stimulate an internal environment in which employees are more willing to take risks and engage in innovative activities. Based on these arguments, we hypothesize that:
H2: Commitment to learning and international corporate entrepreneurship are positively related.

Market orientation and international corporate entrepreneurship

The relationship between market orientation and entrepreneurship is well evident in history with an early assertion made by Drucker (1954) that the only two functions of an organization are marketing and innovation. These two distinguished concepts are often researched separately but they are viewed as both ways to deal with the increasingly complex and turbulent business environment. Early studies have found a high correlation between market orientation and entrepreneurial orientation as key organizational cultures or capabilities (Morris and Paul 1987; Miles and Arnold 1991) and that they need to be aligned in order to create favorable outcomes. However, the issue about the relative impact of these two concepts on each other remains unresolved. While some have found that market orientation is contributive to an entrepreneurial orientation (Luo, Zhou and Liu 2005) others have reported that the reverse is true (Matsuno, Mentzer and Ozsomer 2002). Some purport their relationship as being conditional where the effect of each on performance is dependent on the other (Bhuan, Menguc and Bell 2005). In the latter case, the market orientation-performance relationship is found to be significantly moderated by the extent to which a firm has adopted an entrepreneurial orientation. Being driven by the market may not by itself lead to superior performance. There is the added need to be innovative, proactive and willing to take risk. Given that market orientation is an organizational culture that determines a firm’s behavior (Narver and Slater 1990), being market-oriented means having a company-wide focus on learning and responding to customers needs and competitive actions. This stance will foster a firm’s ability to engage in active opportunity seeking activities to address customer needs as well as a proactive approach to combat competitors. As such, the following hypothesis is proposed:
H3: Market orientation and international corporate entrepreneurship are positively related.

Performance impact of market orientation, ICE and commitment to learning

There is ample empirical evidence supporting the positive impact of market orientation (Narver and Slater 1990; Jaworski and Kohli 1993), entrepreneurial orientation (Zahra, Jennings and Kuratko 1999; Kropp, Lindsay and Shoham 2006; Matsuno, Mentzer and Ozsomer 2002) and learning orientation (Baker and Sinkula 1999; Slater and Narver 1995) on firm performance. Similar findings are expected for firms engaged in exporting. When firms seek opportunities abroad, they are faced with a more turbulent environment with high uncertainty and risk. What works in one country may not work in others so a lot of learning has to take place in terms of products, processes and systems. It will also demand a lot on the firms to know about the needs of the host countries as well as the competitive condition (being market oriented). Being entrepreneurial is definitely necessary as one ventures abroad. All three orientations are important if not more essential, for multinational firms. On this basis, the following hypotheses are formed:
H4: International corporate entrepreneurship and export performance are positively related.

H5: Commitment to learning and export performance are positively related.

H6: Market orientation and export performance are positively related.

RESEARCH METHOD

Data collection and measures

The research setting is China which is a transitional economy with a buoyant export sector. A survey using a structured questionnaire was undertaken to collect the necessary data from Chinese exporters located in Guangdong and Fujian provinces in China. These two provinces were selected because they represent a large portion of the total exports of China. Export managers from a total of 152 companies were interviewed of which only 128 interviews were found useful. The remaining 24 survey forms were discarded because of too many missing information. Majority of the sample were local small and medium-sized manufacturing companies producing a wide variety of consumer products mostly for exports.

The scales used in this study were adapted from previous studies. The original 15-item market orientation scale was adopted from Narver and Slater (1990). International corporate entrepreneurship (ICE) was measured by a 7-item scale taken from Zahra and Garvis (2000)'s study who modified the original corporate entrepreneurship scale of Miller (1983). ICE consists of three dimensions including innovativeness, proactiveness and propensity to take risk. Commitment to learning was adopted from Sinkula, Baker and Noordewier (1997) while export performance was measured using both subjective and objective indicators. The subjective evaluation was based on the respondents' ratings of their export performance along a continuum ranging from good to bad. An objective measure of export intensity i.e. ratio of exports to total sales was used to complement the subjective measure (Katsikea, Leonidou and Morgan 2000).

RESULTS

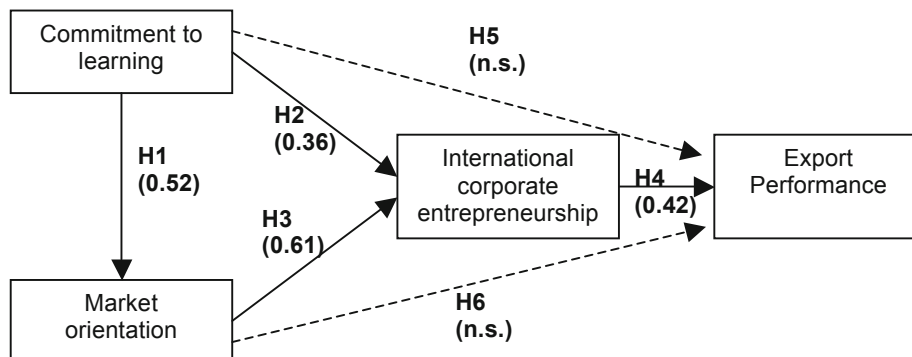
Confirmatory factor analysis (CFA) was undertaken to purify the measurement. Results showed that all measures except export intensity are good in terms of convergent and discriminant validity. Export intensity which was measured by the percentage of sales derived from export was found to be uncorrelated with any of the variables. As such, this variable was deleted from all subsequent analyses. Structural equation modeling was then performed to test the hypotheses indicated in Figure 1. Results show that commitment to learning positively affects both market orientation and ICE with the latter in turn contributing to export performance. Commitment to learning is also found to contribute to market orientation although no direct influence of commitment to learning and market orientation on export performance is found. Therefore, H1 to H4 were supported while H5 and H6 rejected. This model is compared with competing models which all showed significantly worse data fit leading to conclude that the model in Figure 1 is adequate. As ICE appears to be a mediator between the MO-performance and learning-performance relationships, multiple regression model was estimated to test the nature of these relationships. Not only do the results confirm the SEM finding that ICE is a mediating variable, it also revealed that it is a perfect mediator between the antecedents and performance.

DISCUSSIONS

The results of this study support our previous arguments about the roles and relative influence of the three precursors of export performance. *First*, the three cultural variables including commitment to learning, market orientation and corporate entrepreneurship are all important contributors of performance of Chinese exporters which echoes the results of previous studies in a non-export setting (Kropp, Lindsay and Shoham 2006; Liu, Luo and Shi 2002). Given the complexity in their operating environments, exporting firms need to be equipped with the proper capabilities which include the ability to learn, innovate and stay close to the customers. This is definitely not an exhaustive list but it provides a starting point of how firms can equip themselves when moving out of the "comfort zone" i.e. the domestic market. *Second*, commitment to learning is an important way of cultivating market orientation and the entrepreneurial culture of a firm. This is consistent with Slater and Narver (1995)'s viewpoint that both market and entrepreneurial orientation are necessary in creating a learning organization. According to a recent meta-analysis of the market orientation literature, current research tends to focus mostly on structural antecedents of these two orientations (Kirca, Jayachandran and Bearden 2005). Little attention is found to be given to the implications of cultural/value factors. *Third*, it is also found that corporate entrepreneurship is a significant mediator which helps explain the complex relationship between learning, market orientation and performance. The complexity of the market orientation-performance relationship has long been debated as the empirical results varied according to the contexts and measures used. This study helps to shed some light in resolving this debate. Perhaps innovativeness, proactiveness and risk-taking can be facilitated by an orientation towards customers and competitors. Stiff competition actually drives firms not only

to watch closely what competitors are doing but to also act appropriately before they do. The reasons why great companies like Apple and Google are way ahead of their counterparts may very well lie in their being market driven and innovative as well as in their firm dedication to learning.

Figure 1: Path analysis



Chi-square = 107.605 (df = 42; p=0.00); RMR = 0.085; GFI = 0.865; CFI = 0.899; RMSEA = 0.111

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ENVIRONMENTAL UNCERTAINTY AND MARKET ATTRACTIVENESS: DO REGIONS MATTER?

Rodney C. Runyan, University of Tennessee, U.S.A.
Carol Finnegan, University of Colorado-Colorado Springs, U.S.A.
Alexandre M. Rodrigues, Michigan State University, U.S.A.

ABSTRACT

International trade patterns reveal that most international business is conducted within home regions and not globally. This regionalism, or semi-globalization, refers to incomplete economic integration between regions, nations, and markets. Our research adds to the body of internationalization knowledge in two ways: first, it considers the impact of regional factors on national retail markets. Further, we do so with a more fine-grained approach, considering ten regions which encompass a larger portion of the world's markets than do previous studies. Secondly, we examine for the first time how a country's retail market attractiveness is affected by the region within which it is located. A country's market attractiveness is a key determinant in a retailer's decision to expand to that country. The current model is unique in that it shifts focus from firm or industry attributes to explore how much regional factors matter in explaining variation between countries.

We test our national and regional hypotheses using a two-level Hierarchical Linear Model (HLM). In summary, we are able to explain and predict national retail market attractiveness fairly accurately, as well as account for regional level factors on national outcomes. In support of the Rugman and Verbeke (2005) findings that regions have a moderating impact, we find that the attractiveness of the regional economy and the level of regional economic integration influence mean market sizes and key national level relationships. We find regions vary in terms of their comparative mean attractiveness.

References are available upon request

AN EXAMINATION OF THE EFFECTS OF FAMILY TRAINING ON EXPATRIATE MARKETING MANAGERS' PERFORMANCE

Berrin Dosoglu-Guner, Rowan University, USA
Nevin Deniz, Marmara University, Turkey

ABSTRACT

According to a recent survey by GMAC, American corporations are increasingly assigning their employees to foreign markets to establish or sustain their relationships. Various reasons are cited for the increase in expatriate population such as market growth in China, globalization, knowledge and experience accumulation, and the Sarbanes-Oxley Act of 2002. Often times, these international assignments involve spouses and children. In fact, 83% of expatriates are accompanied by their spouse and 51% have children with them during a foreign assignment. Consequently, the degree and speed of family adjustment very much affects the outcome of the assignment. The present paper attempts to address an important gap in the literature by presenting a conceptual model of the relationships between family training and job performance of expatriate marketing managers. In addition, the following questions are raised in the paper:

1. Do the family members of marketing managers receive formal training prior to a foreign assignment? If yes, what types of training do they receive?
2. How does family members' training affect expatriate job performance?
3. What are the manager's perceptions of family training?
4. Do the foreign counterparts of U.S. international firms differ in cultural training provided? Are U.S. firms competitive enough in preparing their expatriate employees and their families for an international assignment?

SIGNALING AND ATTRIBUTE EFFECTS OF COUNTRY-OF-ORIGIN INFORMATION: ROLES OF CONSUMER KNOWLEDGE AND INVOLVEMENT

Yaqin Shi, Hakuodo, Japan
Akinori Ono, Keio University, Japan

ABSTRACT

Today, an increasing number of products made in countries other than the country in which the product is consumed. Products made in a particular country may be preferred to products made in other country because consumers perceive them as being of higher quality and/or because consumers have a favorable image toward the “made in” country. Regarding these country-of-origin effects, recent studies have suggested that country-of-origin information can be treated as an extrinsic cue of product quality (a signalling effect) or as a product attribute that can provide consumer benefits (an attribute effect). However, no reported research has yet provided a causal model that describes the purchase decision-making process with both signaling and attribute effects of the country of origin. Thus, we proposed a structural equation model and tested the model with a consumer data set. By dividing the data set into consumer groups, we conclude that signaling and attribute effects of country-of-origin may be influenced by the level of consumer knowledge as well as consumer involvement.

Consumer data pertaining to two products, wine and used cars, was collected. These products were chosen because preliminary test data suggested that they were characterized by marked perceived differences by country of origin and perceived price and quality among brands in the context of product evaluation; extremely low cost to determine the country of origin for consumers, suggesting a higher influence of the country-of-origin information in buying process; and complexity of experiences with the products, possibly promoting reliance on extrinsic cues for purposes of product evaluation. We chose France, US, and South Africa as countries of origin for wine, and Japan, US, and Korea as countries of origin for car. Preliminary tests suggested that the value of country perceptions in relation to these countries varied from high to low, in the orders listed above. Questionnaires were administered in undergraduate courses, yielding 1128 usable responses. After collecting data, we divided respondents into four groups based on levels of consumer knowledge and involvement, and estimated the structural equation models with the divided data.

We examined product knowledge and involvement of consumers as determinants of country-of-origin effects. This research indicated that these key variables for consumer research contributed to the successful estimation of the purchase intention model with country-of-origin effects. Some respondents were more likely to use country perception as a signal to infer the levels of product quality and price. However, others were less likely to use country perception as a signal; it depends on the level of consumer knowledge. The results showed that signaling effects occurred when the consumer had lower knowledge. Similarly, some respondents were more likely to regard country of origin, or the “made in” label, as a product attribute that determined product utility and, therefore, purchase intention, like quality and price. However, others were less likely to use country perception as an independent attribute; it depended on the level of consumer involvement. The results showed that attribute effects occurred when the consumer was highly involved with the product class. These findings can serve as an important stage in the development of global marketing and consumer theories.

References are available upon request

SESSION 8.2: STUDYING ADVERTISING EFFECTS AROUND THE WORLD

Session Chair: Margaret Bruce, Manchester Business
School, UK

“Promotion Orientation of Hispanic Consumers”

Margaret Bruce, Manchester Business School, UK

Andrew Mitchell, Manchester Business School, UK

*“Applying to Higher Education: The Role of Information
Sources”*

Ana Maria Soares, University of Minho, Portugal

Cláudia Simões, University of Minho, Portugal

PROMOTION ORIENTATION OF HISPANIC CONSUMERS

Margaret Bruce, Manchester Business School, UK.
Andrew Mitchell, Manchester Business School, UK.

ABSTRACT

Population explosions and increased purchasing power amongst Hispanic consumers has marketers scrambling for their attention. Hispanics are fuelling growth in almost every area of the economy, especially consumer products and services. They are now not only earning more, but also spending more. The convergence of media and technology combined with a digital revolution amongst Hispanics has now created low cost communication channels in which marketers can efficiently communicate with Hispanics. The aim of this study is to discover the extent to which Hispanics promotion –orientation affects their purchasing behaviour. Because of the complexities involved with this type of research we conducted interviews with small groups and individuals, this was considered the most effective approach. The researchers discovered new insights into the understanding of Hispanic consumer's responses to sales promotions. One of which being that hedonic prizes which stimulate inspirational emotions to win are highly desirable, and evoke positive emotional responses from Hispanic shoppers when compared to utilitarian money off offers. When marketers understand and interpret trends, they can utilize this knowledge to design future promotions that are highly engaging and very profitable. The researchers identified a number of commonalities Hispanics find important in promotion orientation.

INTRODUCTION

It has long been argued in marketing that sales promotions impact the decisions of consumers regarding particular purchases. Such promotions are designed to create a specific response, whether it be new customer acquisition, increasing sales to existing customers, or new market penetration. While a great deal has been written about market penetration in general, to date little is known regarding the impact of promotions on Hispanic consumers. Aware of this gap in understanding the authors decided to make the distinctive nature of the US Hispanic consumer the focus of this piece of research. Based on the chosen aim the authors intend to do an in-depth review of the Hispanic market so as to better understand the nature of the promotions which will prove effective in this environment. The study will address the aim, in so doing it may also offer insight which will prove valuable to the growing number of ethnic marketers and provide a base for a significant improvement in the targeting of Hispanic customers. The research will offer guidance to marketers working with Hispanic consumers. The authors will on completion of the research for this study be able to provide an explanation for the consumer behaviour and needs of Hispanic consumers.

BACKGROUND

Consumer Packaged Goods Manufacturers (CPG's) invest millions of dollars developing brand awareness and building brand loyalty programs. According to the PMA (Promotional Marketing Association) 43% of marketing budgets have been allocated to sales promotion. The Hispanic population is the fastest growing in the US, yet marketers allocate small budgets to attract these consumers. This untapped opportunity can only be realized when marketers understand how to engage Hispanic shoppers.

Hispanic or Latino

Many Hispanics often ponder the following question "Am I Latino or Hispanic? The US Census Bureau and the federal government tell me I'm Hispanic; The Los Angeles Times says I'm Latino." This question has been the centre of great debate during the past few years. Both words are acceptable, however Hispanic prevails for the following reasons; the US government classifies this ethnic group as Hispanics it offers a degree of unity. Secondly the word Hispanic is an English word and sounds correct when someone that does not speak Spanish pronounces it. The word Latino, on the other hand is mispronounced, or at least phonetically mispronounced, and does not sound right. Latino ultimately derives from the language spoken by the Ancient Roman. Italian, French, Spanish and Portuguese all derive from this Heritage. The name is meant to refer predominantly to Americans of ultimately Spanish descent, whereas Hispanics simply means Spanish Americans including Mexican and Caribbean descent. Hispanics by and large do not see themselves as a distinct minority group: they do see themselves as Americans Etzioni, (2002). She explains that immigrants to America have never been supra-homogenized. Assimilation has never required removing all traces of cultural difference between newcomers and their new homeland. Hispanics appear to be proud of their Heritage, whilst at the same time demanding the same status as white Americans at least according to their classification in the Census. This bi-cultural adoption means that marketers who target Hispanics with relevant information can make significant penetration into this market. The Hispanics market's cultural

cohesion is found in the role of the Spanish language, as well as in values and beliefs that determine attitudes and behaviours. For most Hispanics in the U.S., Spanish is their native language or at least a meaningful second language Yankelovich, (2000). Even fully bilingual or English-dominant Hispanics have strong cultural and social ties to the Spanish language. This is not surprising since 88% of US Hispanics learn Spanish as their first language (SRC, 2000). 68.6% of all Hispanics prefer to speak more Spanish than English. This number includes Hispanics who speak only Spanish (20.6%), Spanish more than English (32.7%) and English and Spanish equally (15.3%) Simmons, (2000). Language and the correct use of it can be a powerful identification tool for marketing to Hispanics.

LITERATURE REVIEW

Lovelock, (1996) offers a number of reasons as to the effectiveness of sales promotion compared to other elements of the marketing mix. These range from effective marketing for smaller competitors, increased trial and product usage, together with adding excitement to the purchase process. (Chandon, Wansink and Larent, 2000) were challenged to research consumer responses as behavioural research on sales promotions has tended to focus on the demographics of deal-prone consumers (Bawa and Shoemaker 1987; Blattberg et al. 1978; Narasimhan 1984) and the identification of personal traits such as "coupon proneness," "value consciousness," or "market mavenism" (Feick and Price 1987; Lichtenstein, Netemeyer, and Burton 1990, 1995; Mittal 1994). As a result, most analytic and econometric models of sales promotions simply assume that monetary savings are the only benefit that motivates consumers to respond to sales promotions (Blattberg and Neslin 1993). Their findings concluded that consumers benefit from promotions in two forms either hedonic or utilitarian. In this case (Moe, Fode, 2001) contend that hedonic products and benefits are extremely difficult to measure. They offer a model that allows the clustering of products to be based on factors such as the products potential market size, rate of purchase and seasonal effects. Much of this type of research is either product or demographically characterised. Value can be extracted from studies that understand strong commitment and the boundaries consumers' loyalty lay within. For high-equity brands, sales promotions are more effective when they provide benefits that are congruent with those provided by the product being promoted (e.g., monetary promotions are more effective for utilitarian products than for hedonic products and vice versa). (Simonson, Carmon and O'Curry 1994) offer a negative perspective of consumer promotions, suggesting that when consumers are uncertain about brand values that premiums provide reasons against buying the promoted brand. The findings however failed to investigate compelling offers which would motivate product trial; instead the results tested self liquidating offers that were targeted towards existing customers who had brand affinity. Many potential prospects could view the promotion negatively because no tangible benefits or value were attached if a purchase was made. The program appeared to lack appeal to a large audience and cross-section of buyers, instead focusing on their existing client base. Most brands have churn and attrition; marketers are challenged to reduce these by adopting strong brand loyalty programs. Kumar (2002) states that the consumer does not go through a decision process to select a brand when he/she is brand loyal. Kumar's research could be challenged from a different perspective; loyalty is pro-active, forward thinking and dynamic. When people get involved with a brand, and commit they become passionate brand advocates and tell their friends. However if this relationship is abused by profiteering customers will leave a brand because another better meets or exceeds their expectations Meeting exceeding expectations through added value is what creates "delight" and builds loyalty. But loyalty cannot be imposed consumers have to come to it on their own terms. Usage is passive: consumers will use a brand out of habit or because they are dissatisfied and have not found a substitute depending upon the category, a 5% increase in loyalty will lift the lifetime profit per customer by up to 95% VanAuken (2003). Mulhern, (1999) created a methodical approach to measuring customer lifetime value in direct marketing for broader target marketing applications. These measurements can be significantly altered with the onslaught of disruptive technology and its effect on the consumption of marketing messages. In a study of promotional games, McDaniel (2001) found that a sensation-seeking personality trait was associated with consumers' preferences for participating in contests or sweepstakes. The findings imply that such promotional games may help to meet consumers' need for varied, novel, or stimulating experiences (Ward and Hill 1991). Consumers who advocate excitement about trying products need rewarding, either with social currency (privy information) or incentives (premiums etc). This study hopes to identify the common components that participants identify as essential if marketers want to engage and build meaningful relationships within the Hispanic community. Marketers are finding that it's gotten tougher to differentiate their brands. With smarter customers, and more competition in categories, there is no shortage of companies slipping from glory days to grueling days Passikoff, (2006). Rewarding customers for brand loyalty is not short-term focused; instead marketers are purposely seeking to build long term relationships in order to service profitable customers.

Exploratory research

Veblen (1999) proposed the concept of conspicuous consumption and suggested that consumers purchased things not out of need, but in order to allow others to see what they had purchased. Crudely interpreted one could increase their personal social status based on the value of purchases. One trait or commonality that nearly all Hispanics share is the love for their family.

(Nicholls, Roslow, Dulish 1997) propose that Hispanics are much more susceptible to social or family influence on their purchasing decisions compared to Anglo shoppers. This initial exploratory research hopes to explain the motivational patterns for Hispanics purchasing grocery products. Because of the complexities involved with this type of research we conducted interviews with small groups and individual's, this was considered the most effective approach. It became evident that a quantitative study was not feasible for numerous reasons both conceptually and practical. The conceptual problem is that many Hispanics (especially illegal immigrants) are reluctant to divulge personal information in fear of being discovered by the authorities. From a practical point of view obtaining large-scale comparative data from individual shoppers would be difficult to compile. The lack of data available to marketers on Hispanic consumers has developed into an information quest, whoever discovers this proprietary information can transform it into a competitive advantage in the marketplace. A quantitative approach would not produce sufficient results that could be analysed and help marketers differentiate their product offering. (Easterby, Thorpe 1991) note that there is a long-standing debate in the social sciences about the most appropriate philosophical position from which methods should be derived. A phenomenological paradigm approach will be offered from this study as a positivist style would lack the relevant numbers to accurately formulate hypotheses and then test them. The results of this research will help to create effective promotional strategies that consumers will find appealing and worthwhile to participate in. In essence it hopes to become a springboard or stepping stone to future study that can produce more conclusive results. Participants were of Latin American descent aged between 18-60 with 70% being female. Participants were the main grocery shoppers in the household. This sample selection will allow proportionate diversity of views, based on the demographics of typical shoppers in the Hispanic community.

General methodology

This study is in a qualitative format, as it intends to clarify which characteristics Hispanic consumers find meaningful. The observations are recorded manually, electronically and in some cases via video. A series of informal interviews will be conducted to provide background information. Qualitative research fails to provide adequate data that can be measured and tested, however this study is focusing on variables such as emotions, interpretations, attitudes and perceptions, together with a host of consumer ideals. It is not always possible to offer direct questioning to gather information, the methodology used in this research offered a hybrid approach. A group response enabled similar questions to be posed in different scenarios, this allowed the researcher to compare responses directly correlated to one another. The researcher is more comfortable conducting this type of research because of its flexibility and his prior experience. An open-minded approach is stimulating for the researchers creativity. First-stage qualitative research; we evaluated the views and choices of approximately 20 individuals. A group of 5 individuals were then invited to participate in a discussion group that covered more in depth sampling and a questionnaire. The repertory grid method based on the Personal Construct Theory of Kelly, (1955) was utilised in this session. The information gleaned was analysed and compared to the previous decisions. Exploratory tests were conducted as to what triggers discussion and amplification of loyalty. Certain elements reveal and identify characteristics of the participants (customers who would use internet promotions). A variety of premium offers and incentives were presented, after each presentation participants decided as to how appealing the offer appeared and what features encouraged them to purchase. These attributes are index measures, which equip marketers with measurement metrics. Desk research includes discussion groups and surveillance of individual buying habits and behaviour. Purchase selections were examined and assessed, then questions posed as to what products the shopper purchased without influence or bias after a recent visit to the supermarket. These products are categorized as either frequent or infrequent purchases. Frequently purchased products were evaluated and an open dialogue was created regarding the decision making process. The participants were then asked what type of offers could influence or motivate brand switching. The purpose of the study is not to identify consumer's favourite brands, rather to understand what offers compel consumers to switch brands and commit loyalty. The research focused on the fundamental characteristics that triggered purchases.

Moderation procedures

During the interactive media presentation, we requested that participants did not confer with one another. They were informed that open discussions would follow the initial presentations and electronic answers. This methodology enabled the researchers to evaluate raw data based on initial responses without peer pressure from other members of the group. This research was conducted utilising exploratory research methodology as the researchers believed that this approach would offer the most accurate assessment of purchasing behaviour, and produce in depth data from the Hispanic community. Although qualitative research is subjective and does not offer the depth and conclusive evidence that quantitative studies may produce, it does allow a researcher the opportunity to diagnose a specific situation and produce new ideas.

Participants

Respondents were asked to answer the following questions by ranking their responses on a scale of 1-5 where 1 was the strongest negative response and 5 was the strongest positive response. There were 20 participants , 16 females and 4 males. The mean average household was 3.3. The majority of the households had children 70%. The participants consisted of a cross section of the Hispanic community , the majority being from Central America. The majority 90% preferred communications in Spanish compared to English. The average number of years the group had lived in the US was 21.

Findings

In this section we report the responses, emotions, interpretations and attitudes of the interviewees towards Hispanic consumer promotions.

Interviews

Interestingly mobile phones were high on the agenda of communication channels. Every participant of the study owned one and agreed that they would engage in a real time promotion such as “text and win”. These contests involve texting a unique number from a specially marked pack and instantly reveal if they won. Hector responded “I played one of these contests for the first time last month, I didn’t win but liked the quick result”. Electronic marketing offers quick responses from customers and allows marketers to test and optimise campaigns more efficiently. Hector shared further that “people want to be entertained and enjoy the whole experience of being involved with a promotion” . He revealed that his mobile phone goes everywhere he does. “Mine sleeps right next to me”. As we saw in the findings, Maria made it clear that she loved finding bargains and offers. This would validate the theory that pleasure and psychological lift consumers receive from successful shopping trips can increase as Thaler (1985) predicted. With regards to Hispanic shoppers their culture and language differences would not differ from the results of this theory. Prior research was based on previous performances. In many disciplines of marketing it may offer relevance. However in sales promotion, previous performance is not always a predictive indicator of future outcomes.

CONCLUSION

The researchers discovered new insights into the understanding of Hispanic consumer’s responses to sales promotions, which will be shared shortly. Clearly a study of this magnitude can never reveal a large sampling of the Hispanic population based on a few hours of interviews. However it can offer the reader a clear understanding and perspective of Hispanic decision makers from a small sample group. The research was impartial and unbiased, allowing feedback and open dialog from the interviewees. The responses were candid and educational; they offer marketers a closer view of how Hispanic shoppers perceive value and what affects their purchasing decisions. When marketers understand and interpret trends, they can utilize this knowledge to implement promotions that are relevant and meaningful. The researchers identified a number of commonalities Hispanics find important in promotion orientation. Firstly, Hispanics are highly receptive to adopt promotions that have been designed bi-lingual and not as an afterthought. Disruptive innovation is the ideal tool that promotional marketers can adapt and update often real time to address the needs and wants of Hispanic consumers, as technology allows contextual messages to individuals in their preferred language. Secondly hedonic prizes which stimulate inspirational emotions to win are highly desirable and evoke positive emotional responses from Hispanic shoppers. These prizes are normally outside of the average Hispanic shopper’s disposable income. Ease of entry was another attribute that was consistent among the interviewees. In order for marketers to take full advantage of the number of entrants, the design, simply registration or entry methods need to be hassle free to attract the Hispanic shopper. Thirdly language (use of) and knowledge of Hispanic culture and how to communicate in context to the Hispanic audience plays a critical role in sales promotions. We discovered an increased participation rate when promotions were in Spanish and English. Fourthly Hispanics have strong community affiliation, they are also well connected electronically and suggested digital promotions and communities that were bi-lingual would create important points of difference with Hispanics. Opening a communication channel with the community would be very beneficial to a marketer. Relationships could be nurtured more effectively and this would engage Hispanics and in turn be an excellent catalyst to build brand loyalty. Word of mouth has significant impact within the Hispanic society; marketers need to understand which persons within the community have the most influence. We intend to conduct future research utilising modern technology that will identify and help marketers understand how to develop relationships with these connectors. Several extensions of this research are possible, which could produce a better understanding of the extent to which Hispanics promotion –orientation affects their purchasing behaviour. Due to budgetary constraints the sampling size of the research was small, large manufacturers are primarily concerned with mass markets. The Hispanic market is the fastest growing segment in the US and worthy of more in depth study to include a larger sampling size

and a better cross section of ages and social status. This research was not conducted to confirm or deny any assumptions currently held by marketers. Instead it captured what the thoughts, motives and psyche of Hispanics are during promotion-orientation decision making. These findings do not offer a framework or matrix, rather an effective approach to interviewing in order to obtain honest and candid responses. Truthfulness and accuracy are essential in research studies, yet not always available. At best these results offer new insights and perspective into the habits and choices of Hispanic shoppers. At worst one could obtain misguided advice and direction. Research can be challenging even in near perfect conditions. The challenge with most research findings is the influence and bias of the author. Who wants this information, what are their motives, what if the results are not what was expected, what is trying to be proved. These are but a few reasons for bias. In order for research to be reliable, processes and procedures need to be established to avoid the influences of bias as much as possible. The process of deciding what to research begins in the first instance when the researcher identifies and then describes a problem. Secondly they search out its academic suitability. Then decide on a conceptual framework. Finally create validity for the justification of the research methods. The basis for this research began when the researcher discovered that information available to marketers interested in penetrating the Hispanic market was very scarce indeed. As the Hispanic population within the US began to explode, their spending power increased and enormous opportunities awaited anyone who was willing to understand their purchasing influences and behaviour. The researchers are experienced marketers with over 40 years collectively of working knowledge in academia and industry. They have first hand exposure of sales promotions; frequently marketers have requested information from his company on how to develop strategies for Hispanic consumers. This was the foundational motivation to begin research on this topic. After an exhaustive literature review, the researcher chose a methodology that could be implemented within a pre-determined financial budget on one hand. At the same time the study needed to contribute and add value to future research into the promotion orientation affects of Hispanic shoppers.

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APPLYING TO HIGHER EDUCATION: THE ROLE OF INFORMATION SOURCES

Ana Maria Soares, University of Minho, Portugal

Cláudia Simões, University of Minho, Portugal

ABSTRACT

This research centres on students' decision making process for Higher Education Institutions (HEIs) focusing on the pre-purchase stage. The study aims at contributing to a deeper understanding of the information sources that students resort to when applying to HEIs. A study was carried out in a Portuguese University focusing on the sources used when selecting a HEI. A survey was applied to students enrolling for the first time, yielding a sample of 1641 cases. Findings revealed that the 'university website' is considered the most important source of information followed by 'Former/current ABC university students'. Moreover, results indicate that there are significant differences among groups of students regarding preferences for sources of information. The paper further discusses and draws conclusions about information sources that enlighten decision making for HEIs. Finally, implications and avenues for future research are presented.

INTRODUCTION

Higher Education Institutions (HEI) face increasingly complex challenges. In particular, their operating environment is undergoing major transformations, such as, changing demand patterns, intensifying global competition and declining in funding. Consequently, institutional attention is increasingly focused on attracting high quality (human) resources and students. In this context, understanding which sources prospective students resort to when applying to a HEI may greatly enhance HEIs' marketing policies and contribute to effective and focused student recruitment practices. This study attempts to shed some light on the pre-purchase information search for the Higher Education services.

Studies in Higher Education are founded in several backgrounds such as economics (e.g., Marcenaro-Gutierrez et al. 2007), sociology (Cremonini et al. 2008) and public policy (e.g., Dill 1997). In what concerns HEI choice behaviour, a line of inquiry has focused on generic student-choice models (e.g. Vrontis et al. 2007). Yet, studies addressing this topic from a marketing perspective are scarce. It is our understanding that consumer behaviour and services marketing studies may add to a deeper comprehension about HEI decision making process.

The paper reports a study carried out in a Portuguese University focusing on the sources used when selecting a HEI. Applicants to HEIs in Portugal apply to a maximum of six institutions and/or academic programs by order of preference. The process is centrally managed by the Government and admissions are allocated based on the applicants' relative performance. As the number of first degree students' declines and public sources for higher education funding decrease, universities face the challenge for cutting down costs and filling in the vacancies. Recently, the system has been undergoing major transformation due to the Bolonha process. These changes intensified the competition among HEIs. In such context, understanding how students collect and use information is of extreme importance for HEIs.

INFORMATION SEARCH AND SOURCES FOR HEIS

The choice of which university to attend has been characterized as a highly complex decision which is subject to multiple influences (Briggs and Wilson 2007). Understanding how students make decisions regarding college selection has attracted the attention of a number of authors. Vrontis et al. (2007) contend that student behaviour models arising from the literature can be classified into economic models, status attainment models and combined models and develop a *contemporary higher education student-choice model for developed countries*. This model represents a holistic view of the process considering both the sequence of the decision steps and the various influences. Having these models as a background, this study focuses on information search. We take a simplified view of the decision-process steps building on service literature. According to Lovelock (2001), the general buying stages for purchasing a service are: pre-purchase stage, service encounter stage and post-purchase stage. The pre-purchase stage embraces the awareness of a need, information search and evaluation of alternative suppliers.

The relevance of the pre-purchase stage derives from the fact that it leads to the final decision of service purchase/consumption. Actions at this stage will vary depending on the specific needs or expectations to be fulfilled. An important aspect to consider at this point is the perceived risk associated with the purchase (Lovelock 2001). The notion of risk in buying decision is related to the fact that consumers make decisions under a certain degree of uncertainty regarding a

specific product or service; it, thus, refers to the chance of negative outcomes and the possibility of loss (Dowling and Staelin 1994, Murray 1991). Several typologies of risk associated with the purchase have been proposed (Mitchell 1999): financial, performance/functional, physical, psychological, social, or time /convenience. For example, when defining which University to attend, prospective students may face functional risk (whether the University and chosen degree will fulfil the requirements to get a proper job); financial risk (the investment related to the tuition and living expenses); social risk (what others will think regarding the decision to attend a certain University course) and, psychological risk (the ego consequences caused by a bad choice). Risk is particularly relevant in the alternative evaluation stage of decision-making.

In order to deal with perceived risk, consumers resort to risk reducers such as information search (Urbany et al. 1989; Lovelock 2001). In general, the higher the degree of perceived risk, the higher the tendency to look for information about a service (Murray 1991). Therefore, consumer's information search constitutes a key element of consumer decision models (Beatty and Smith 1987). In particular, first-time buyers may frequently be uncertain about available alternatives. After the process of information search, the consumer should be able to identify a set of possible alternatives (the evoked set) for satisfying his/her need (Bloch et al. 1986).

Consumers resort to different information sources, which can be broadly classified as internal and external (Murray 1991). Beatty and Smith (1987) propose the following typology of external information sources: media, retailer, interpersonal and neutral. Olshavsky and Wymer (1995) classify sources as marketer controlled (e.g., advertising); reseller information (e.g., catalogues); third-party independent (e.g., consumer reports); interpersonal sources (e.g., relations); by direct inspection of the good by the consumer. The preference for information sources varies according to factors such as perceived risk, purchase involvement and type of product. In general, the greater the perceived risk, the greater the importance of interpersonal influences (Locander and Hermann 1979; Price and Feick 1984). Consumers appear to use interpersonal sources primarily in situations in which perceived risk and uncertainty have not been sufficiently reduced by formal sources, and in which uncertainty and involvement justify seeking further information through informal sources (Murray 1991).

Moreover, a connection between individual factors and preference for certain information sources may be established. Previous research suggests that individual factors affect risk and information search effort (e.g., Schaninger 1976; Beatty and Smith 1987). Vrontis et al. (2007) identify a number of determinants of student behaviour, such as academic aptitude and gender. In this line of thought, empirical studies reported that the level of education positively affects the amount of external search (Swartz and Stephens 1984). Similarly, Briggs and Wilson (2007) found evidence of gender and discipline differences for information sources. Additionally, West et al. (2001) detected differences in decision making process when selecting a field of study. Hence, more detailed insights into how specific individual factors may affect information sources preferences for HEIs' are relevant to explore.

RESEARCH DESIGN

This research followed a quantitative design. In order to identify student's perceptions about information sources when applying to a HEI, a questionnaire was developed. The research instrument was pre-tested and refined in the previous two academic years. Data was collected in a Public University located in the Minho Province in the North of Portugal, hereafter referred to as the ABC University. The questionnaire was applied as a computer survey to students enrolling for the first time. Questionnaires were filled-in during registration. This allowed capturing students' perceptions shortly after the decision-making (similarly to Briggs and Wilson 2007). The research instrument included sections on individual background information and information sources. The first part covered demographics, academic aptitude (application grade) and field of study. In what concerns the information sources' section, Olshavsky and Wymer's (1995) typology was followed. The yielded sample included 1641 respondents, corresponding to a 78% response rate. Data analysis consisted essentially of descriptive statistics and chi-square tests using SPSS (Statistical Package for Social Sciences).

FINDINGS

The majority of respondents are female (54,8%) and the age range is mainly 17-19 years old (86,3%). Students distribute across the following areas of study (n=1641): Arts and Humanities (10,7%); Health Studies (3,9%); Sciences (12,6%); Social Studies (29,6%); and, Engineering & Computer Sciences (33,3%). The great majority of students come from the Northern area of Portugal (91,7%), among which 71,4% are from the Minho Province. Respondents, predominantly, chose ABC University as their first choice (76,3%). Moreover, the majority selected the degree for which they applied to as their first choice (53,5%).

Respondents were inquired about their overall assessment of the available information about ABC University and its offers. The great majority of the respondents reported a positive opinion (85%) regarding the quantity and the quality of the information; 92,8% of respondents stated no difficulty in obtaining information about this institution. In what concerns usage of information sources (Table 1), 'University website' is considered the most important source by 16% of the respondents and is highlighted as one of the three most significant sources by 81% of respondents. Students seem to resort less to other marketer-controlled sources. Interpersonal sources also play a significant role. 'Former/current ABC University students' is rated as the number one source by 17% of respondents and considered among the three most important by 59%. In addition, 'Teachers' were selected as the most important source by 10% of responses and a total of 30% included this source among the three most relevant. The third-party independent information sources included in the study were 'secondary school counsellors' and 'media/publicity'. These were ranked as the most important source by 10% of respondents and as one of the three most important sources by 23%. Finally, the direct inspection of the goods through 'Organised campus' visits' was considered most important by only 4% of respondents. This may be explained by the fact that not all prospective students have the opportunity to participate in tours to the university facilities.

Individual factors vs. information sources. The relationships between the most important information source (1st preference) vs. gender, academic aptitude (secondary school performance) and field of study were explored. Chi-square tests were performed in order to detect differences among groups. No significant difference was found between the most relevant information source and gender. Concurrently, when considering academic aptitude (application grade) results show that there are significant differences among groups of students ($p < 0.05$). Students with a lower academic aptitude seem to favour interpersonal sources when compared with the other two groups. Students with a medium and high academic aptitude privilege marketer controlled sources, in particular the 'University website' (Table 2). Finally, results also suggest that there are differences among students' field of study and most highlighted information source ($p < 0.01$). There seems to be a clear difference in the preference for information sources between Arts & Humanities and the other fields of study. This group appears to rely less on the university website as an information source and tends to privilege interpersonal sources such as 'Former/current ABC University students'.

CONCLUSIONS

Selecting a HEI is a high perceived risk decision, given the long-term implications it has in students' lives and careers. As stated by Briggs and Wilson (2007: 61) "Decisions are based on a combination of information available, word of mouth, perceptions and reputation". This research attempted to contribute to a deeper understanding of the information sources that enlighten decision making for HEIs.

Results show the importance of internet as a key source of information for prospective students. Previous studies have also evidenced this fact. Briggs and Wilson (2007) reported the growing importance of website as an information source for university applicants. In general, the impact of internet in information search is a consumer behaviour phenomenon that warrants further inquiry.

Our findings also provide support for the importance of interpersonal sources. This has been previously acknowledged for high perceived risk decisions, as a complement for formal sources (Murray 1991). Indeed, prospective students actively engage in information search. In addition to formal sources they seek advice from social networks (e.g., friends/acquaintances, teachers) and from counsellors (Briggs and Wilson 2007).

The information search stage of decision making stands for a noteworthy opportunity to influence consumers' choices. From a marketing management point of view, implications from this research may contribute to designing more effective marketing communication campaigns. For example, when scheming the promotional mix, HEIs' managers need to consider the internet as a key information source. The fact that applicants tend to recur to current/former students for guidance has also important implications. A number of measures may improve students' satisfaction and, consequently, their role as information sources. For example, in what concerns current students, internal marketing activities may enhance their identification with the institution. Additionally, the differences found in preference for information sources among groups suggest that there might be benefits on differentiating communication tools according to search patterns. Results indicate that it may be worthwhile segmenting targets in order to fine tune promotional efforts.

This study is not without limitations. The analysis consisted in a descriptive approach to the data. Future research may explore determinants and outcomes of information sources. This study was mainly concerned with the final stages of the university selection. Further insights are needed into an understanding of the framing of such decision. Very often, the

decision process for which HEI to apply to starts being considered early in advance by prospective students and families. In fact, information search is an on-going process (Bloch et al. 1986). Therefore, the longer-term perspective of on-going search may be a relevant issue in this particular buying decision.

TABLES

Table 1: Relevance of information sources

Sources	Ranking		1 st		2 nd		3 rd		Total	
Marketer controlled										
University brochures and leaflets	138	8,4%	134	8,2%	101	6,2%	373	22,7%		
University website	255	15,5%	395	24,1%	678	41,3%	1328	80,9%		
University official guides;	127	7,7%	162	9,9%	99	6,0%	388	23,6%		
Promotional visits to sec. schools	58	3,5%	80	4,9%	58	3,5%	196	11,9%		
Third-party independent										
Secondary school counsellors	66	4,0%	61	3,7%	65	4,0%	192	11,7%		
Media/publicity	99	6,0%	56	3,4%	32	2,0%	187	11,3%		
Interpersonal										
Teachers	164	10,0%	161	9,8%	173	10,5%	498	30,3%		
Former/current ABC Univ. students	280	17,1%	373	22,7%	309	18,8%	962	58,6%		
Direct inspection of the service										
Organised campus' visits	58	3,5%	67	4,1%	38	2,3%	163	9,9%		
Others										
Non-responses	46	2,8%	29	1,8%	36	2,2%	111	6,7%		
	350	21,3%	123	7,5%	52	3,2%	525	31,9%		

Table 2: Most relevant source vs. academic aptitude

Information source	Academic Aptitude (AP)				Total
	Low	Medium	High		
Marketer controlled					
University brochures and leaflets	Count (% within AP)	34 (7,1)	81 (9,0)	23 (9,3)	138 (8,5)
University website	Count (% within AP)	67 (13,9)	149 (16,5)	36 (14,6)	252 (15,5)
University official guides	Count (% within AP)	41 (8,5)	71 (7,9)	15 (6,1)	127 (7,8)
Promotional visits to sec. schools	Count (% within AP)	15 (3,1)	29 (3,2)	12 (4,9)	56 (3,4)
Third-party independent					
Secondary school counsellors	Count (% within AP)	17 (3,5)	39 (4,3)	10 (4,1)	66 (4,1)
Media/publicity	Count (% within AP)	29 (6,0)	57 (6,3)	11 (4,5)	97 (6,0)
Interpersonal					
Teachers	Count (% within AP)	31 (6,4)	99 (11,0)	34 (13,8)	164 (10,1)
Former/current ABC Univ. students	Count (% within AP)	89 (18,5)	150 (16,6)	40 (16,3)	279 (17,1)
Direct inspection of the service					
Organised campus visits	Count (% within AP)	17 (3,5)	27 (3,0)	14 (5,7)	58 (3,6)
Others					
	Count (% within AP)	14 (2,9)	25 (2,8)	7 (2,8)	46 (2,8)
Total	Count (% within AP)	482 (100)	901 (100)	246 (100)	1629 (100)

Chi-Square Tests	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	32,320 ^a	20	,040
Likelihood Ratio	32,138	20	,042
N of Valid Cases	1629		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6,95.

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**SESSION 8.3: MEASURING CONSUMER PERCEPTIONS
OF NEW PRODUCTS, CONCEPTS, BRAND VALUE,
AND BRAND NAME CONFUSION**

Session Chair: Jay Mulki, Northeastern University, USA

*“Item Efficiency and DIF Assessment in New Product
Concept Testing”*

Peng Li, Lingnan University, HK

Xiang Wan, University of Science & Technology, HK

ITEM EFFICIENCY AND DIF ASSESSMENT IN NEW PRODUCT CONCEPT TESTING

Ling Peng, Lingnan University, Hong Kong
Xiang Wan, Hong Kong University of Science and Technology, Hong Kong

ABSTRACT

This paper investigates how item response models can be used to select efficient items for concept testing and assess differential item functioning among major innovations and minor innovations. The results indicate that the six-item scale utilized in the on-line testing performs differently across the performance continuum. Surprisingly the scale as a whole is not effective at identifying the most promising and the least attractive concepts. As for the single item efficiency, believability and importance provide the most information for identifying the poor concepts. Purchase intention, problem solving and uniqueness are super at selecting good concepts. In addition, all six items display large DIF among major and minor innovations, which indicate that items perform significantly different for concept tests of major and minor innovations. Minor innovations are disadvantaged on average across six items. Liking, importance, uniqueness and believability discriminate better for major innovations, while problem solving item is more effective for minor innovations. This research provides an alternative methodology for item analysis other than classical test theory.

INTRODUCTION

Since Churchill (1979) presented his new paradigm for developing better measures of marketing constructs, measurement standards in marketing have improved markedly. Churchill's paradigm has been widely accepted and has laid the foundation for improving the quality of measurement and empirical research in the field of marketing. On the other hand, literature on measurement and psychometrics has grown increasingly diverse. New measurement approaches such as Generalizability theory and item response theory have been developed. New methods, parametric and nonparametric, have been proposed. Unfortunately, although these developments have swept the areas of educational psychology and psychometrics, there are few applications in marketing and the marketing literature tended to focus exclusively on Classical Test Theory (CTT) - based approaches.

The purpose of this article is to illustrate how item response models can be used to select appropriate items for new product concept testing and assess differential item functioning among major innovations and minor innovations. Specifically, we first describe the methods for item purification. Then an empirical example is provided to investigate item efficiency in an online concept testing. In addition, we assess the DIF among major innovations and minor innovations concept groups. Finally, the potentials of IRT in marketing measurement are discussed. The arguments have general applicability, however.

Item Purification

There is a growing concern for the quality of survey data within the marketing profession. As marketing problems become more complex, collecting more information and complex data appears desirable. However, researchers have begun to recognize that such "information-dense" surveys may not only be inefficient (i.e., because of low response rate or possible huge missing data), but also may compromise the quality of data because of their length and complexity (Childers and Ferrell 1979). Scale efficiency is a common problem facing a marketing researcher today. Researchers often seek "short forms" of established scales, since these enhance efficiency by reducing respondent burden and possibly enhance data quality. It is worthy of a note that it is unclear if the short-form scale compromises psychometric properties of focal constructs. This efficiency problem can also be extended to the item level. Identifying the items which provide the most information for a specific management purpose could greatly improve efficiency and accuracy of the decision making.

In the traditional scale development paradigm, as presented by Churchill (1979), item purification is based on the criteria such as coefficient alpha, the correlation of items with total dimension scores and factor loadings. These methods reflect an acceptance of the domain-sampling model (Nunnally 1967). For example, to identify the most effective item and/or develop a "short form" of a scale, the researchers select the items with the highest factor loadings or the high loading items within each dimension if the scale is multidimensional. However, the researcher is unclear as to how this will affect and/or compromise construct validity. Neither is the researcher aware of any other reasonable criteria for developing short forms of established scales. Thus, the researcher is not sure of the best approach to judging the adequacy of the short form items.

Item Response Theory (hereafter IRT) consists of a family of mathematical models designed to describe the functional relationship between a latent trait (construct) performance and the characteristics (i.e., the parameters) of the items on a test. Although IRT is not a new methodology (early IRT work dates back to the 1900s). Published applications of IRT in the marketing literature are largely conspicuous by their absence (see however, Balasubramanian and Kamakura 1989; Singh, Howell and Rhoads 1990; Singh 2004). IRT differs from CTT in that IRT focuses on items and on modeling item performance, whereas, CTT focuses on tests and descriptions of test scores. The relationship between latent performance and performance on an item is described by one or more parameters, depending on which IRT model is used. Item discriminability is an important criteria used to purify the items in a scale. IRT models how responding to an item or option varies as a function of a dimension of variation (Santor, Ramsay and Zuroff 1994), such as concept performance. The relation between responding to an item or option and the performance of a concept is described by a response characteristic curve, which express the probability of endorsing an item or option as a function of concept performance. As such, the response characteristic curve for an item serves as a measure of item effectiveness, which may be more informative than traditional measures of item performance. If the probability of endorsing an item changes as a function of the latent variable, the item is effective; that is, it discriminates among the difference in the latent variable. The rate of change indicates the degree of effectiveness at any point on the latent variable. The problem for item response theory is to estimate the function that best describes the relation between response and the continuum of variation being assessed.

In this paper, polytomous item response models were used to investigate the psychometric properties of the concept performance scale. Estimation of option characteristic curve obtained from the computer program MULTILOG (Thissen 1991) is used to described the relation between the response to an option and a latent variable or trait (Concept performance in this case). Ostini and Nering (2006) mention the simplest and most obvious reason for using polytomous IRT is the fact that polytomous items exist and are commonly used in applied measurement. The advantage of polytomous items is that, by virtue of their greater number of response categories, they are able to provide more information over a wide range of the trait continuum than are dichotomous items, which frustrate respondents and cannot transmit much information (Cox 1980).

For an ideal ordered categorical item (Samejima 1969, 1972, 1997), each category should dominate the response probabilities over a limited range of latent trait levels (theta). Options endorsed more frequently and with large weights will contribute more strongly to the expected item score. Items with options endorsed rarely will not produce expected scores that increase with increases in theta. Accordingly, the rate of increase in expected item score signifies how effective or sensitive an item is to change in theta. Therefore, the effective items enter the short form or with good efficiency should have at least acceptable item and option discriminability, which means they should have the following characteristics: (1) At each evaluation point, the option characteristic curves should distinct with one and other; (2) Each option curve dominates the response probabilities over a limited range of theta levels; and (3) The expected item (option) score climbs rapidly as a function of theta level.

Differential Item Functioning

One of the desirable features of IRT is that it provides a unified framework for conceptualizing and investigating bias at the item level (Hambleton, Swaminathan and Rogers 1991). Differential Item Functioning (DIF) is present when the objects of measurement from different groups have a different probability or likelihood of endorsing an item correctly, after controlling for overall ability (performance). DIF can be presented in two ways, namely item bias and item impact. Item bias is systematic because it constantly distorts performance for members of the group, and when a test item unfairly favors one group of measurement objects compared to another, the item is said to be biased. Group disparity in item performance that reflects actual performance difference is called item impact. The link between bias, DIF, and impact is largely methodological; namely, that statistical analyses are used to identify which items display DIF and content analyses are used to identify why items are biased or have significant impact for members of a specific group. Based on the definition given above, DIF may be investigated by comparing the item characteristic functions of tow or more groups. A DIF summary index for a comparison between a specific focal group (the group that is believed to be biased) and the reference group (the group serving as the basis of comparison) is computed in DIFPACK. It measures the expected or average discrepancy between the focal group curve and the reference group curve. If the focal group is disadvantaged on average, this index will be negative. Effect size measures are commonly used with DIF detection procedures to increase the interpretability of the results. Guidelines exist for interpreting some DIF effect size measures. For example, the Simultaneous Item Bias Test (SIBTEST) can be used to quantify and statistically test the size of DIF using the regression correction procedure (Shealy and Stout 1993).

EMPIRICAL ILLUSTRATION WITH NEW PRODUCT CONCEPT TESTING

The data utilized here to illustrate IRT analysis and DIF assessment is obtained from authors' unpublished work. The study collected concept evaluations of ten consumer appliances using the same 6 evaluation items from 103 members of an online panel on three occasions. Respondents were asked to evaluate ten consumer appliances concepts using the same six evaluation items on three occasions, approximately one month apart. This data collection procedure resulted in 2750 responses to each evaluation item. Among the ten concepts, five were perceived as major innovations and the other five perceived as minor innovations. All items used a seven-point semantic differential scale. The specific items chosen were (1) purchase intention, (2) liking, (3) importance, (4) uniqueness, (5) problem solving, and (6) believability, reflecting different degrees of performance of a concept. The items were coded from 1 to 7 with more positive responses given the higher values.

Item Purification

Samejima's (1969, 1972, 1997) graded response model is a unidimensional polytomous model. Unidimensionality is frequently assessed using linear factor analysis (Hattie 1985 and Reckase 1979). In this study, a principal components analysis is used to determine whether unidimensionality could be inferred. Reckase (1979) suggests that unidimensionality may hold if at least 20% of the variance is accounted by the first factor of a principal components analysis. A factor analysis of the concept evaluation scores suggests a single factor solution (the first eigenvalues is 4.370, remarkably greater than the second eigenvalues of 0.575), accounting for 72.8% of the total variance. The magnitude of the first eigenvalue is eight times more than the second one. We can almost believe that the unidimensionality assumption of the concept evaluation scale is met.

Item parameter estimates for the graded response model were obtained for all six items using the MULTILOG computer program (Thissen 1991). This program implements a marginal maximum likelihood algorithm to estimate item and performance parameters. Responses to concepts were calibrated to the same metric. Table 1 reports the item parameter estimates for each of the six items from the MULTILOG output. A general observation is that liking, problem solving and purchase intention are the most discriminating items since they have the highest " α " values. Believability and uniqueness are the least discriminating items since they have the lowest " α " values.

It is typical of scales that the information function is less peaked, so that the power of the scale to assess trait level is distributed more evenly over the range of values of theta. From the test information for total 6 items (See the first part of Figure 1), we can see that the six-item scale performs well at the middle level and a bit worse on the both ends of the concept performance level. To obtain a short form of the scale with acceptable efficiency to screen out the least attractive concepts (with poor performance), we should select the items with high information (low standard error) at the left end. Then the uniqueness, believability and importance item should be provided as they provide the most information at the left end. To identify the most attractive concepts (with high performance), purchase intention, problem solving and uniqueness items should be selected as they provide the most information at the right end, as shown in the second part of Figure 1.

Differential Item Functioning

The data of this study is collected by having respondents rate two groups of concepts (i.e., major innovations and minor innovations, 5 concepts in each group) in terms of 6 evaluation items. The purpose of DIF analysis is to see whether performance on specific items differs for major innovations and minor innovations. Table 2 reports the discrimination parameter estimated for each group separately. An item shows DIF if the item response functions across different subgroups are not identical. Conversely, an item does not show DIF if the item characteristic function across different subgroups are identical. A comparison of the discrimination parameter indicated that the item response functions across the two groups are not identical except for purchase intention. To further estimate the amount, polytomous SIBTEST was conducted. Shealy and Stout (1993) demonstrated that SIB has a normal distribution with mean 0 and variance 1 under the null hypothesis of no DIF. The null hypothesis is rejected if SIB exceeds the $100(1-\alpha/2)$ percentile point from the normal distribution using a non-directional hypothesis test. Roussos and Stout (1996) proposed the following beta values for classifying DIF on a single item: 1) negligible or A-level DIF: Null hypothesis is rejected and the absolute value of beta less than 0.059; 2) moderate or B-level DIF: Null hypothesis is rejected and beta is within 0.059 to 0.088, and 3) large or C-level DIF: Null hypothesis is rejected and beta greater than 0.088. Table 3 reported the computational details for SIBTEST DIF detection on our data.

Using the interpretative guidelines previously described, it is surprising that most items produced significant DIF among two group comparison. Importance item displays a moderate DIF. Most signs of beta estimates are positive, indicating that the reference group (minor innovations) is disadvantaged on average. The examples of large DIF are believability, purchase intention and problem solving. Once DIF has been identified with a statistical procedure, it is worthy of note that the

empirical evidence of differential item functioning is necessary, but not sufficient, to draw the conclusion that bias is present. This conclusion involves an inference that goes beyond the data. Items perform significantly different for two types of innovations. Liking, importance, uniqueness and believability discriminates major innovation concepts in terms of their performance better than minor innovations as shown in Table 3. Problem solving item discriminates minor innovation concepts better than major innovations while purchase intention has the same discrimination power when testing minor and major innovations.

CONCLUSIONS

An online new product concept testing is adopted as the context for demonstrating how IRT methods can be used for item selection and how IRT can be used to detect DIF items. The results lead to the following conclusions:

An examination of item response functions, category curves and boundary curves indicated that liking, problem solving and purchase intention are the most discriminating items whereas believability and uniqueness are the least discriminating items. The six-item scale utilized in the concept testing performs (discriminates) well at the middle level of the performance continuum and a bit worse on the both ends. That is to say that the scale as a whole is not as good as single purchase intention item at identifying the most attractive (and the least attractive) concepts. As for the single item efficiency, uniqueness, believability and importance provide the most information when used to identify the poorest concepts. Purchase intention, problem solving and uniqueness are super at selecting the most attractive concepts. All six items display large differential item functioning (DIF) among major and minor innovations, which indicate that items perform significantly different for two types of innovations. Minor innovations are disadvantaged on average across all six items. According to the discriminability, liking, importance, uniqueness and believability discriminate concepts of major innovations better than those of minor innovations. While problem solving item discriminates better for concepts of minor innovations.

This paper illustrates the potential of IRT to solve contemporary measurement problems and enhance the tool kit of marketing researchers. The major contribution of this research is that it provides an alternative methodology for item analysis other than classical test theory. However, more work and unanswered questions remain. For example, DIF items need further investigation. Hopefully, the findings of this study will encourage further research and motivate others to better understand the potentials of IRT in tackling measurement issues in marketing.

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TABLES

Table 1: Item Parameters from MULTILOG

Item	Item Parameters						
	α	$\beta(1)$	$\beta(2)$	$\beta(3)$	$\beta(4)$	$\beta(5)$	$\beta(6)$
Liking	4.80	-1.49	-1.02	-0.71	-0.27	0.21	0.65
Importance	3.30	-2.01	-1.47	-1.07	-0.52	0.09	0.74
Uniqueness	2.04	-2.18	-1.59	-1.07	-0.40	0.27	0.97
Problem Solving	4.86	-1.22	-0.77	-0.43	0.02	0.47	0.99
Believability	1.93	-2.75	-2.32	-1.73	-0.86	-0.08	0.92
Purchase Intention	4.71	-1.16	-0.67	-0.36	0.09	0.59	1.18

α – Discrimination or sensitivity parameter; β – Location or threshold or affectivity parameter

Table 2: Discrimination or Sensitivity Parameters for Minor and Major Innovations

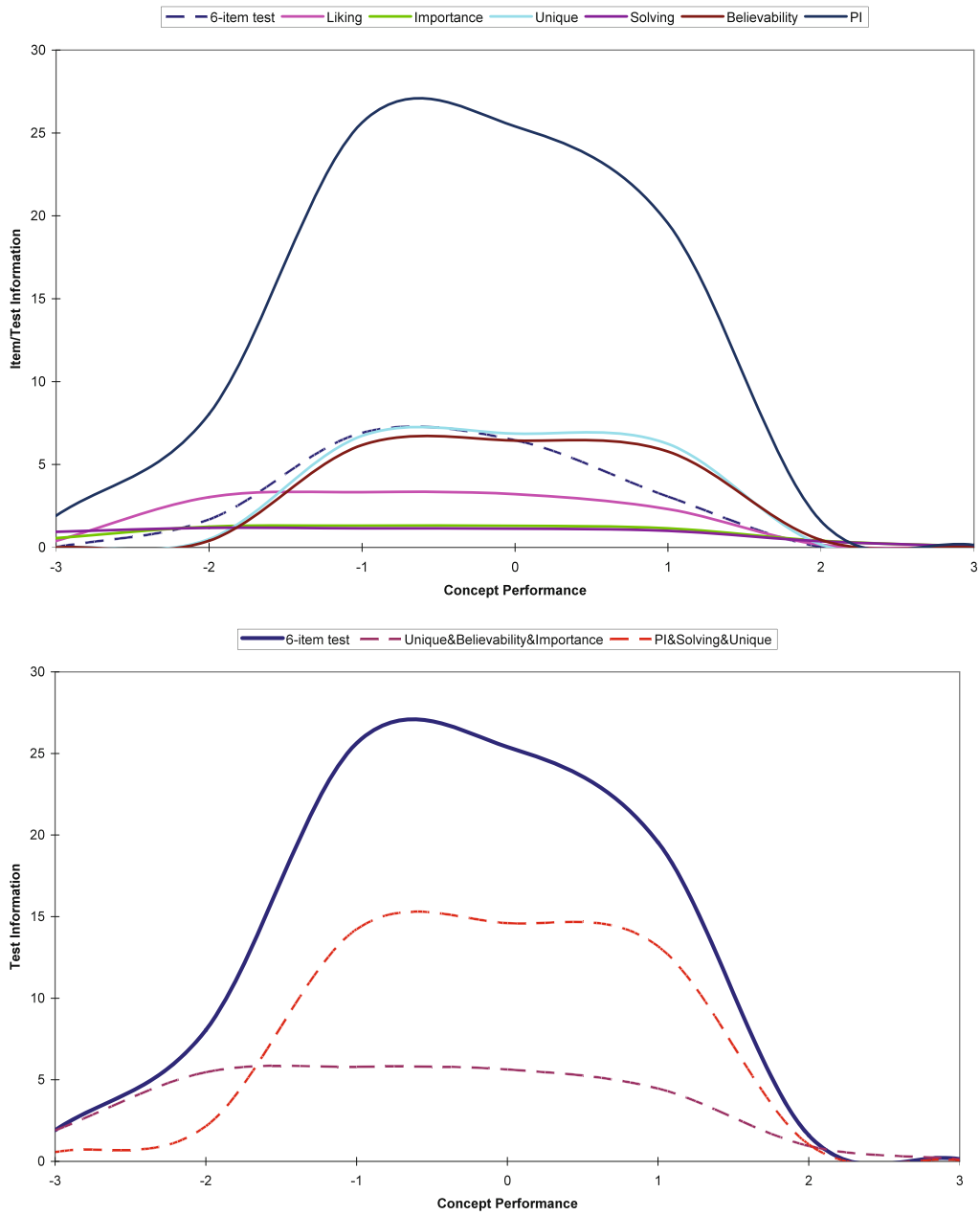
Item	Discrimination or Sensitivity Parameter - α	
	Minor Innovations	Major Innovations
Liking	4.38	5.14
Importance	3.19	3.41
Uniqueness	2.10	2.23
Problem Solving	4.97	4.85
Believability	1.79	2.12
Purchase Intention	4.73	4.73

Table 3: DIF Effect Size Measures for Major and Minor Innovations

Suspect Item	Beta estimate	Standard error	p-value	Level of DIF
Liking	0.105	0.037	0.005	A
Importance	0.069	0.034	0.044	B
Uniqueness	-0.807	0.045	0.000	A
Problem Solving	0.241	0.038	0.000	A
Believability	0.243	0.038	0.000	A
Purchase Intention	0.239	0.037	0.000	A

FIGURES

Figure 1: Item and Test Information Function



SESSION 8.4: RETAIL MANAGEMENT

Session Chair: Christy Ashley, East Carolina Univ., USA

“Retail Food Group Co-Brand Strategy – A Case Study Analysis in the Australian Franchising Sector”

Owen Wright, Griffith University, Australia

Peter Clarke, Griffith University, Australia

“The Low Price Guarantee in a General Merchandise Setting: The Moderating Role of the Burden of Proof”

Adilson Borges, Reims Management School, France

Barry J. Babin, Louisiana Tech University, USA

“Does the Impact of Retailer Attributes on Store Image vary between Retail Formats? Insights from the Romanian Grocery Retail Market”

Bernhard Swoboda, University of Trier, Germany

Bettina Berg, University of Trier, Germany

Hanna Schramm-Klein, Univ. of Saarbrücken, Germany

Nicolae A. Pop, Academy of Economic Studies, Romania

Christian Dabija, Academy of Economic Studies, Romania

“Managing the Retail Format Portfolio: An Application of Modern Portfolio Theory”

James R. Brown, West Virginia University, USA

RETAIL FOOD GROUP CO-BRAND STRATEGY – A CASE STUDY ANALYSIS IN THE AUSTRALIAN FRANCHISING SECTOR

Owen Wright, Griffith University, Australia
Peter Clarke, Griffith University, Australia

ABSTRACT

This paper describes a case study of the Retail Food Group (RFG) and its co-branding arrangements. Co-branding is becoming increasingly popular in franchised retailing as a means of stimulating growth in the mature Australian sector. Current franchising theories and the Australian regulatory regime are briefly examined and found to be inadequate when positioned to explain the phenomenon of co-branding in this context. This case study provides an organisational perspective of co-branding extending existing literature away from product specific co-branding to a retail format. Data were collected from company documents and an interview with senior company executive. A case study protocol was then used to analyse the data. The study reveals that incentives for introducing other franchised retail brands into the Retail Food Group brand portfolio include search for a suitable retail brand; attracting new customers; and resilience from internal and external competition. This preliminary investigation provides a starting point for a broader research study into co-branded franchising arrangements.

THE LOW PRICE GUARANTEE IN A GENERAL MERCHANDISE SETTING: THE MODERATING ROLE OF THE BURDEN OF PROOF.

Adilson Borges, Reims Management School, France
Barry J. Babin, Louisiana Tech University, USA

ABSTRACT

Retailers are increasingly employing low price guarantees. A low-price guarantee (LPG) typically offers consumers some type of refund if they find an identical product offered by a competing retailer at a lower price. For instance, an LPG retailer may refund a customer the difference between the retail price paid and the lower retail price offered by a competing store. Another variant of this tactic is a price-beating guarantee, which offers a customer varying amounts of “refunds” (e.g. several times the price difference). Retailers hope that by offering an LPG in some form, consumers will perceive their stores as offering low prices overall. Retailers in practically all product categories offer LPGs including durable goods sellers and those offering common general merchandise goods like hardware, groceries and household items.

Despite their appeal, LPG policies present potential problems for retailers. For instance, retailers may not find a typical LPG useful in creating a sustainable, strategic, differential advantage because that tactic is easily duplicated. As a result, retailers have become more and more aggressive in their LPG policies thinking that other retailers will not follow if they offer a dramatic enough offer. However, the effectiveness of any LPG policy depends in part on making a believable claim that consumers will trust. A retailer offering an extremely generous LPG policy may unintentionally come across as untrustworthy.

Additionally, LPG policies may backfire if consumers are faced with too many hurdles to clear in order to receive a refund. The hassle cost incurred by consumers obtaining a refund (engaging in additional price search, providing evidence of lower price, and returning to the store that offered the guarantee) has been considered the Achilles heel of LPGs. Consumers may believe the inconvenience is simply a premeditated scheme minimizing actual LPG payouts. If this occurs, an LPG can become ineffective in either improving future sales or enhancing service performance (Hviid & Shaffer, 1999). Problems associated with the perceived hassle have motivated some retailers to automate the refund process (Bulkeley, 1993). Automation offers a distinctive way of making LPG refunds convenient for customers by shifting the burden of proof for identifying a lower price from the consumer to the retailer. Some US retailers have developed automatic price protection, tracking competitors’ prices and refunding consumers when lower prices are identified elsewhere (Desimone, 1999). The Orbitz travel website (<http://www.orbitz.com/>) and Musicworx (www.musicworx.ca) in Canada also provide automatic price protection. The extent to which bold steps like these affect trust, general store price-image and increases shopping behavior is largely unknown.

An LPG policy’s effectiveness may also be contingent upon market characteristics (Srivastava & Lurie, 2004). Most LPG research has been conducted in high purchase involvement categories such as automobiles, electronics or furniture. These markets are characterized by relatively high price dispersion and relatively high price search (Grewal and Marmorstein, 1994; Srivastava & Lurie, 2001). What happens to LPG effectiveness when economic search benefits for any particular item are reduced such as might be the case for common general merchandise goods including typical grocery items?

This study extends price guarantee research by examining the extent to which the burden of proof and refund size (amount) affect grocery shoppers’ beliefs and patronage intentions. Based on signaling theory, we investigate the interaction between burden-of-proof and refund size (price matching versus price beating) on consumer perceptions of an LPG’s trust, overall store price-image and, store patronage intentions. The results of an experiment suggest that refunds automatically provided by retailers reduce the LPG trust when the refund size is high. Moreover, when a retailer automatically provides price protection, subjects perceive that store as having lower general prices and report higher patronage intentions, but only when the amount of refund is low. The research contributes to the retail literature by describing and testing theoretical propositions explaining the way price guarantee policies affect grocery store shoppers’ trust and image perceptions. Additionally, the results have implications for retail pricing policies and retail strategy in general.

References are available upon request

DOES THE IMPACT OF RETAILER ATTRIBUTES ON STORE IMAGE VARY BETWEEN RETAIL FORMATS? INSIGHTS FROM THE ROMANIAN GROCERY RETAIL MARKET

Bernhard Swoboda, University of Trier, Germany
Bettina Berg, University of Trier, Germany
Hanna Schramm-Klein, University of Saarbrücken, Germany
Nicolae A. Pop, Academy of Economic Studies, Bucharest, Romania
Christian Dabija, Academy of Economic Studies, Bucharest, Romania

ABSTRACT

Retail brand perception, store image, and even the positioning of retail firms have been examined frequently in research for many years. Studies analyzing retail formats on the basis of retailer attributes perceived in a particular retail sector are, however, relatively rare (Morschett et al. 2006). The present study provides a fairly unique perspective so far because it does not deal with retail formats in well-known Western and more or less saturated markets, but with analyzing the store image of retail formats in the context of one grocery retailing market in Eastern Europe.

Store image is defined as the way in which a retail store is anchored in the consumer's memory "partly by the functional qualities and partly by an aura of psychological attributes" (Martineau 1958). Some studies question main factors of store image, looking at different retailer attributes (Swoboda et al. 2007). Few studies deal with retail format perceptions. Three research streams dealing with retail formats were identified: international studies on grocery retailing (McDonald 1991), studies comparing various retail formats (Solgaard and Hansen 2003), and studies on one single retail format (Sirohi et al. 1998).

From the perspective of consumer behavior, it is alleged that consumers evaluate stores on the basis of the retailer attributes offered (Hildebrandt 1988). But it is also assumed that single retailer attributes are not perceived in isolation because they are linked to one another in the consumer's memory (Marks 1976). Additionally, consumers tend to base their judgments upon key information, which furthermore has a halo effect on other dimensions of perception (Wu and Petroschius 1987). Transferring these findings to retail formats, we argue that different attributes of particular retail formats are dominant in consumers' minds (e.g. based on Western European studies, price is the dominant factor in the case of discounters). We thus investigate how perception of the retailer attributes location, store layout, assortment, price, service, and communication impacts on store image, comparing the retail formats hypermarkets, supermarkets, discounters, neighborhood stores, and C&C stores?

To test the research questions, an empirical study was conducted in the second largest Romanian city (grocery retailing market with approx. 10% annual growth), with 2,825 face-to-face interviews (quota sampling). Each respondent was asked about one specific retail store he/she uses. Twelve grocery firms assigned to five retail formats are included in the analysis. Measurement of the six retailer attributes was based on a seven-point Likert-type scale (totally disagree up to totally agree). Based on reliability tests, some items were excluded (reduction after item-to-total correlation). Store image was measured according to Verhoef et al. (2007). Using split-half method for cross-validation, the items were first analyzed by principal axis exploratory factor analysis (with oblique rotation) and then by confirmatory factor analysis. For retailer attributes, five factors were extracted with adequate goodness of fit values. The confirmatory factor analysis validated the factor structure and showed satisfactory values for the model. In addition, the test of discriminant validity underlines the discriminatory power of the model. The analysis was conducted using multi-group structural equation modeling with satisfactory goodness of fit values.

The results for C&C stores show that assortment/store layout, location, and price have the highest significantly positive effects on store image. We should point out that the perception of price has a highly significant impact on store image in Romania for C&C stores only. The store image of discounters is based mainly on assortment/store layout. It is surprising that price has no direct impact in Romania. For hypermarkets, a significant positive impact could be shown for assortment/store layout, location and service. Price only has a low significant effect. For neighborhood stores and supermarkets assortment/store layout, location and service have a positive impact. Communication has no significant effect on store image for any retail format.

In terms of managerial implications, this initial study shows first controlling options for store image in a dynamic retailing market based on retailer attributes. On the format level it is to mention that some Western European expectations concerning the effects of attributes on store image could not be confirmed. With regard to the non-significant effect of the perception of communication instruments on store image for all retail formats, further research is required. One aim for future research is to compare these format-related results to other Eastern and also Western European countries.

MANAGING THE RETAIL FORMAT PORTFOLIO: AN APPLICATION OF MODERN PORTFOLIO THEORY

James R. Brown, West Virginia University, U.S.A.

ABSTRACT

Retail firms have increasingly developed portfolio of store types or formats to remain competitive and to attract different market segments. The retail market offering and retail know-how comprise retail format. Examples of retail formats include: (1) specialty stores (e.g., Benneton, Zara), (2) department stores (e.g., Macy's, Marks & Spencer), (3) discount stores (e.g., Target, RT Mart), (4) off-price stores (e.g., Ross for Less), and (5) catalog retailers (e.g., L.L. Bean, Lands' End). Wal-Mart Stores, for example, operates several retail formats in its portfolio including supercenters, discount department stores, supermarkets, and warehouse clubs.

Achieving proper balance among the different retail formats within the portfolio is a significant challenge to retailers. Each format possesses different levels of profitability and risk. Therefore, understanding which formats to stress and which to de-emphasize is not straightforward. The objective of this study is to provide some guidance to retailers by illustrating how modern financial portfolio analysis can be used to achieve that balance.

Modern portfolio theory (MPT) balances risk and return in determining the optimal allocation of an investor's overall investment portfolio across various investment alternatives. In particular, the objective of MPT is to minimize overall portfolio risk for a given level of overall portfolio return by differentially weighting the amount of financial resources allocated to each investment alternative. By treating its retail formats as a portfolio, management may expand some formats by adding additional outlets. It may contract others and at simultaneously leave still others intact.

We use the lodging (i.e. hotel) industry to illustrate the application of MPT to managing retail formats. To do this, we selected three firms with varied portfolios. The first, the U.K.-based ICHG, operates the luxury InterContinental Hotels brand, the upscale Crowne Plaza chain, and the mid-market Holiday Inn brand, among others. The second, the U.S.-based Marriott, is home to the upscale Marriott brand as well as the mid-market Courtyard and Fairfield Inns, as well as other brands. The final hotel chain that we examine is the U.S.-based Wyndham, which solely operates the Wyndham (upscale) and Wingate (upper mid-market) brands as well as Days Inn, Knights Inn, and other economy chains.

While secondary information on these firms' operations is plentiful, we are aware of no publicly available data on the returns on investment for each of their brands. Therefore, we use each brand's average occupancy rate as a proxy for of its return on investment. We computed average occupancy rate as the proportion of the available rooms that are sold each night. The higher the hotel's occupancy rate, the higher the hotel's annual sales revenue, which in turn affects its profitability and subsequent return on investment. Hence, occupancy rate is a rough indicator of the extent to which a hotel is able to generate returns on its invested capital. Accordingly, variance in occupancy rate is our proxy measure of the riskiness of each brand. Occupancy data for these hotel chains were obtained for various years from company annual reports *Form 10-K* for the U.S.-based firms and *Form 20-F* for ICHG.

We found that, for ICHG and Marriott, the most efficient portfolio consisted of a single brand. In other words, the Staybridge and Residence Inn brands yielded the highest return and least amount of risk for ICHG and Marriott, respectively. Those brands aside, we found that for the same level of portfolio risk, some brands generated higher returns than others. Where this occurs, the firm should divert resources to the higher yielding brands. In addition, we found for each hotel company that certain brands should be shuttered while others should be expanded and still others should be kept as is.

Valid reasons exist for not following these prescriptions. The key one being that a fuller portfolio allows the firm to reach a broader range of market targets. Stated somewhat differently, firms may be willing to accept the higher levels of risk associated with a broader portfolio of retail formats if it can increase overall firm sales and subsequent profits.

Based on our research, MPT can offer managers with an overall perspective of their portfolio of retail formats—which brands can be left alone and which brands deserve more attention. However, because of limitations in its application to portfolios of retail formats, MPT cannot provide the fine-grained view that it does for portfolios of financial securities. In other words, MPT shows the overall landscape, but other tools are needed to determine a close-up evaluation of the format portfolio.

References are available upon request

SESSION 8.5: SERVICES MARKETING AND SERVICE EMPLOYEES: CRITICAL LINKS

Session Chair: Dheeraj Sharma, Athabasca Univ., Canada

“Network Strength in Service Employee Teams: Implications for Information Processing and Customer Orientation”

Bülent Mengüç, Brock University, Canada

Simon J. Bell, University of Melbourne, Australia

Seiyoung Auh, Yonsei University, South Korea

Jan B. Heide, University of Wisconsin, USA

Omar Merlo, University of Cambridge, UK

Paul Tracey, University of Cambridge, UK

“Customer Orientation and Job Satisfaction of Service Middle Managers: A Research on the Directionality of the Relationship and on its Boundary Conditions”

Joan Llonch, Autonomous University of Barcelona, Spain

M. Pilar López, Autonomous Univ. of Barcelona, Spain

“How to Enrich the Service Encounter? Empirical Insights into the Relationships between Customer Performance, Interaction Quality, and Customer Satisfaction”

Alexander Leischnig, Freiberg University of Technology, Germany

Anja Geigenmueller, Freiberg University of Technology, Germany

Margit Enke, Freiberg University of Technology, Germany

**NETWORK STRENGTH IN SERVICE EMPLOYEE TEAMS: IMPLICATIONS FOR INFORMATION
PROCESSING AND CUSTOMER ORIENTATION**

Bülent Mengüç, Brock University, Canada
Simon J. Bell, University of Melbourne, Australia
Seigyoung Auh, Yonsei University, South Korea
Jan B. Heide, University of Wisconsin (Madison), USA
Omar Merlo, University of Cambridge, UK
Paul Tracey, University of Cambridge, UK

ABSTRACT

Using the extant literature on social networks and organizational learning, and drawing from the available work on social networks in marketing, we propose a model of vertical and horizontal network relationships among boundary spanning service employees, the climate of communication openness, information processing, customer orientation and the customer orientation of retail stores. The model is tested using a sample of 413 service employees within a national retail organization comprising 112 stores. The model is largely supported by the data. Implications for management and further research are discussed.

CUSTOMER ORIENTATION AND JOB SATISFACTION OF SERVICE MIDDLE MANAGERS: A RESEARCH ON THE DIRECTIONALITY OF THE RELATIONSHIP AND ITS BOUNDARY CONDITIONS

Joan Llonch, Autonomous University of Barcelona, Spain
Pilar Lopez, Autonomous University of Barcelona, Spain

ABSTRACT

The directionality of causal relationship between customer orientation and job satisfaction is unclear from previous research. Additionally, research on this topic is based on service-workers, while middle managers are ignored, although their critical role. Drawing from literature on person-situation interaction and fit theory we develop some hypothesis on middle-manager customer orientation and job satisfaction. We test this hypothesis with 535 branch managers from a commercial bank. Results confirm that customer orientation is an antecedent of job satisfaction, and job fit and customer contact time moderates this relationship.

INTRODUCTION

In service companies, employees and its interactions with customers are a critical element to implement the marketing concept. At the individual service employee level, CO has demonstrated to exercise positive consequences on performance (Brown et al. 2002) and on several job responses like satisfaction (Donovan et al., 2004). However the directionality of causal relationship between customer orientation and job satisfaction is unclear from previous research. Directionality on this causal relationship is a key issue because of the resulting recruiting implications for service managers.

Additionally, research on the outcomes of CO has been carried out among service-workers, while service-middle management has been completely neglected, although middle-level managers play a critical role in company daily operations and in the implementation of its business strategy (Balogun and Johnson, 2004; Brubakk and Wilkinson, 1996; Floyd and Wooldrige, 1997; Neelankavil et al., 2000). Additionally, research on organizational behavior has shown that group membership based on hierarchy can affect the relationships between important employee job responses (Cole and Bruch, 2006). Therefore, we will investigate the relationship between CO and a key job response like satisfaction among service-middle managers, instead of doing so with service-workers, as it has traditionally been done in past research.

Moreover, our study aims at setting up boundary conditions on the influence of CO at service middle-level management. Significant research indicates that individual characteristics and situational variables often jointly determine outcomes (Caldwell and O'Reilly, 1990; Maslach and Goldberg, 1998). Hence, deriving from fit theory (e.g. Chatman, 1989; Kristof, 1996) we argue that CO (a personal characteristic) will exert different levels of influence on service-middle manager satisfaction depending on the time spent in contact with customers.

HYPOTHESIS DEVELOPMENT

Previous research on the directionality of the relationship between customer orientation and job satisfaction has ended up with mixed results (Donovan et al., 2004; Harris et al., 2005; Hoffman and Ingram, 1991; Pettijohn et al., 2002). Direction of causality is a key issue because of the resulting recruiting implications for service managers. According to Donovan et al. (2004) or Gil et al. (2005) we posit that as a characteristic of the employee, dispositional CO will lead to job satisfaction, not vice versa. On the basis of a P-J fit mechanism we propose that service workers who have higher degrees of CO will express higher levels of JS. Hence, a customer oriented service-employee is a more natural fit in a service job and, thus, he will get superior job satisfaction (Donovan et al., 2004) and we posit:

H1: Service middle-manager CO will exercise a positive influence on job satisfaction.

According to fit theory, the person and the environment or situation come together to affect the individual's behavior. Furthermore, the interaction between the two variables enhances the quantity of variance explained. Accordingly, fit between the employee and the tasks associated with a particular job should increase the relationship between CO and job satisfaction:

H2: The positive influence between service-middle manager CO and job satisfaction will be enhanced by job fit.

Being in contact with customers is an expected job condition in a service setting. Service-workers in customer contact positions have usually an easier type of job than middle managers (Hornsby et al., 2002). Different jobs, even in the same organization, require different amounts of actual time spent with customers. Usually middle managers in service companies will not require the same amount of contact time with customers than service-workers. They have to be in contact with customers but they also have many other important tasks to perform, because as boundary spanners, they mediate between the organization, its customers and its suppliers, and as administrators they direct the organization's overall technical task (Floyd and Wooldridge, 1997). Therefore, we hypothesized that:

H3: The positive influence between service-middle manager CO and job satisfaction will be stronger at low and medium levels of contact time than at high levels.

RESEARCH METHOD

The sample is composed by branch managers from a Spanish leading bank. Bank. We send a questionnaire to 950 branch managers and we obtained 535 responses. *Customer orientation* is assessed with the scale proposed by Saxe and Weitz (1982) in a new version suggested by Donovan et al. (2004) with 13 items. *Job satisfaction* is measured with a 6 item scale adapted from Stock and Hoyer (2002). *Contact time* is a direct variable, that is, service middle-managers job time percentage in touch with customers (Donovan et al., 2004). *Job fit* is measured with a 3 item scale suggested by Donovan et al. (2004).

In order to test the moderation hypothesis, we created two groups according to their job fit (low and high) and three groups of branch managers based on their customer contact time (low, medium and high). Data was analyzed with structural equations modeling. We performed a confirmatory factor analysis in order to purify the scales and check the validity of all measures. Later on we derived in a full structural model for our hypotheses. As the discussion about the directionality of the relationship between job satisfaction and customer orientation noted previously imply the problem of rivalry or equivalence structural models, we generated from our data base two random samples for removing this problem (Raykov y Penev, 1999). We then performed a two structural equation modeling analysis, one for each random sample. The first model estimated the relationship Customer Orientation to Job Satisfaction and the second model the opposite relationship (Job Satisfaction to Customer Orientation).

Lastly, in order to test the additional questions about the cross-group parameter constraints, we performed a multiple-group analysis introducing explicit means and intercepts. The multiple-group analysis generates a hierarchy of models in which each one contains all the constraints of its predecessor. First it is an unconstrained model, next it is a model where the factor loadings are held constant across groups (measurement weights model), and third all of previous plus the structural weights are constant across the groups, the next model adding structural intercepts restrictions and so on, until all parameters are held constant across groups. The analysis of the increase or not of likelihood ratio chi-square statistic and other fit indexes for each model help to identify which model has a better fit.

RESULTS

Structural model results: The model fit presented in Figure 1 was good ($\chi^2 = 22.15$; d.f.=15; $\chi^2/d.f.=1.5$, $p > .1$, CFI=.99, TLI=.99 and RMSEA=.03). The standardized path coefficients and associated t-values for all relationship in the structural model showed significant effects. It is necessary to point out that the estimated structural path coefficient (CO->JS) was 0.361 ($p < .01$). One of the purposes of our research is to consider the inverse relationship showed in Figure 1, that is, JS->CO. The results obtained show that the model with the relationship customer orientation-job satisfaction fits better than the model with the opposite relationship ($\chi^2 = 25.46$, d.f.=19, $\chi^2/d.f.= 1.3$, $p > .1$, CFI=.99, TLI=.98 and RMSEA=.03 versus $\chi^2 = 41.15$, d.f.=19, $\chi^2/d.f.= 2.1$, $p < .1$, CFI=.96, TLI=.95 and RMSEA=.06). The estimated structural path coefficients were 0.404 ($p < .01$) for the first case and 0.393 ($p < .01$) for the second case. All of these results let us to support our hypothesis 1.

As we noted before, we created a low and high job fit groups. The results of assisted multiple-group analysis are presented in Table 1. We can see now that the structural intercepts model fits worse. The results of the moderation tests are showed in Table 2. The effect of customer orientation on job satisfaction is stronger for high job fit group than for low job fit group (0.693 versus 0.322 at conventional significance levels). In the case of the structural intercept for job satisfaction, as intercept for low job fit group is fixed at 0, we obtained that the job satisfaction intercept increases significantly in 0,840 scores for high job fit group when customer orientation is hold constant. The structural means of customer orientation also increases 0.371 scores for high job fit group, when the structural means of customer orientation for low fit group is fixed at 0. So our hypothesis 2 is also supported.

As we pointed out earlier, we also created a low, medium and high customer contact time groups. Results of assisted multiple-group analysis are showed in Table 3. We observe that the model fits improve gradually. However, the structural means model fits significantly worse. In this model the structural means are hold constant across groups. We tested the structural path coefficient across groups in the correspondent structural models. Results are showed in Table 4. The effect of customer orientation on job satisfaction is stronger for low and medium customer contact time groups than for high customer contact time group. Recalling that the structural intercept for low customer contact time was fixed at 0, it is estimated that the job satisfaction intercept increases significantly 0,111 scores for medium customer contact time group when customer orientation is hold constant. Given that the mean of customer orientation for low customer contact time was also fixed at 0, the customer orientation means increase 0.163 scores and 0.308 scores for medium and high customer contact time groups at conventional significance level. So, hypothesis 3 is partially supported.

CONCLUSION

The present research has several important contributions to the field of marketing in service companies. First of all, we have established the direction of causal relationship between service-employee customer orientation and job satisfaction. In contrast to claims by previous researches (i.e., Kelley, 1992; Pettijohn, Pettijohn and Taylor, 2002), our results suggest an antecedent role for CO. Therefore, employees, specifically middle managers, with a customer oriented personality will be more satisfied than employees with low levels of CO. Given that job satisfaction is a result of customer orientation, service organizations, especially in high customer contact jobs, should recruit people with a strong customer orientation personality, because customer orientation would lead to job satisfaction.

A second contribution of our study lays on the fact that job fit has a significant effect on the relationship between service middle management CO and job satisfaction. Therefore, CO will have a higher influence in middle manager job satisfaction when there is a good fit between middle manager's personality and the tasks he/she has to perform. Thus, a firm's employing highly customer oriented middle managers does not necessarily produce the most satisfied employees; the job environment (for instance, job fit) should also be considered.

The third contribution deals about the role of customer contact time in the relationship between middle managers CO and job satisfaction. Again, CO (a personal variable) and contact time (a situational variable) interact to predict job satisfaction. Nevertheless, for middle management the effect of contact time is not exactly the same than the effect of job fit. Although any higher degree of job fit enhances the link between middle managers CO and job satisfaction, not any higher degree of customer contact time has a potentiated effect on the CO-job satisfaction relationship. At the highest levels of customer contact time the link between CO and job satisfaction is lower than at medium or low contact time levels. Thus, a highly contact time position for a service middle manager may bring him about some kind of role conflict.

TABLES

Table 1: Multiple-group job fit analysis

	χ^2	df	χ^2/df	CFI	TLI	NFI	RMSEA	AIC
Measurement intercepts	77.3	42	1.84	.967	.956	.931	.040	169.3
Structural weights	80.13	43	1.86	.965	.955	.928	.040	170.1
Structural intercepts	147.1	44	3.34	.903	.877	.869	.066	235.1
Structural means	205.2	45	4.56	.849	.812	.817	.082	291.2
Structural covariances	221.4	46	4.81	.799	.799	.802	.085	305.4
Structural residuals	222.8	47	4.74	.803	.803	.801	.080	304.8
Measurement residuals	258,6	59	4.38	.822	.822	.769	.189	316.6

Table 2: Moderation Job Fit test

	Structural Coefficient β CO-> JS	Structural intercepts α JS ^A	Structural means CO ^A
Low Job Fit Group ^B	$\beta_L = 0.322^{**}$	$\alpha_L = 0$	CO _L = 0
High Job Fit Group ^B	$\beta_H = 0.693^{**}$	$\alpha_H = + 0.840^{**}$	CO _H = + 0.371 ^{**}

^A Note: In order to allow identified model for cross-group constraints, it has been necessary to fix a means and an intercept to a constant, such as 0, for a low contact group.

^B Note: low job fit group is composed by 41% of the total sample (N=219) and high group by 59% of the total sample (N=314)

*, ** is $p < .05$, $p < .01$

Table 3: Multiple-group contact time analysis

	χ^2	df	$\chi^2 / d.f$	CFI	TLI	NFI	RMSEA	AIC
Measurement intercepts	106.4	72	1.47	.973	.968	.921	.030	226.4
Structural weights	107.4	74	1.45	.973	.970	.920	.030	223.4
Structural intercepts	108.5	76	1.42	.974	.971	.919	.029	220.5
Structural means	136.5	78	1.75	.954	.950	.898	.038	244.4
Structural covariances	142.2	80	1.77	.951	.948	.894	.039	246.2
Structural residuals	150.8	82	1.84	.945	.944	.888	.040	250.8
Measurement residuals	178.8	104	1.72	.941	.954	.867	.037	234.8

Table 4: Moderation contact time tests

	Structural Coefficient β CO-> JS	Structural intercepts α JS ^A	Structural means CO ^A
Low Contact Group ^B	$\beta_L = 0.827^{**}$	$\alpha_L = 0$	CO _L = 0
Medium Contact Group ^B	$\beta_M = 0.840^{**}$	$\alpha_M = + 0.111^{**}$	CO _M = +0.163**
High Contact Group ^B	$\beta_H = 0.591^*$	$\alpha_H = + 0.010$	CO _H = + 0.308**

^A Note: In order to allow identified model for cross-group constraints, it has been necessary to fix a means and an intercept to a constant, such as 0, for a low contact group.

*, ** $p < .05$, $p < .01$

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HOW TO ENRICH THE SERVICE ENCOUNTER? EMPIRICAL INSIGHTS INTO THE RELATIONSHIPS BETWEEN CUSTOMER PERFORMANCE, INTERACTION QUALITY, AND CUSTOMER SATISFACTION

Alexander Leischnig, Freiberg University of Technology, Germany
Anja Geigenmueller, Freiberg University of Technology, Germany
Margit Enke, Freiberg University of Technology, Germany

ABSTRACT

As co-producers of value, customers actively contribute to service production and delivery. In contrast to the production of tangible goods, services are produced while being consumed. Consequently, representing a part of the service delivery system, customers are involved in the production of the services they receive. Referring to that, it is widely accepted that customer participation affects the service production process, and hence, customers' satisfaction with the service outcome. Particularly in human services, customer performance tremendously affects quality and effectiveness of service processes.

Despite the awareness of the customer's role in service production, there has been little empirical research on relevant customer behaviors during customer-employee interactions as well as impacts on customer satisfaction. Further, research on customer performance, its facets, and hence, opportunities to stimulate customer contributions, still remains limited. Although perceived service quality as well as customer satisfaction have been repeatedly investigated in service contexts, research on the relationship between interaction quality and customer satisfaction remains limited, too.

During a service encounter customers can supply three types of resources: (i) mental inputs, including information and mental effort, (ii) emotional inputs, such as patient and pleasant behavior toward service employees, and (iii) physical inputs, such as performing physical labor. However, the degree to which these customer inputs are contributed into a service production process depends on specific customer behaviors. We suggest a conceptualization of customer performance including the three components of (i) information behavior, (ii) decision behavior, and (iii) participation behavior. We further suggest a conceptualization of interaction quality including the two dimensions (i) cognitive interaction quality and (ii) affective interaction quality. Moreover, we postulate a causal chain between the constructs customer performance, interaction quality, and customer satisfaction.

As the model was empirically tested in a health care service context, empirical studies started with expert interviews conducted with patients and employees (both doctors and nurses) of two larger hospitals. After pretesting the questionnaire, we conducted a final survey using face-to-face interviews with patients. We employed structural equation modeling for analyzing the model.

Results reveal that customer information behavior as well as customer decision behavior positively affect the valuation of cognitive interaction quality. Further, customer participation behavior positively affects both cognitive and affective interaction quality. Finally, result show that affective and cognitive interaction quality have a significant positive effect on customer satisfaction. It is also worth emphasizing that the effect of affective interaction quality is stronger than the impact of cognitive interaction quality on customer satisfaction.

In summary, our research contributes to a more detailed understanding of the phenomenon of customer activities performed during the production and delivery of services. First, we give a review of customer behaviors, which are performed in service processes. Second, we explicate the impact of customer behaviors on perceived interaction quality, and therefore, highlight the importance of customer activities on the relationship between service providers and customers. Third, our study contributes to a detailed understanding of the effects of interaction quality on customer satisfaction.

References are available upon request

SESSION 8.6: DESIGN AND CHOICE IN THE SUPPLY CHAIN

Session Chair: Trina Larsen Andras, Drexel Univ., USA

“Channel Choice in Foreign Markets: Capabilities and Transaction Cost Approaches”

Hidesuke Takata, Keio University, Japan

“Design of a Multi-Retailer Single Product Distribution System”

K. Pitsa, University of Piraeus, Greece

S. Sofianopoulou, University of Piraeus, Greece

“Knowledge Calibration Capability for Supply Chain Management”

Soonhong Min, University of Oklahoma, USA

Kishore Gopalakrishna Pillai, University of Leeds, UK

“Why are Network Goals Important for Chain Management?”

Taras Gagalyuk, Leibniz Institute Agricultural Development in Central and Eastern Europe, Germany

Jon Hanf, Leibniz Institute Agricultural Development in Central and Eastern Europe, Germany

CHANNEL CHOICE IN FOREIGN MARKETS: CAPABILITIES AND TRANSACTION COST APPROACHES

Hidesuke Takata, Keio University, Japan

ABSTRACT

Many manufacturers are seeking business in international markets in the context of mature domestic markets. The selection of an appropriate channel represents an important choice for such manufacturers. According to previous studies on this subject (e.g., Anderson and Coughlan, 1987; Klein, Frazier, and Roth, 1990; Aulakh and Kotabe, 1997), this decision involves two key issues: channel integration and channel control. In other words, will the product be distributed by the manufacturer's own sales force or by independent intermediaries? Second, when independent intermediaries are used, do they work exclusively for that particular manufacturer?

This subject is among the most-debated issues related to channels of distribution and international business fields of study. During the past two decades, transaction cost theory (Williamson, 1975, 1985, 1999) has constituted an approach to examining this issue. Transaction cost theory focuses on opportunism and bounded rationality in the realm of transactions and shows that asset specificity (or the transaction specificity of assets) and uncertainty have positive effects on the degree of channel integration or control. However, there are some limitations to this approach. Specifically, this approach can explain only one of the two issues pertaining to channel choice and empirical results suggest an ambiguous causal relationship between uncertainty and the degree of channel integration or control. As a result, capabilities theory (Langlois and Robertson, 1995; Langlois and Foss, 1999; Langlois, 2003), which addresses the limitations of transaction cost theory, has been developed. Capabilities theory addresses bounded rationality in the realm of production and shows that the idiosyncrasy (tacitness or stickiness) of productive knowledge has a positive effect on the degree of integration and that uncertainty has an indirect negative effect on the degree of integration.

This study develops and tests a causal model that combines capabilities theory with transaction cost theory to more adequately explain channel choice in foreign markets; this study explores these issues by focusing on channel choice at the wholesale level. This study is unique in two respects. First, I provide a conceptual model of the two-stage decision-making process by which the management of the manufacturer determines whether to engage in wholesale activities directly or to use partners (Stage 1). Next, if partners are used, the model determines the level at which such partners will be controlled (Stage 2). I hypothesized that capabilities theory would be better able to explain the former, whereas transaction cost theory would be better able to explain the latter. Second, I separate uncertainty into two types (product-related uncertainty, associated with capabilities theory, and wholesale-related uncertainty, associated with transaction cost theory) and argue that each type has a different effect on channel choice in foreign markets.

More specifically, this paper uses capabilities theory to demonstrate that the degree of channel integration is influenced positively by the idiosyncrasy of product knowledge and that the idiosyncrasy of product knowledge is influenced negatively by product-related uncertainty. In addition, the paper uses transaction cost theory to show that the degree of channel control is influenced positively by the specificity of wholesale service and by wholesale-related uncertainty. These hypotheses address the limitations of the transaction cost approach. The hypotheses are empirically tested using structural equation modeling on survey data obtained from foreign division managers of Japanese manufacturers. The results of the empirical analysis provide support for these hypotheses.

References are available upon request

DESIGN OF A MULTI-RETAILER SINGLE PRODUCT DISTRIBUTION SYSTEM

K. Pitsa, University of Piraeus, Greece
S. Sofianopoulou, University of Piraeus, Greece

ABSTRACT

Over the last decade there has been a growing amount of interest towards the integration of various elements of the Supply Chain Management. The category of problems arising from the combination of distribution and inventory management decisions is possibly the most typical example of that notion and is known as inventory routing problems (IRP). IRP for a single product, deals with the distribution of the product, from a single depot to a set of n customers over a specific number of time periods, using a fleet of homogenous vehicles. The objective is to minimize the average daily cost for the planning period, while ensuring that no stockouts will occur. In this work a two-phase approach is examined. The epicentre of the first phase is a Mathematical Programming model used to provide an accurate description of the problem. At the second phase a Genetic Algorithm (GA) with suitably designed genetic operators, will be employed in order to obtain near optimal solutions.

INTRODUCTION

Over the last decade there has been a growing amount of interest towards the combination-integration of various elements of the Supply Chain Management. As the business world comes to realize the potential this has to offer, i.e. significant savings in inventory handling cost, increased efficiency, higher delivery performance to requested or committed due dates, more researchers are focusing on implementing techniques that render this integration not only viable but also profitable. The present work focuses on one of the most typical examples of this concept, that is, the integration of distribution management and inventory control. Specifically, instead of the customers having to monitor their inventory and make sure that it is replenished on a regular basis to prevent stock-outs, the supplier is responsible for serving all customer needs by determining simultaneously the timing and sizes of the deliveries as well as efficient vehicle schedules so as to minimize total transportation and inventory carrying costs. The category of problems arising from the combination of distribution and inventory management decisions is known as "Inventory Routing Problems" (IRP) and generally is considered to be an extension of the Vehicle Routing Problems (VRP). A variety of industries have provided fertile ground for the development of IRP applications e.g. industrial gases companies, automotive companies etc. fuelling the interest of researchers that have generated numerous methods of solving IRP. Most of these methods propose either a "theoretical" approach or a more "practical" one. The theoretical one, consists of attempting to specify the lower bounds to the problem, whereas the practical one employs heuristics in order to obtain near optimal solutions.

In this paper a multi-retailer single product routing problem is examined and thoroughly reviewed. In the following section the problem is formally stated, while in the next section Genetic Algorithms are introduced and related operators are discussed. Then, the application of the algorithmic procedure to IRP is implemented, while concluding remarks and suggestions for further research are presented in the last section.

In order to categorise the approaches developed for the solution of IRP, we will adopt the classification introduced by Bramel and Simchi-Levi (1997). According to this, most of the research on IRP is in one of three directions: single-day models using deterministic demand (Chien, Balakrishnan, and Wong, 1989; Bertazzi, Paletta, and Speranza, 2002), multi-day models using deterministic demand (Bard, Huang, Jaillet and Dror 1998; Campbell and Savelsbergh 2004), and infinite time horizon usually for long-term planning purposes (Anily and Bramel, 2004). Finally stochastic demand has also been considered by several researchers (Kleywegt, Nori, and Savelsbergh, 2002).

PROBLEM STATEMENT

IRP is concerned with the repeated distribution of a single product, from a single facility, i.e. a central depot, to a set of $N=\{1,2,\dots,n\}$ dispersed retailers over a given planning horizon of length T . For each retailer $i \in N$, we have a demand d_i^t , and a level of inventory I_i^t (with a maximum of C_i) per time period $t \in T$. The amount of delivery q_i^t , to customer i in period t , is to be decided and based on the delivery amounts in period t . Each retailer i , incurs an inventory holding cost of h_i per period per unit. We assume that the depot has a sufficient supply of items to cover all customers' demands throughout the

planning horizon. Deliveries can be carried out at any time period $t \in T$, using vehicles with virtually unlimited capacity. Any combination of retailers can be visited in a single delivery route and the transportation cost c_{ij} , i.e. from retailer i to retailer j , is given. The total cost comprises of the inventory holding cost and the transportation cost, as depicted in the objective function (1).

$$\min \sum \sum h_i I_i^t + \sum \sum \sum c_{ij} w_{ij}^t \quad (1)$$

subject to the following constraints:

$$I_i^{t+1} = I_i^t + q_i^t - d_i^t \quad (2)$$

$$I_i^t \leq C_i \quad (3)$$

$$\sum_j w_{ij}^t \leq 1, \quad \forall i, t \quad (4)$$

$$z_{ij}^t \leq M w_{ij}^t \quad \forall i, j, t \quad (5)$$

$$\sum w_{ij}^t - \sum w_{li}^t = 0 \quad \forall i, t \quad (6)$$

$$\sum_l z_{li}^t - \sum_k z_{ik}^t = q_i^t \quad \forall i, t \quad (7)$$

$$I_i^t, q_i^t, z_{ij}^t \geq 0, w_{ij}^t = 0, 1, M: \text{large number} \quad (8)$$

Constraint (2) is the inventory balance equation for the customers. Constraint (3) limits the total amount of inventory to C_i . Constraint (4) ensures that a vehicle will not visit the location of a specific retailer more than once. w_{ij}^t is a binary variable that is equal to 1, if the vehicle visits retailers at location i and j successively. Constraint (5) makes sure that if there isn't a vehicle travelling between two locations (i.e. retailers) then the amount delivered between them will be zero. z_{ik}^t is a continuous variable representing material flow. Constraint (6) is used in order to ensure route continuity and constraint (7) reflects the equity between materials flow and the quantity of products to be delivered. Constraints (8) are domain constraints.

GENETIC ALGORITHMS

Genetic algorithms (GAs) are efficient heuristic procedures often surpassing the effectiveness of more “traditional” algorithms. There are several reasons for that. Firstly, GAs work with a coding of the parameters whereas “normal” optimisation and search procedures use the parameters themselves. Secondly, GAs perform their search from a population of points, not a single point. Thirdly, they use payoff (objective function) information and do not rely on derivatives or other auxiliary information. Finally, GAs make use of probabilistic transition rules, not deterministic ones.

In genetic algorithms, the term “chromosome” typically refers to a candidate solution to a problem, often encoded as a bit string. The “genes” are either single bits or short blocks of adjacent bits that encode a particular element of the candidate solution (e.g., in the context of multi-parameter function optimization the bits encoding a particular parameter might be considered to be a gene). An allele of a bit string is either 0 or 1; for larger alphabets more alleles are possible at each locus. In correspondence to the term genotype used in natural systems, in artificial systems the term structure is employed in order to refer to the total package of strings. Moreover, the term “phenotype” is analogous to a “parameter set”, or a “solution alternative” that is formed by the decoding of a structure and the locus of a gene is analogous to the position of a bit in a string.

Genetic Operators

As mentioned earlier, GAs resemble natural systems and basically follow the same principles. In GAs, during each successive generation, a proportion of the existing population is selected to breed a new generation. Individual solutions (strings) are selected through a *fitness-based* process. In GAs, as a number of genetic operators is employed (selection, crossover, mutation) to ensure that the average fitness of the population of strings will continue to increase in successive generations, good partial solutions combine to form even better composite solutions.

Genetic operators lie at the core of GAs and are of crucial importance to the ability of the algorithm to produce high quality solutions. *Selection* ensures the survival of the fittest and resembles the “natural selection” process. It determines during each successive generation, which strings will reproduce and pass on their genes to the next generation, according to fitness criteria. Popular and well-studied selection methods include roulette wheel selection and tournament selection. In roulette-wheel selection, the fitness function assigns a fitness value to possible solutions (strings).

After selecting the strings, the next step is to generate a new population of solutions from those selected through genetic operators: crossover (also called recombination), and/or mutation. For each new solution to be produced, a pair of "parent" solutions is selected for breeding from the pool selected previously. By producing a "child" solution using the methods of crossover and mutation, a new solution is created which typically shares many of the characteristics of its "parents". New parents are selected for each child, and the process continues until a new population of solutions of appropriate size is generated. These processes ultimately result in the next generation population of chromosomes that is different from the initial generation. Generally the average fitness will have increased by this procedure for the population, since only the best organisms from the first generation are selected for breeding, along with a small proportion of less fit solutions, for reasons already mentioned above.

Analytically, during the process of *crossover*, two individuals are selected from the population and a crossover site (a position) along the bit strings is randomly chosen. Then, substrings from corresponding positions within the individuals are exchanged. One or both of the new individuals are inserted into the population at the next generation. For example if $S_1=000000$ and $S_2=111111$ are the parent strings and the crossover point is 2 then $S_1'=110000$ and $S_2'=001111$. *Mutation* helps the GA procedure to maintain genetic diversity from one generation of a population of chromosomes to the next. A common method of implementing the mutation operator involves generating a random variable for each bit in a sequence. This random variable tells whether or not a particular bit will be modified

Structure of the Algorithm

The steps for implementing a GA are the following:

1. Randomly create an initial population (generation 0)
2. Iteratively perform the following sub-steps on the population until the termination criterion (i.e. a satisfactory fitness level or a maximum number of generations), is satisfied:
 - a. For each string in the population calculate its fitness.
 - b. Select one or two individual(s) from the population with a probability based on fitness to participate in the genetic operations in (c).
 - c. Create new individual for the population by applying the following genetic operations with specified probabilities:
 - ✓ *Reproduction*: Copy the selected individual to the new population.
 - ✓ *Crossover*: Create new offspring(s) for the new population by recombining randomly chosen parts from two individuals.
 - ✓ *Mutation*: Create one new offspring for the new population by randomly mutating a randomly chosen part of one selected individual.
3. After the termination criterion is satisfied, the single best individual (string) in the population produced during the run (the best-so-far individual) is harvested and designated as the result of the run. If the run is successful, the result may be a solution to the problem.

A Genetic Algorithm Adapted to the Inventory Routing Problem

In order to use GAs for solving a problem, the encoding of candidate solutions is necessary. Referring to IRP, a representation of a solution is a two-dimensional matrix (Abdelmaguid and Dessouky, 2006), with each cell containing the quantity of product delivered to customer i during time period t , each row corresponding to a specific customer I and each column corresponding to a time period t . It is worth noting that delivery amounts are set to be integers.

An initial population is required. The genesis of this population is conducted using a two-step heuristic algorithm. In phase one, the heuristic procedure examines which customers are in need of a delivery. Generally, retailers are served if their inventory level in period t cannot cope with the demand of that period. Firstly the heuristic decides which customers are in immediate need of a delivery, simply by using a function that calculates the inventory level of customer i , in period t . In phase two, a network of the customers who are to be serviced is generated and the transportation cost, for supplying each retailer in the network is minimised with the use of a modified Dijkstra algorithm. The amount of product to deliver to each retailer in the network is $q_i^t = d_i^t - I_i^{t-1}$. This procedure is repeated for each of the time periods. The heuristic also makes sure that none of the constraints of the IRP is violated by the proposed solution.

Genetic Operators

The *selection* of individuals to produce successive generations plays an extremely important role in GAs. The basic methods we have chosen to apply are selection based on roulette wheel and elitism. Our selection operation at first locates the elite chromosome that is the solution with the least total cost. This solution is automatically passed on to the new population in order to safeguard that it will not be “eliminated” during the selection process. Next, the fitness of each individual is computed. As we are dealing with a minimization problem in that our goal is to minimize the sum of the inventory and routing costs for a number of periods, it is vital to map the underlying natural objective function to a fitness function. This transformation is performed using the method proposed by Goldberg (1989), according to which:

$$f(x) = C_{\max} - g(x) \quad \text{when } g(x) < C_{\max}$$

$$f(x) = 0 \quad \text{otherwise}$$

where $g(x)$ is the cost minimization function, $f(x)$ is the fitness function and C_{\max} the largest g value in the current population. The new population is then created using the fitness values computed earlier and a roulette wheel mechanism.

Given the nature of the problem and the encoding selected, *crossover* is the most intriguing operator. Crossover in our case can be performed either horizontally or vertically. While horizontal crossover, that is random exchange of delivery schedules (rows) of certain customers between the “parent” solutions, poses no problem, vertical crossover may cause a violation of the constraint concerning the capacity of each retailer or the non-stock out policy. Vertical crossover i.e. exchange of rows between “parent” solutions corresponds to the possibility of having excessive amounts of product which in turn results to poor fitness -as inventory holding cost are too great- or violation of the constraints of the problem. Consequently, the latter method is not given any possibility to occur.

Following the crossover operation, *mutation* is applied to each offspring generated with a probability equal to the mutation rate. Specifically the amount of product to be delivered is mutated (decreased or increased) randomly by a small amount; and consequently new solutions are created. As with the previous operators, violations of constraints by the mutated solutions are not allowed.

ILLUSTRATIVE EXAMPLE

The proposed method is applied to a simple example which concerns a single depot and six customers. The distribution plan spans over 3 periods, while demand, holding costs, and distances between customers and depot are shown in [Tables 1-3](#) respectively. Beginning inventory at $T=0$ is also presented in [Table 3](#). Maximum inventory capacity for each customer is 29, 40, 19, 42, 94, 32 respectively.

Results computed for the distribution plan are presented in [Table 4](#), whilst the corresponding routes travelled in each time period are as following: [0 5 6 2 3 0] [0 5 6 4 3 1 2 0] [0 5 6 4 3 1 0] with a total cost of 166.

CONCLUDING REMARKS

The purpose of this work is to present a GA approach for solving the Inventory Routing Problem. The paper consists of three parts. Firstly, IRP is introduced, followed by a formal problem statement. A description of the problem, using a model of Mixed-Integer Programming is given at the end of this part. Secondly, the basic theoretical foundations for Genetic Algorithms are presented and a solution for the Inventory Routing Problem is proposed by solving an illustrative example.

TABLES

Table 1: Distances between individual customers and Depot

	1	2	3	4	5	6	D
1	0	5	1	30	10	4	5
2	5	0	4	15	20	18	32
3	1	4	0	9	10	25	6
4	30	15	9	0	15	3	10
5	10	20	10	15	0	9	1
6	4	18	25	3	9	0	2
D	5	32	6	10	1	2	0

Table 2: Holding costs for each customer per period

$T=$	1	2	3
1	3	2	1
2	2	3	4
3	4	1	2
4	3	2	5
5	4	3	2
6	1	3	4

Table 3: Demand per period (d_i^t) and beginning inventory (I_i^0) for each customer i

	(d_i^1)	(d_i^2)	(d_i^3)	(I_i^0)
1	10	11	12	12
2	15	15	8	14
3	12	10	11	2
4	13	10	9	14
5	14	13	7	9
6	8	14	15	1

Table 4: Distribution plan for each customer per period

$T=$	1	2	3
1	0	9	19
2	1	23	0
3	10	10	11
4	0	9	9
5	5	13	7
6	7	14	15

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KNOWLEDGE CALIBRATION CAPABILITY FOR SUPPLY CHAIN MANAGEMENT

Soonhong Min, University of Oklahoma, USA
Kishore Gopalakrishna Pillai, University of Leeds, UK

ABSTRACT

Knowledge calibration, or the agreement between knowledge accuracy and confidence in that knowledge, provides a foundation for supply chain management (SCM) decisions. We introduce the notion of knowledge calibration capability to maximize knowledge utility or the desirability of utilizing available knowledge. We present a conceptual framework of knowledge calibration capability for SCM by defining the construct and suggesting its potential antecedents and consequences. This paper offers a research agenda for knowledge calibration capability in a supply chain context.

WHY ARE NETWORK GOALS IMPORTANT FOR CHAIN MANAGEMENT?

Taras Gagalyuk, Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO), Germany
Jon Hanf, Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO), Germany

ABSTRACT

Nowadays products are increasingly produced in supply chain networks. The questions dealing with strategies and management of such networks have been widely addressed in literature. However, the importance of network goals for the network's strategy and management is undisclosed. Therefore, the aim of this paper is to provide the theoretical elaboration on the role of network goals in strategic chain management.

INTRODUCTION

Over the last decades, the need for a rapid response to end-consumer demands has been clearly recognized by businesses. One of the most evident consequences of this recognition is a shift from competition between individual organizations towards competition between supply chain organizations (van der Vorst, Beulens, de Wit, and van Beek 1998). As a result, today many products are produced in vertically cooperating organizations or supply chain networks. Such vertically cooperating networks are particularly important for the development, signaling and monitoring of the quality aspects (Ménard, and Valceschini 2005).

Generally, supply chain networks can be regarded as strategic networks (Burr 1999). Lazzarini, Chaddad, and Cook (2001) define supply chain networks as a set of networks comprised of horizontal ties between firms within a particular industry or group, such that these networks (or layers) are sequentially arranged based on the vertical ties between firms in different layers. Thus, supply chain networks embody collaboration of more than two firms maintaining highly intensive and recurrent interactions with each other (Burr 1999). Because of such structure and of strategic nature, a supply chain network possesses a focal actor that sets the network strategy and coordinates its implementation in a hierarchical manner (Jarillo 1988). The focal actor generally stands for the firm that is recognized by the consumers as "responsible" for the specific product.

More specifically, the managerial task of the focal company is to deal with problems of the two domains – cooperation and coordination (Gulati, Lawrence, and Puranam 2005). While the problems of cooperation arise from the conflicts of interests, the problems of coordination originate from unawareness of the existing interdependencies or the lack of one's knowledge about the behavior of others. Additionally, problems of cooperation and coordination can be viewed as a consequence of distinctive goals that are established at the different network levels (Duysters, Heimeriks, and Jurriens 2004). In this context, we argue that the importance of network goals for the network's strategy and (chain) management is still undisclosed. We have come up to this argument after having reviewed approximately 300 articles on network, supply chain and inter-organizational performance in international peer-reviewed management journals (Gagalyuk and Hanf 2008). Some of the results of that review provoked our interest in analyzing network goals. First of all, in spite of declaring the analysis of *network* performance (e.g. the level of the achievement of network goals), almost all the studies analyze how the goals of *single firms* are achieved in the network. Second, many articles address the goals which have the scope to be regarded as *network* goals but they are analyzed in terms of the *single firm* participating in the network. These findings have led us to a conclusion that the network goals are still poorly conceptualized. Furthermore, in the context of numerous collaboration failures, the understanding of network goals is unlikely to be achieved in managerial practice either.

Therefore, the aim of this paper is to provide the theoretical elaboration on the role of network goals in strategic chain management. Specifically, the following questions are inquired. First, what are the network goals? Second, how can these goals affect chain management? To answer these questions, we first present a short review on chain management. Afterwards, we elaborate on goals of networks and their implications for chain management. Finally, we summarize our findings.

REVIEW ON CHAIN MANAGEMENT

In supply chain networks, each organization depends on the performance and actions of others embedded in the chain. In this context, the crucial question is how to organize and run the network. Thus, the managerial challenge is to address the matter of the alignment of interests (cooperation) and the alignment of actions (coordination). Although cooperation can be regarded as a prerequisite of networks, problems of cooperation exist in supply chain networks. Being induced by conflicts of interests,

problems of cooperation reflect an endeavor of different actors to optimize their private benefits instead of working for collectively beneficial outcomes. However, these problems can be solved by aligning interests. Specifically, interest alignment involves the use of formal and informal mechanisms (Kogut and Zander 1996) developed in the partnering strategies.

Considering the structure of supply chain networks, the optimal mode of partnerships can be expected to vary widely even in terms of one network. Thus, the task of the focal company is to determine how to design the partnerships (Xu and Beamon 2006). Partnerships that extend beyond price can be divided into strategic and interdependent partnering (Webster 1992). Mentzer, Min, and Zacharia (2000) define strategic partnering as an on-going, long-term, inter-firm relationship for achieving strategic goals, which deliver value to customers and profitability to partners (Mentzer, Min, and Zacharia 2000: 550). Strategic partnering aims to improve or dramatically alter a company's competitive position through the development of new products, technologies, and markets (Webster 1992). Interdependent partnering seeks to improve operational efficiency and effectiveness through needed, short-term relationships to obtain parity with competitors (Mentzer, Min, and Zacharia 2000).

However, even when the interests of the different actors are aligned, problems of aligning the actions of the different actors can persist (Gulati, Lawrence, and Puranam 2005). Incentives, sanctions, monitoring, rewards, and punishment can help to achieve cooperation but are not sufficient to achieve coordination. Just as coordination can be considered the alignment of actions, coordination problems arise if actors are unaware that their actions are interdependent and if there is uncertainty that makes the others' actions unpredictable (Gulati, Lawrence, and Puranam 2005). Thus, coordination problems arise when partners fail to share accurate knowledge about the decision rules that they are likely to use or when they fail to understand how one's own actions interact with those of the others (Gulati, Lawrence, and Puranam 2005: 419). Mechanisms for overcoming coordination problems include programming, hierarchy, and feedback, as well as culture, commitment, and a shared strategy (Thompson 1967; Kogut and Zander 1996). Simatupang, Wright, and Sridharan, R. (2002) define logistics synchronization, information sharing, incentive alignment, and collective learning as general coordination modes. Overall, the strategic design of coordination mechanisms can be considered in the supply chain management strategies (Xu and Beamon 2006).

Both cooperation and coordination must be included in the chain management to achieve the super-ordinate network aims. Therefore, the focal company has to work out an integrative (collective) strategy which addresses partnering strategies as well as supply chain management strategies, respectively (Hanf and Dautzenberg 2006). Due to the pyramidal-hierarchical structure of strategic networks (Jarillo 1988), such a strategy must consider that networks consist of at least two levels, i.e. firm and network levels (Duysters, Heimeriks, and Jurriens 2004).

WHAT ARE THE NETWORK GOALS?

The literature on chain management demonstrates that the implementation of collective strategies is particularly important in networks. Because collective strategies are referred to as a type of strategies implemented by collaborating organizations (Bresser and Harl 1986), they can be assumed as those aiming to create a framework of activities to achieve network goals. At the same time, inter-firm networks are rarely characterized as those having their own objectives. Chain management literature generally acknowledges that networks consist of single firms that pursue their own goals as well as common goals. However, most analyses of performance (i.e., the level of the achievement of goals) concentrate on the firm's performance in a network and rather sketchily elaborate on the question of how the network itself performs. Yet, the understanding of network performance can be thought of being important because it can explicate at least some patterns of the firm's performance (e.g., Dyer and Nobeoka 2000). One possible explanation of poor elaboration on network performance is that the network goals are weakly conceptualized. Another reason can be that the network is not seen as an entity which can have its particular goals. Nevertheless, there is an agreement that networks represent a particular type of institutions (Williamson 1985) or an organizational form (Borgatti and Foster 2003). Therefore, similarly to firms, networks can be supposed to have certain goals. Collective strategies, thus, aim to achieve network goals which, in turn, can influence the implementation of collective strategies. In this context, we first provide the theoretical interpretation of network goals in a general network setting. Afterwards, we show how the goals can vector chain management in the particular type of (strategic) networks, i.e. in supply chain networks.

So what are the network goals?

Considering the fact that collective strategy involves the alignment of interests and the alignment of actions of the network actors, network goals can be generally viewed as those consisting of cooperation sub-goals and coordination sub-goals. The

reason for this is that the achievement of overall network goals is doubtful without ensuring that all actors harmoniously work together to achieve them. In this context, cooperation and coordination sub-goals of the network signify the existence of goals of single actors constituting the network. The decisions by independent firms to enter the network do not mean that the firms refuse the achievement of their own goals. Generally, firms form networks because their expected benefits from participation outperform possible shortcomings. Therefore, the network can be considered as that including multiple firms' goals.

Thus, the process of goal setting in networks tends to occur at the overall network level and at the firm level. Taking into account that the self-oriented goals of firms constituting the network are rather inverse, one can conclude that the overall network(-level) goals seem to be of different nature than those of firms. The reason is that firms prefer to work together (and not to compete) because of such goals. Therefore, the overall network goals or *network-level goals can be referred to as goals which can be achieved only if all the network actors work together to achieve them*. In turn, *the firm level goals are the objectives which single firms strive to achieve for themselves by entering the network*. While the examples of the firm-level goals are access to market, increase in sales, etc., the network level can be characterized by the goals of information sharing, improvement of total quality, etc. On account of this, the overall network(-level) goals mostly have an intangible or non-pecuniary character.

Cooperation and coordination sub-goals of the network, i.e. the goals of alignment of interests and of alignment of actions indicate that the aims of network actors can deviate from the overall network goals. Thus, it becomes evident that the goals in networks can be *conflicting*. Therefore, the interests and the actions of the network actors must be aligned to ensure that they do not impede the achievement of the overall network goals. On the other hand, there can be situations when the objectives of network actors can cause the actors' courses of actions which are in line with the overall network goals. In this case, it is reasonable to qualify such goals of actors as *complementary*. Furthermore, the actors' goals can even coincide with the overall network goals under conditions when the interests and the actions are fully aligned. Such goals can be, thus, referred to as *common*. Presumably, complementary and common goals explain why the actors enter the networks. At the same time, logically, network actors can have specific objectives the achievement of which is not connected in any way with the achievement of overall network goals. Such goals can be generally called *indifferent*.

The achievement of cooperation and coordination plays an important role in the network success because it facilitates the implementation of collective strategy, i.e. the achievement of the overall network aims. Although coordination and cooperation are generally referred to integration in organizational theory, there are distinctive differences between them (Gulati, Lawrence, and Puranam 2005). In this context, the goals of alignment of interests and of alignment of actions can be also conflicting though they can be also considered as complementary or common. Potential conflicts between cooperation and coordination sub-goals reside in the problems they address and in the specifics of their mechanisms. At the same time, cooperation and coordination sub-goals can not be considered as indifferent if they are subordinated to the achievement of an overall common aim. We discuss the possible effect of the goals established in the network as well as of their interrelations on chain management in the following section.

HOW CAN GOALS AFFECT STRATEGIC CHAIN MANAGEMENT?

In the case that the relevance of goals is strategically recognized, the appropriate structure gains in importance in order to enable the achievement of goals. Based on arguments of the previous section, the goals established in networks generally correspond to the different network levels and involve cooperation and coordination sub-goals. Therefore, the network goals can be subsumed in the case of pyramidal-hierarchical supply chain networks in which chain management is exercised and in which the focal company acts. Considering the described specifics of goals established in networks, one can postulate that these goals can influence chain management in various ways.

In order to analyze this influence, one has first to consider theoretically the situation when the network goals are not achieved at all and whether this has any relation to chain management. Specifically, it is necessary to conceptualize the implications for collective strategies, i.e. partnering strategies and supply chain management strategies. Furthermore, the role of goals pursued by these strategies and goals of the different network levels is also of an interest. Additionally, the goals of the focal company as the centralized decision making unit have to be considered.

Taking into account the structure of supply chain networks, one can conclude that they are subject to a high risk of failure, i.e. the situation when the overall network goals are not achieved. What does it mean to the supply chain network? Most probably, such a network will collapse. The explanation is that the supply chain network is a strategic network, i.e. it focuses on the achievement of certain goals. If the goals are not achieved, then the network loses its meaning. On account of this,

inadequate understanding of the network goals is one of the most important reasons of failure because it can bring about conflicts.

Because supply chain networks consist of two levels, one can suggest that the probability of conflicting goals is high. In this context, goals of the dyadic level which arise due to coalitions of interests formed by two firms can be conflicting with the network-level goals. Additionally, interrelations between the firm-level and the network-level goals can be conflicting. To exemplify, the goal of profit maximization at the firm level can contradict the network level goal of quality improvement which induces costs.

However, not only the goals of the different network levels can be conflicting, but also the goals pursued by the partnering and the supply chain management strategies, i.e. cooperation and coordination sub-goals can conflict with each other. For example, hierarchical coordination mechanisms can be installed to achieve the coordination sub-goal of the alignment of actions. Yet, the use of power can hamper the achievement of cooperation sub-goal of the alignment of interests typified by the establishment of trustful relationships.

Due to the pyramidal-hierarchical structure, the supply chain network possesses the focal company that acts as the managerial centre of the network. Since the focal company is the centralized decision making unit of the network, the setting of the overall network goals and the development of collective strategy are prerogatives of the focal company in most cases. Therefore, it can be often difficult to distinguish between the firm-level goals of the focal company and the network-level goals. For example, end consumer satisfaction can be regarded as either the firm-level goal of a retailer being the focal company or the overall network-level goal because its fulfillment must involve many firms though it is induced by a retailer. Moreover, based on this argumentation, the overall network goals can be referred to as the goals of the focal company. In such a case, other networked firms can have difficulties to see goals set by the focal actor as the network-level goals, i.e. as those that have any relation to these firms. Thus, they may not want to invest in the achievement of such goals. For instance, a manufacturer does not want to raise the level of its quality required by a retailer because it does not recognize this goal as the overall goal of the network in which this manufacturer participates. This issue is particularly important in the case of introduction of collective strategy by the focal company because its adoption by the other chain actors is crucial to at least avoid the failure of the supply chain network in the short run. Thus, the achievement of the goals of supply chain network can be interpreted as the achievement of goals of the focal company but this achievement cannot be realized without considering the goals of other network actors.

SUMMARY

Our aim in this paper was to provide the theoretical understanding of the importance of network goals in chain management. Therefore, we specifically inquired the following questions. First, what are the network goals? Second, how can these goals affect chain management? Based on elaborations of strategic chain management literature, we have found out that the goals in networks can be established at the different levels, i.e. at the overall network level and at the firm level. In this context, the overall network(-level) goals can be referred to as goals which can be achieved only if all the network actors work together to achieve them. If such goals are not achieved in the strategic supply chain network, then the network fails.

One of the most important reasons of the network's failure is an inadequate understanding of the network goals that can bring about conflicts of goals. In supply chain networks, the goals of the different network levels can conflict with each other. Additionally, the goals of the alignment of interests and the alignment of actions of the network actors can be conflicting, though they aim to provide the achievement of the overall network goals. Furthermore, the supply chain network possesses the focal company which sets the overall network(-level) goals and implements the collective strategy. The other networked firms can have difficulties to see goals set by the focal actor as the network-level goals, i.e. as those that have any relation to these firms. Thus, they may not want to invest in the achievement of such goals. On account of this, the achievement of goals of supply chain networks can be addressed only if the firm-level interests are aligned. Therefore, implementation of the appropriate partnering strategies is particularly important in supply chain networks.

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SESSION 9.1: INCLUSIVE CAPITALISM—EMERGING TOPICS ON THE BASE-OF-THE-PYRAMID MODEL IN GLOBAL MARKETING

Session Chairs:

Sammy K. Bonsu, York University, Canada

Pia Polsa, Hanken School of Economics, Finland

“Marketing, Poverty, and Social Responsibility at the Base-of-the-Pyramid”

Pia Polsa, Hanken School of Economics, Finland

Sammy K. Bonsu, York University, Canada

“An Examination of UK Business Activity at the ‘Bottom of the Pyramid’”

Ravinder Panesar, Jaguar and Land Rover, UK

Mary Conway Data-on, Rollins College, USA

“What Do We Know About Base-of-the-Pyramid Marketing: A Review of the BOP Literature”

Mee-Shew Cheung, Xavier University, USA

Matthew B. Myers, University Tennessee, USA

MARKETING, POVERTY AND SOCIAL RESPONSIBILITY AT THE BASE-OF-THE-PYRAMID

Pia E. Polsa, Hanken School of Economics, Finland
Sammy K. Bonsu, York University, Canada

ABSTRACT

Seminal pieces on the bottom of the pyramid model (e.g., Prahalad, 2005; Prahalad and Hart, 2002) have stimulated discussion on the role of business in developing markets. The main argument in these discussions has been to recognize and acknowledge the market potential of those who live on less than \$2 per day, a market of over four billion people. While appealing in its promise for business and poor consumers alike, BoP models to date are focused on demand stimulation and seem to advocate a mere transplantation of the marketing and consumer models that have worked well in developed economies, without recognizing the need to address associated problems. This approach ignores the input of the poor people who are most affected by these schemes (Simalis and Hart 2008; p. 1). Corporate social responsibility in these contexts is defined merely by way of training the poor them to be global consumers like the rest of us.

This paper recognizes the BoP potential but criticizes the strategy's emphasis on selling to the poor. The paper calls for mobilization of local resources for production that will be supported by so-called developed markets. Indeed, many in BoP markets are already equipped to become active producers and participants in the global economy. They are constrained, however, by global trading regimes and other government restrictions. Breaking these barriers to allow for easy access to world markets by BoP producers will enhance the development aspect of the BoP strategy. The paper recognizes past efforts in this regard (e.g., Bono's "Red" movement, fair trade strategies) and recommends alternative approaches. Case studies that show how the paper's approach to BoP development can excite the latent entrepreneurial spirit that lurks just below the surface in these markets is presented.

Agreeing with Prahalad and Lieberthal (1998), we support the view that the success of the BoP strategy requires an abandonment of the imperialist mindset that dominated business strategies of the past. Thus, we call for scholarly exploration of the latent ideological premise of the BOP model. In this regard, we employ Foucault's (1991) notions of power and government to critique the larger marketing project that romanticizes the poor (cf. Karnani 2007) and reconfigures them as unequal partners for co-creating value (Simalis and Hart 2008). Such a perspective would suggest that the development agenda that has been tagged on to the BoP's new market development strategy, as it currently stands, is merely a veneer to help mitigate possible consumer resistance to capitalism's advance into these markets. The paper raises other questions that should be considered if indeed corporate social responsibility and development of poorer areas are core priorities of the BoP market strategy.

References are available upon request

AN EXAMINATION OF U.K. BUSINESS ACTIVITIES AT THE “BOTTOM OF THE PYRAMID”

Ravinder Panesar, Loughborough University Business School MBA Alumni, U.K.
Mary Conway Dato-on, Rollins College Crummer Graduate School of Business, U.S.A.

ABSTRACT

The purpose of this research is to explore the current theories, models and strategies relating to the “Bottom of the Pyramid” (BOP), to investigate if and how U.K. businesses are active at the BOP, and to outline recommendations for further research and analysis of U.K. business activity at the BOP. The basic BOP theory argues that business could profitably serve the four billion people living in poverty throughout the developing world by treating the poor as consumers, which would in turn become the catalyst for sustainable global development. Previous literature provides little evidence of how U.K. businesses are realising the opportunities at the BOP. As such the intention of this research is to initially survey the theories and models relating to the BOP and explore if and how U.K. businesses are active at the BOP. To accomplish this, we divide the paper into three sections. First we review the relevant literature on corporate social responsibility and globalisation in emerging markets as these themes relate to business activity in the BOP. Second we outline examples of case studies, social enterprises and organisations active at the BOP. Finally, we delineate recommendations for further research and analysis of U.K. business activity at the BOP.

The primary methodology employed in the research is the Qualitative Content Analysis of 32 Corporate Responsibility (CR) reports, predominantly sampled from the Business in the Community (BITC) Corporate Responsibility Index. The CR reports provide an ‘extended text,’ which is considered an unreduced form of display that is difficult to analyse because it is both extensive and poorly ordered. To facilitate ordering of information, qualitative content analysis (i.e., textual analysis) is used to examine trends and patterns in documents and provide a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding and categories. As the data collection proceeds, pre-determined template of data categories is revised in an inductive approach until all the data collected is categorised and analysed. The sample for research mainly comes from the 2007 BITC CR index which lists the top 102 companies by performance bands: platinum, gold, silver, and bronze based on a company’s overall index score and included five of the companies used for the testing of the initial deductive terms, keywords and categories. We selected 30 out of the 102 companies and included another two companies not in the BITC index to test the initial deductive terms, keywords and categories.

As a result of data analysis, 54 categories of terms and keywords from the literature review and inductive analysis of the CR reports are identified, followed by the outlining of, (1) the definitions and explanations of the terms, keywords and categories (2) the search method used for the data analysis and (3) the changes made to the pre-determined template of categories during the inductive approach of the data analysis. Critically evaluating the theories, models and strategies in the literature review and converting this into a deductive list of categories for the data analysis has achieved the objective of initially exploring the theories and models relating to the BOP. The final objective to explore if and how U.K. businesses are active at the BOP is achieved by content analysis of the CR reports of the sampled 32 U.K. globally active companies. The main focus of the content analysis is to find reporting evidence of U.K. business activity at the BOP. The suggestion remains that any BOP strategies and models reported by U.K. businesses in their CR reports would indicate clear evidence of activity at the BOP. Our analysis and findings in the categories of Localised Value Creation, Affordability, Accessibility and Availability, Innovation and Hybrid Solutions, Unconventional Partnerships, Scalability, Social Entrepreneurship / Philanthropy, and Responsible Supply Chain Behaviour have detailed a mixed picture of reporting evidence of BOP strategies used by U.K. businesses at the BOP.

In conclusion, analysis of the literature indicates many international case studies and organisations active at the BOP but only a few examples of U.K. business activity. In general, the research indicates a lack of a holistic or integrated approach regarding BOP strategies for U.K. businesses. Furthermore, much of the reporting evidence indicates activities for social return and improving stakeholder value as opposed to financial returns and improving shareholder value. We realize there are some limitations in our research which include the reliability and validity of the reports being reviewed, the coding and content analysis being performed. Some suggestions and recommendations for further research are therefore provided.

**WHAT DO WE KNOW ABOUT BASE-OF-THE-PYRAMID MARKETING?
A REVIEW OF THE BOP LITERATURE**

Mee-Shew Cheung, Xavier University, USA
Matthew B. Myers, University of Tennessee, USA

ABSTRACT

The recent development in globalization has seen multinational corporations (MNCs) recognizing and exploring the enormous opportunities in new and emerging markets when developed world markets are becoming increasingly saturated. Most global marketing strategies in emerging markets have been targeting mainly at the wealthy elite segment and the middle-income class. In the latest development, an increasing number of MNCs started to launch new initiatives to explore the opportunities in the underserved segment – the base of the economic pyramid (BOP), the largest and fastest growing segment of the world's population. Our understanding of the BOP markets is going through a seismic shift in the last decade. Increasingly, the BOP consumers are recognized as highly resourceful entrepreneurs who possess valuable knowledge, resources and capabilities. As such, business development and enterprise creation driven by the poor has emerged as a powerful philosophy and tool for addressing poverty and marginality, bringing both social and economic value to the BOP markets. While the opportunities associated with BOP markets are becoming increasingly apparent to researchers and practitioners, there are crucial and unique challenges when MNCs attempt to balance firm's profitability responsibility and social responsibility in their BOP ventures. The purpose of this paper is to synthesize previous studies and present a review of the accumulative knowledge in this important topic area. Implications to practitioners and researchers are drawn, and further research directions and propositions are suggested.

SESSION 9.2: SALES MANAGEMENT PERSPECTIVES: COMMUNICATIONS, LEADERSHIP, AND CONTROL SYSTEMS

Session Chair: Mark P. Leach, Loyola Marymount
University, USA

*“Multi-Level Approach to Field Sales Management
Control Systems: Exercised Control vs. Perceived Control”*

Anssi Tarkianen, Lappeenranta Univ. of Technology,
Finland

Sanna Sundqvist, Lappeenranta Univ. of Technology,
Finland

John W. Cadogan, Loughborough Business School, UK

Nick Lee, Aston Business School, UK

MULTI-LEVEL APPROACH TO FIELD SALES MANAGEMENT CONTROL SYSTEMS: EXERCISED CONTROL VS. PERCEIVED CONTROL

Anssi Tarkiainen, Lappeenranta University of Technology, Finland
Sanna Sundqvist, Lappeenranta University of Technology, Finland
John W. Cadogan, Loughborough University, United Kingdom
Nick Lee, Aston Business School, United Kingdom

ABSTRACT

It is generally accepted that sales managers and salespeople perceive many job-related constructs differently. However, this perceptual gap has received little attention in the context of sales management control systems. This study hypothesizes that there are, potentially, differences between how sales managers believe they are controlling the sales force, and salespeople's perceptions of the control they receive from sales managers. The primary objective is to empirically assess the magnitude of this perceptual gap.

A multi-level analysis with hierarchical linear modeling (HLM) of the matched responses from 154 sales managers and 257 salespeople indicates that a perceptual gap does indeed exist between sales managers self reported control activity and salespeople's perceptions of that activity. This gap is largest for the monitoring and evaluating control mechanism dimensions studied. Furthermore, the findings indicate that within sales organizations, salespeople's perceptions of control tend to co-vary to a certain extent, indicating that salespeople within sales organizations form collective perceptions of control. The collective (i.e. co-varying) perceptions of managerial control were highest for perceived evaluation of outputs and perceived rewarding, which reflect more the output-oriented control philosophy.

At the collective level, these perceptions also are different from sales managers' self reported control activity. The salespeople's collective perceptions of control are closest to manager's self-reported control behaviors on dimensions of directing and rewarding, which are the controls that are associated on influencing salespeople's cognitions and behavior. The controls that describe output evaluation and monitoring of behaviors, are not that accurately perceived by the salespeople. The potential explanation for this is that monitoring and evaluation of outputs are controls that provide information for the managers and are not clearly related on attempts to shape salespeople's cognitions and behavior, and as such they are not necessarily clearly communicated to salespeople.

The results raise a question of whether existing findings from control systems research pertain to sales managers' intended control, salespeople's perceived control, both, or neither. We propose future research on this front. For practitioners the results pinpoint the need to communicate the intended controls efficiently, and to assess how the control is perceived by the sales personnel, in order to reach desired outcomes.

References available on request

SESSION 9.3: BEHAVIORAL ASPECTS OF SERVICES MARKETING

Session Chair: Hsiu-Yuan Tsao, Takming University of Science and Technology, Taiwan

“Identifying the Sources of Consumer Worry in Service Settings: A Critical Incident Study”

Mary Harrison, University of Alabama, USA
Sharon Beatty, University of Alabama, USA

“The Forgiving Customer: Commitment, Intentions, and Behavior after Critical Incidents”

Heiner Evanschitzky, University of Strathclyde, UK
Christian Brock, Westfälische Wilhelms-Universität, Germany

“The Temporal Stability of Affective and Cognitive Predictors of Behavior Intention”

Adrian Palmer, Swansea University, UK
Nicole Koenig-Lewis, Swansea University, UK

“Earning Customer Loyalty: The Role of Satisfaction, Trust, Delight, Commitment and Involvement”

Jana Bowden, Macquarie University, Australia
Tracey Dagger, University of Queensland, Australia
Greg Elliot, Macquarie University, Australia

**IDENTIFYING THE SOURCES OF CONSUMER WORRY IN SERVICE SETTINGS:
A CRITICAL INCIDENT STUDY**

Mary P. Harrison, University of Alabama, USA
Sharon E. Beatty, University of Alabama, USA

ABSTRACT

This study examines consumer worry prior to a service experience. The authors introduce a model of consumer worry with three sequential pieces: sources of worry (e.g., risk), components (or dimensions) of worry, and consequences (e.g., action tendencies) of worry. Analyzing data using the critical incident technique with a content analysis, the authors find that perceived risk, especially social risk, is the primary source of consumer worry. A major contribution of this research is that the authors show the multi-dimensional nature of consumer worry (i.e., cognitive, emotional, and physiological dimensions). By understanding consumer worry, service providers can be better prepared to take the appropriate actions to minimize relevant perceived risks and the accompanying worries associated with this. Further, this model of consumer worry should be useful to the field as this concept and its sources, consequences, and moderators are studied.

THE FORGIVING CUSTOMER: COMMITMENT, INTENTIONS, AND BEHAVIOR AFTER CRITICAL INCIDENTS

Heiner Evanschitzky, University of Strathclyde, UK
Christian Brock, Marketing Center Muenster, Germany

ABSTRACT

Previous research in complaint management has assessed the role of commitment after service failures. It can be expected that affectively committed customers will be more likely to complain due to their sense of belonging to the company. Furthermore, several studies suggest reducing perceived complaint barriers, e.g. by offering various communication channels, will increase a customer's propensity to voice a complaint. What has not been investigated is the interplay between complaint barriers and customer commitment. Moreover, it remains largely unknown if committed customers behave differently from less committed customers in their reaction to service recovery efforts. This study – comprising of two experiments – attempts to fill that gap in the literature and test the following hypotheses which are based on Hirschman's (1970) theory of exit, voice, and loyalty:

- H1 A low level of complaint barriers have a positive impact on complaint intention.
- H2 Affective commitment has a positive impact on complaint intention.

More interestingly and to our knowledge not yet tested in experimental settings is the moderating effect of affective commitment. It can be assumed that customers with high levels of affective commitment will exhibit higher levels of complaint intention even if complaint barrier are high. Hence:

- H3 Affective commitment will moderate the impact of complaint barriers on complaint intention.

Affective commitment may also have a moderating impact on a customer's post recovery behavior. While customers with lower levels of commitment to a service provider may only continue their relationship with the provider after a service failure when they have been recovered successfully, highly committed customers may not take the "exit" option even after an unsatisfactory recovery attempt by the service provider. Based on these reasons, we assume that complaint satisfaction in combination with a customer's commitment level impacts future purchase behavior.

- H4: Affective commitment will moderate the impact of complaint satisfaction on future purchase behavior.

Results of our two studies – the first a scenario-based study in a lab setting; the second using real behavioral data –partly support our hypotheses. We find weak support for H1 since the impact of complaint barriers on complaint intention is only significant at the .1-level ($F=3.319$, $p<.1$). H2 however finds support, observing a direct and significant effect of affective commitment on complaint intention. It seems that high affectively commitment customers exhibit a significantly higher level of intention to complain ($Mean_{LowCom} = 4.51$; $Mean_{HighCom} = 4.06$; $F=3.870$, $p<.05$). Conversely, we only find a marginally significant interaction effect between affective commitment and the level of complaint barriers ($F=3.263$, $p<.1$). Hence, we do not find strong support for hypothesis 3. More interestingly, highly committed customers do not exhibit a large change in their post-incident purchase behavior, irrespective of their satisfaction with the company's recovery effort (-2.38% and +3.09%, $p<.1$). Conversely, we can observe a large and significant difference between the two groups of low committed customers: if the recovery attempt after a critical incident was perceived as satisfactory, the negative effect of the service failure can be reduced and the level of sales remains almost unchanged as compared to the situation before the critical incident (-2.77%). If the recovery attempt is however perceived as unsatisfactory, low committed customers will substantially reduce their purchase volume with the service provider (-35.82%). These results offer support for hypothesis 4. Indeed, it seems that high affectively committed customers are more 'forgiving.' That means that no matter how well – or how unfavorable – a recovery attempt by a service provider is perceived, post critical incident behavior only mildly changes. Contrary, low affectively committed customers need to perceive a recovery as satisfactory in order for them to continue purchasing from the provider. An unsatisfactory recovery attempt will have negative consequences on future purchase behavior.

References are available upon request

THE TEMPORAL STABILITY OF AFFECTIVE AND COGNITIVE PREDICTORS OF BEHAVIORAL INTENTION

Adrian Palmer, Swansea University, United Kingdom
Nicole Koenig-Lewis, Swansea University, United Kingdom

ABSTRACT

Numerous empirical studies have identified a weak association between customer satisfaction and future behavioral intention. Furthermore, this satisfaction-behavior link may decline with the passage of time between the service encounter and the next opportunity for repurchase/referral. One reason for this weak relationship may be the omission of emotions from predictive models. This research compares cognitive and emotional measures as predictors of future behavioral intention. Research focused on a high involvement service encounter and monitored respondents' cognitive and affective ratings of the event over a period of 12 months.

Two research hypotheses were tested:

H1: Measures of emotions are a better predictor of future behavioral intention than cognitive measures of satisfaction.

H2: Attitudes change over time, and the relatively high attitudinal content of emotions results in emotions being a better predictor of behavioral intention over time than cognitive measures of satisfaction.

A longitudinal quantitative design was used. A review of the literature identified numerous scales that had been developed, tested and validated to measure the constructs that form the focal points for this research - emotions, satisfaction, and behavioral intention. The study was based on a specific type of event – a graduation ceremony at a UK university. The graduation ceremony is a special occasion celebrated with friends and families and could typically be expected to arouse a range of emotions. Of 2,518 graduates who attended their graduation ceremony, 883 agreed to be included in a longitudinal study, and 351 actually took part in the first stage of the study (T0). Of these, 118 had continued to participate through to the fourth stage after 12 months (T1).

Measurement scales for the emotional bases of satisfaction were derived from Izard's Differential Emotions Scale. As the structure of emotions is context specific, a composite construct based on four evoked basic emotions identified through qualitative research was applied. Satisfaction was measured using seven scale items which recorded respondents' satisfaction with various aspects of the graduation ceremony. The reliability of all scales (Cronbach's Alpha) was acceptable. Behavioral intention was assessed on the basis of respondents' likelihood of recommending to their friends attendance at a future graduation ceremony.

Two models were constructed and compared, one for emotions as a predictor of behavioral intention, and the other for satisfaction as a predictor. The models were based on respondents' evaluations made 2 weeks and 12 months after the event. The models were tested using confirmatory factor analysis and both models achieved an acceptable fit. The structural models indicated that both emotions and satisfaction had significant effects on behavioral intention. Further analysis of the link indicated that the effect of emotions on recommendation was stronger than the effect of satisfaction on recommendation. The relative strength of associated link continued to one year after the event. Emotions measured immediately after the event continued to be a strong and significant predictor of behavioral intention after one year ($p < 0.01$), whereas the effect of satisfaction had declined over the same period ($p < 0.05$ after one year).

The findings of this research provide some empirical support for anecdotal evidence that customers with overwhelmingly positive emotions are more likely to recommend/repurchase than those with negative emotions. "Happy customers" implies an emotional state that is not adequately picked up in conventional cognitive measures of service quality and customer satisfaction, and this study has provided some limited evidence of the importance of taking account of customers' emotional states when assessing the impacts of service performance on future behavior.

This research has involved a high involvement service and may not be generalisable to encounters involving lower levels of involvement. Furthermore, a graduation ceremony is overwhelmingly associated with positive rather than negative emotions. Further research is required to explore whether the effects found in this study are also present in low involvement services which involve negative as well as positive emotions.

EARNING CUSTOMER LOYALTY: THE ROLE OF SATISFACTION, TRUST, DELIGHT, COMMITMENT AND INVOLVEMENT

Jana Bowden, Faculty of Business & Economics, Macquarie University, Sydney, Australia
Tracey Dagger, UQ Business School, University of Queensland, Queensland, Australia
Greg Elliott, Faculty of Business & Economics, Macquarie University, Sydney, Australia

ABSTRACT

Relationship marketing theory emphasizes the importance of developing and maintaining customer-provider relationships. Strong customer relationships evolve over time and through repeated encounters. Through this process both parties learn from and adjust to each other, commitment and trust develop, and satisfactory experiences serve to reinforce customer loyalty. It is critical therefore that service providers understand how these relationships develop. The purpose of this study is to develop and test a relational model of customer loyalty in the context of a high involvement, high contact service. Specifically, we develop hypotheses relative to the impact of satisfaction, trust, delight arousal, delight pleasure, calculative commitment, affective commitment and involvement on loyalty. As an aside, we additionally consider the moderating role of consumption experience in the development of loyalty.

A structural equation modeling methodology was employed for this research study. A self-administered, cross sectional survey was given to patrons of four, high-end restaurants in a large metropolitan city in Australia. A total of 474 participants agreed to participate in our study. Two customer cohorts were developed in order to investigate the effect of consumption experience on the relational constructs. All scales were derived from the existing literature, and were first subjected to exploratory factor analysis to provide an assessment of their underlying dimensionality. Assessments of reliability and validity via structural equation modeling were then conducted in order to provide additional rigour. All scales, except for the calculative commitment scale, displayed construct reliability. The calculative commitment scale used in this study was problematic, however given that we used scales from prior research to measure this construct we decided to retain this variable in the analysis. All construct pairs passed Fornell and Larcker's (1981) discriminant validity tests. Data analysis followed the two step procedure recommended by Anderson and Gerbing (1988). This involved estimation of the measurement model followed by estimation of the structural model. Analysis of the measurement model for the constructs resulted in good fit and all items retained served as strong measures for their respective constructs.

The results indicate that satisfaction is an important driver of trust, delight arousal, and commitment. The relationship between satisfaction and these constructs was stronger than the direct relationship between satisfaction and loyalty. This finding supports the notion that satisfaction is a necessary antecedent in the creation of customer loyalty. Trust was found to be equally as important as satisfaction in the generation of loyalty confirming the role of trust in the establishment of strong customer-provider relationships. Calculative and affective commitment are found to affect involvement, with involvement driving trust in the service provider. The customers' delight with the service experience in the form of arousal was found to influence their perceived level of pleasure with the experience. Satisfaction, trust, and delight pleasure were ultimately found to generate customer loyalty. A compelling finding of this study was that consumption experience did not influence the salience of relational constructs. This finding is contrary to previous research and suggests that customer segments in this service context have very similar needs. The finding that delight, for example, operates equally as effectively for new and repeat customers highlights the importance of service strategies which treat behavioral segments similarly irrespective of consumption experience. Taken together, these findings have important implications for the management of customer-provider relationships for high involvement services, and for managers who predominantly rely on the measurement of customer satisfaction to monitor customer loyalty.

References are available upon request

SESSION 9.4: EMERGING ISSUES IN ENTREPRENEURSHIP

Session Chair: Gillian Sullivan-Mort, La Trobe University,
Australia

*“Unattended Basic Necessities and Consuming Habits in
the Rural and Urban Mexican Base of the Pyramid: An
Exploratory Cross-Sectional Study”*

Rene Diaz-Pichardo, Aceleradora de Negocios EGADE, Mexico
Consuelo García de la Torre, Monterrey Tech, Mexico

*“Macroentrepreneurship: An Expanded Context for
Entrepreneurship”*

Max Briggs, Queensland Univ. of Technology, Australia

*“Social Entrepreneurship and Value Creation in Not-for-
Profit Organizations”*

Gillian Sullivan-Mort, La Trobe University, Australia
Jay Weerawardena, University of Queensland, Australia
Adrian Sargeant, Indiana University, USA
Roger Bennett, London Metropolitan University, UK

UNATTENDED BASIC NECESSITIES AND CONSUMING HABITS IN THE RURAL AND URBAN MEXICAN BASE OF THE PYRAMID: AN EXPLORATORY CROSS-SECTIONAL STUDY

René Díaz-Pichardo, Aceleradora de Negocios EGADE, Mexico
Consuelo García de la Torre, Tecnológico de Monterrey, Campus Monterrey, Mexico

ABSTRACT

This exploratory field study aims to help identify necessities and consuming habits of people in low income segments as a necessary condition to envision business opportunities and develop successful business models in the Mexican Base of the Pyramid (BOP). In depth interviews were done with families, owners/people in charge of small businesses, and opinion leaders in ten different BOP communities, randomly selected from each of the five regions in the country. Results give relevant information about unattended basic necessities, consuming habits, as well as differences and similarities between rural and urban BOP communities, from which business opportunities might be discovered. For instance: job creation is quite necessary almost everywhere; formal financial services are practically non existent in rural communities; telecommunication infrastructure is quite limited and expensive; high schools and universities are demanded, as well as an educational scheme that helps improve the entrepreneurial capabilities of the Mexican BOP. Business opportunities like those exploited by credit stores, such as Elektra and Coppel, which offer direct credit to consumers in low income segments for the purchasing of furniture and appliances, could be found in the lack of basic services. On the other hand, commercial firms could take advantage of the widely spread entrepreneurial initiative and disposition of the Mexican BOP, in order to co-create commercial networks in these unattended markets.

INTRODUCTION

In several countries, especially in emerging economies, initiatives to improve lives of those in poverty, recently referred as the Base of the Pyramid (BOP), have taken place (Peredo, 2003; Viswanathan, Seth, Gau & Chaturvedi, 2007). It is said that the BOP is almost two thirds of the world population and it represents, indeed, a great market opportunity and an unexplored potential source of capacities and wealth (Pralhad & Hart, 2002, Karnani, 2006).

Multinational corporations (MNCs), governments, nonprofit organizations and international institutions are trying to find out new business models in order to generate economic and social welfare to alleviate poverty in a sustainable way, which is understood as a profitable, ecological, and socially responsible way of doing business (Wayne & MacDonald, 2003). Karnani (2006) pointed out the importance of seeing the poor, not only as consumers, but also and principally, as producers. It might be necessary to emphasize buying from the poor, rather than selling to them, in order to increase their real income and impact significantly in poverty. Ultimately, what seems to be decisive is that BOP projects be built on a deep knowledge of needs, desires, capacities and expectancies of the community where those projects will be implemented, and that co-created business models be successfully socially embedded (Hart, 1997; Prahalad & Hammond, 2002; Prahalad & Hart, 2002; London & Hart, 2004; Sánchez, Ricart & Rodríguez, 2005; Hammond, 2006; Hammond, Kramer, Katz, Tran & Walter, 2007).

The BOP, composed by almost 4 billion people around the world, is, certainly, the biggest slice of the cake. However, despite of the importance of their combined purchasing power, they remain unattended in their basic necessities and are seldom served by MNCs and big firms. Poor earn little incomes, but paradoxically, they area said to pay more for certain products and services than others do in traditional markets (Pralhad & Hammond, 2002).

People in BOP segments earn less than 1,500 USD per capita annually; one fourth of them survive with less than 1 USD per day. In Mexico, the Technical Committee for the Measurement of Poverty defines three poverty lines: first, *alimentary poverty*, or *extreme poverty*, which includes those people whose incomes are not enough to acquire the necessary food to satisfy their nutritional requirements; second, *poverty of capacities*, composed for those people whose incomes are insufficient to access appropriate medical care and educational services, and; third, *ownership poverty*, which includes those people whose incomes are not enough to pay housing, clothing and commuting (World Bank, 2005; CONEVAL, 2006).

In this field study, only those people in the second and third poverty lines are considered: capacities and ownership poverty; whose annual incomes are between 8,290 and 12,724 pesos (753 to 1,158 USD, at the rate of 11 pesos per USD) in rural zones and between 11,638 and 19,038 (1,058 to 1,731 USD) in urban zones. These incomes correspond to deciles II to V of INEGI (2007), which is the government agency in charge of collecting national demographic statistics. Those incomes also

correspond to the socioeconomic level D of the AMAI (Mexican Association of Market Research Agencies and Public Opinion (AMAI, 2005). In Mexico, in 2004, people in ownership poverty were about 50 million (Székely, 2005).

The principal challenge in developing business models for the BOP is fitting those models to the needs, demands, and context of the BOP. Low income markets have some advantages and disadvantages. Some of the advantages are: they are very big sources of potential customers; they may grow importantly; usually, they have low wage costs; it could be less risky to implement innovative strategies and business models in these sectors than in traditional sectors, and; population may be actually willing to cooperate in the fulfilling of unattended needs. This environment represents a real opportunity for innovation and entrepreneurship: there are many things to be done and needs to be satisfied. Some possible disadvantages of low income markets are: few disposable incomes; lack of reinforcement in the protection of intellectual property rights, and; companies entering low income segments may face political instability, uncertainty in rate interests and inflation, underdeveloped infrastructure, and lack of formal credit systems, among others inconvenient circumstances of the context (Ruelas-Gossi, 2004; London & Hart, 2004).

On the other hand, rural and urban poor seem to be different. The World Bank (2005) points out some important issues in Mexican poverty: they are not a homogeneous group, their geographic location is important; urban poor depend on cash to survive, they look for employment, formal or informal, and require better paid jobs, stability and access to better educative services and social protection services; rural poor depend on surviving agriculture and use family labor, they require modern agriculture techniques and diversifying towards more value added activities, as well as access to better educative and social services.

The purpose of this cross-sectional study is to explore some characteristics of the Mexican BOP in order to identify unattended basic necessities and consuming habits in this segment of the market, as a base for future identification of business opportunities. Due to the novelty of this approach, and to our knowledge, no similar studies have been developed before, in Mexico.

METHODOLOGY

Due to the fact that the Mexican society has been traditionally structured around the family, the families, and more precisely, the families in capacities and ownership poverty, both in rural and urban areas, have been selected as the unit of analysis in this study. A family in rural poverty is that family living in villages with 1,000 to 15,000 habitants, according to the last census in Mexico (INEGI, 2000). A family in urban poverty is that family living in villages with more than 15,000 habitants.

In order to offer a practical overview of the necessities and behavior of low income segments, different sectors were defined: entrepreneurship; basic services; connectivity; financial services; housing; transportation and commuting; medical care; education; appliances; food, clothing, shoes and other products, safety, and main necessities.

Data from families was obtained by using a questionnaire guide for in depth interviews. The questionnaire covered all the sectors listed above. Complementary data were collected through interviews with political leaders in communities as well as interviews with owners, or people in charge, of local small businesses. A different guide was designed for each kind of people. Finally, an observation guide was used to register possible useful information about each selected village. All guides are available under request.

Five States were randomly selected, one from each of the five regions in Mexico. The regions were taken from the National Development Plan. The selected states were: Tamaulipas, in the North East; Michoacán, in the Center West; Sinaloa, in the North West; Oaxaca, in the South – South East, and; Hidalgo, in the Center.

In each selected state, by using the Database Municipal System of INEGI, municipalities with villages with 1,000 to 15,000 habitants, rural villages, and municipalities with villages with more than 15,000 habitants, urban villages, were identified. A list of municipalities and their corresponding registered percentage of the population receiving less than 2 minimum salaries (defined in the study as *poverty percentage*), as well as their average of educational years (defined as *education*) was built.

Next, data was filtered to obtain only those municipalities with worse levels of *poverty percentage* and *education* than the national means and than the regional means. When that list was empty, only the first criterion was applied. A number from 1 to the total number of municipalities was assigned to the alphabetically ordered municipalities resulted. Random numbers

were generated to select one urban municipality and one rural municipality from each selected State. Selected municipalities were the following:

From Tamaulipas, Altamira (urban) and Bustamante (rural); from Michoacán, Jiquilpan de Juárez (urban) and Churumuco de Morelos (rural); from Sinaloa, Escuinapa (urban) and Badiraguato (rural); from Oaxaca, Juchitán de Zaragoza (urban), and San Pedro Jicayán (rural), and; from Hidalgo, Apan (urban) and Calnali (rural). In all cases, interviews were made in the seat of the municipal government.

In each municipality, 11 interviews were done: 6 with families, 3 with owners or people in charge of small local businesses, and 2 with opinion leaders of the community. Interviewees were selected according to the following procedures. *Families.* Interviewers in the community selected a convenient block which appeared to harbor D socioeconomic level people. Interviewers located the house in the extreme North East of the block and clockwise selected the third house. When no adults were able to answer, the next clockwise third house was selected. Although only one adult's name was registered in formats, all adults in house were allowed to answer the questions. *Owners or people in charge of local businesses.* Local businesses were selected on the basis of the feasibility to do the interview. Businesses must have been opened and counted with the person in charge and at least one more individual, in order to avoid interruptions in the case that a client enters the business. As far as possible, commercial, industrial and services businesses were selected. *Opinion leaders in the community.* Interviewers went to the government offices of the municipality and asked for interviewing the president about the necessities of the population. When the president was not available, another public employee answered the questions.

Interviewers were selected because of their experience in market research in a widely range of socioeconomic levels and geographic zones. They always worked in pairs; one of them informally directed the interview while the other took brief notes. Roles were interchangeable. Information was passed to formats immediately after the interviews and both interviewers discussed the answers in order to have a more objective and precise information. Interviewers asked families to be allowed to enter the house and see the larder and the appliances directly. In most cases, they were allowed to do this, and even to take pictures. To improve the guides used in interviews, a field test was made in San Miguel Teotongo, Distrito Federal (urban zone) and in Chimalhuacán, Estado de México (cuasi – rural zone). Each interview could last up 2 hours. Based on this field test and in the time and budget restrictions, the number of interviews was determined. Interviews were done during the beginning of 2007.

RESULTS

A content analysis was done in order to categorize the responses in terms of the sectors previously defined. Significant differences between rural and urban poor were tested by using chi square tests ($\alpha = 0.05$). When no differences were found between rural and urban families, it is explicitly mentioned. Results are reported accordingly to the defined sectors.

Entrepreneurship

At the moment of the study, almost 50% of the interviewees were carrying out an entrepreneurial activity. From the rest, two thirds mentioned that they would have liked to work in their own business. Most of these people had already identified a business opportunity but could not take advantage of it because of the lack of money to invest. Some entrepreneurs mentioned that they needed training as well as accessible credits to increase their sales and make their business grow up. Most entrepreneurs had been working with members of their families; some of them had been working alone, and only few had contracted non family members. Entrepreneurs said that it would have been easy to find personnel, due to the unemployment in their communities and the fact that they did not require specialized workforce. In this topic, no significant difference was identified between rural and urban families. In some places, families pointed out specific natural resources that could be used to develop local industries. However, investments in infrastructure, factories and channels of distribution were required to do so.

Basic services

In general, urban communities counted with basic services, such as electricity, street lighting, and piped water. In rural communities, these services became scarce as housing was far away from the seat of the municipal government. In some places, these services were paid by the municipal government. Trash collecting was a problem, especially in rural communities, where trash was usually burned out or dropped into ravines, brooks or fields, without any recycling process. Similarly, black sewage was poured out to rivers and ravines without any treatment. In some places, people were willing to

pay for piped water, electricity and trash collecting. Most people knew about recycling and two thirds of interviewees mentioned that they were recycling in their homes, by separating aluminum cans, cardboard, and plastic bottles, with the purpose of selling them to get some extra money; or by collecting organic residues to feed pigs, chickens and dogs. Recycling was significantly more frequent in urban than in rural zones.

Connectivity

Approximately, one third of interviewed families had a fixed telephone line. There was not a great difference between rural and urban zones. However, this result could have been derived from the fact that interviews were made in the seat of the municipal government, which had more than 1,000 habitants. Half of families without a fixed telephone line said that it was very expensive. The rest answered that they did not need it or that there were no available lines in their communities. Those with a fixed line mentioned that they were paying between 180 and 800 pesos (16 to 72 USD) each month. Those with no fixed line mentioned that they were paying between 20 and 100 pesos (1.8 to 9 USD) each month in the public telephone. In some places, public telephones were very few, especially in rural zones. People said that they used the telephone mainly to call family members and because of job and business reasons. In four of five visited rural communities there was no coverage of cellular phone at all. Due to this, the number of families with cellular phone was greater in urban than in rural communities. Those who owned a cellular phone mentioned that they were paying between 50 and 200 pesos (4.5 to 18 USD) each month in this service. Almost 50% of these people said that they used the cellular phone to make long distance calls, especially to family members. Most villages considered in this study had at least an Internet connection (by telephone or satellite), and counted with public service establishments that charged from 8 to 10 pesos (0.7 to 0.9 USD) per hour. Two thirds of interviewees declared that they had heard about Internet. However, only few people had used the service. In this issue, there was no significant difference between rural and urban zones. Internet was mainly used for school and work tasks.

Financial services

People in urban communities had more access to credits than those in rural ones. Most credit was used in consuming, with amounts of credit less than 10,000 pesos (900 USD), and payments from 200 to 400 pesos (18 to 36 USD) each month. Housing credits were given by government agencies (INFONAVIT and FOVISSSTE), with amounts of credit from 100,000 to 220,000 pesos (9,000 to 20,000 USD). Business credits could have been received from the government or from private banks, with amounts of money from 50,000 to 400,000 pesos (4,500 to 36,000 USD). Two thirds of the interviewees mentioned that they were interested in having a credit to establish or increase their own business. In this particular aspect there was no difference between rural and urban communities. Commercial banks, like Banamex (Citigroup) and Bancomer (BBVA), were usually established in urban communities, as well as saving banks and pawn businesses. In this kind of villages there were also big stores, such as Coppel and Elektra, that offered credit to their customers. In rural communities, formally established financial services were practically non-existent. The alternative (the only one in rural communities) was the moneylender, who charged between 10% and 20% monthly. No insurance or other financial service was used. Two thirds of interviewees mentioned that they saved money in some way: the piggy bank, in *tandas* or, very few, in commercial banks. In this issue no differences were found between rural and urban communities. One of six families mentioned that they were receiving money from family members in the USA. The amount of money received by these families varied from 100 to 500 USD each month. In urban communities, going for the money took an hour or less, while in rural communities, it could have taken up to five hours. All families receiving money declared that they were satisfied with the manner they were receiving it.

Housing

Seven of ten families mentioned that they lived in their own house, while one of five said that they lived in a borrowed house, and one in ten declared that they paid rent and that they were paying between 300 and 1,250 pesos (27 to 114 USD) each month. Almost all owners bought their houses with cash. Those who used a credit to pay their house used INFONAVIT, FOVISSSTE or a loan from a family member. Building and remodeling were made little by little, and were financed by family savings. In most occasions, the required labor force was provided by members of the family, advised by a local building worker. The number of rooms per house varied from 1 to 11, and the average was 4. The average of bedrooms was 2, while the average of people per bedroom was 2.5. In general, houses counted with kitchen and bathroom or septic tank. In general, owners considered that their house was their most important possession and they did not think in selling it or going to live somewhere else. No significant differences were found between rural and urban communities.

Transportation and commuting

In rural zones, means of transportation were very limited, expensive and, sometimes, non-existent. The lack of infrastructure, especially appropriate roads and bridges, made almost impossible to see a solution in the short time. In rainy periods, some communities were practically inaccessible for several days. Municipalities did not have enough resources to make the required investments to maintain actual roads and to build new ones. Local transportation cost up to 14 pesos (1.2 USD), while a trip taking from 30 minutes to an hour cost 100 pesos (9 USD) or more. By contrast, in urban communities it was possible to find local transportation that cost from 3 to 5 pesos (0.27 to 0.45 USD).

Medical care

In general, rural communities counted with a health center or an IMSS or ISSSTE clinic that offered free consultation or low cost consultation (20 to 40 pesos – 1.8 to 3.6 USD). Those people who counted with *Seguro Popular* (a health program of the Federal Government) did not have to pay for basic health services and had certain access to free medicines. However, they did not count with specialized medical services and, in case of necessity, they must had been taken to a bigger village up to 4 hours away to receive the required attention. In general, interviewees declared that supply in local pharmacies were good, as well as the service they received in such establishments. However, they considered that some medicines were quite expensive. In urban communities, it was possible to find both general and specialized medical care. Both in rural and urban communities, families' main claims were to find specialized medical care, close to them and reasonable priced.

Education

Most children and teenagers under 15 years were studying their correspondent school level, according to their age, in public schools. Older children used to leave the school to help in the family business or to look for a job, generally, a low waged job. Those who had the willing to continue their studies must have gone to near villages, far an hour or an hour and a half away. In some urban communities it was possible to find high schools and universities. The level of education of adults widely varied, from zero school years to university graduates. The cost of studying elementary school in the public system was composed by a registration annual fee, determined by the council of families en each school, and the scholar materials required by each student. Books were provided by the Federal Government at no additional cost. Commonly, students walked to school from 5 to 20 minutes. It was said that more high schools and universities were needed in order to avoid going too far to studying those educational levels. Interviewees declared that they were satisfied with the conditions of the schools in their municipalities. In this appreciation, no significant differences were found between rural and urban communities.

Appliances

Most of interviewed families reported that they had a gas oven, a refrigerator, a blender, an iron, a washer machine, and a television. Almost 50% of interviewees mentioned that they had bought at least one appliance by credit. Those who got a credit, bought the appliances in a local store or with the “*abonero*” (a man who sells things by going door to door, and comes back weekly asking for the payment, “*el abono*” –). Some people went to big stores, such as Elektra, Singer or Coppel, in relatively near, big villages, where they bought by cash and by credit (direct credit from the store).

Food, clothing, shoes and other products

In rural communities, families declared that they bought food every day in the municipal market, in Diconsa stores (Federal Government stores) or in local grocery stores. In general, people said that prices were fair. In fact, prices of food did not differ significantly from those in big cities. To buy clothing and shoes, rural habitants preferred to go to commercial centers in bigger villages, located up to 4 hours away from their communities. On the other hand, habitants of “*rancherías*” (people living in very small communities) were used to buy these articles in the municipal market or local clothing and shoe stores. In urban zones, habitants weakly bought food in self service stores, like Soriana, Aurrerá (Wal Mart) and ISSSTE stores. They also went to the municipal market and local grocery stores with relatively frequency. The most consumed groceries included: beans, rice, pasta soup, eggs, chicken, tortilla and milk. Other products commonly consumed in the base of the pyramid were hygienic products: personal care products (bars of soap, toothpaste, toothbrush, cream, gel, shampoo, deodorant, toilet paper, and scourers) clothing cleanliness products (bars of soap for clothing, detergent, chlorine, and fabric softener), and house cleanliness products (floor cleaner, detergent for dishes, mops, brooms, and scourers). In general, people were satisfied with the variety of food and hygienic articles they could find in their municipalities. No significant differences in consumed basic articles were found between rural and urban communities.

Safety

Both in rural and urban communities, there were a concern about safety. Most mentioned problems were: violence, provoked by alcoholism and drugs; theft in streets, and; burglary. As measures to improve safety, interviewees suggested increasing the number of police officers, improving their training and equipment and increasing the surveillance in neighborhoods located far away from downtowns. They also said that police departments must have been careful in hiring new policemen, since they actually were the criminals they were supposed to catch. Finally, interviewees thought that improving street lighting might reduce thefts in the streets.

Main necessities

From the point of view of the opinion leaders of the communities, the main necessities were, in order of importance: employment, specialized medical care, infrastructure (especially roads), basic services, safety, educative services, food and other products supply, trash and black sewage management, and more entertainment alternatives. In this topic, no significant differences were identified between rural and urban communities.

CONCLUSIONS

This study reveals some non satisfied necessities in the great segment of the Mexican BOP. For instance: job creation is quite necessary almost everywhere; better and cheaper transportation services are required, specially in rural zones; formal financial services are practically non existent in rural communities; telecommunication infrastructure is quite limited and expensive; more, cheaper, and nearer specialized medical care services are required almost everywhere; people require financial and technical support for self-building their own house, and for the acquisition of a land or a house; high schools and universities are demanded, as well as an educational scheme that helps improve the entrepreneurial capabilities of the Mexican BOP.

Some important differences between the necessities of people living in rural and urban communities were identified. For instance, people in rural communities faced some disadvantages: prices of transportation were higher in rural zones; formal financial services were almost no available, and; telecommunication and entertainment alternatives were very limited. In spite of those differences, it was found, in both rural and urban communities, a high proportion of entrepreneurs and people interested in running their own business. Such a condition could facilitate the development of BOP business models that consider the co-creation of micro enterprises and their integration in the supply chain or distribution channel of firms. Due to the budget restrictions of the study, only a single community was taken in each region of Mexico; consequently, differences among regions could not be tested. This interesting issue should be considered in further research.

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MACROENTREPRENEURSHIP: AN EXPANDED CONTEXT FOR ENTREPRENEURSHIP

Max Briggs, Queensland University of Technology, Brisbane, Australia.

ABSTRACT

Whether in the commercial or social arena, entrepreneurship involves the identification of venture ideas and opportunities which, through the effort and abilities of entrepreneurial individuals and organisations, are developed into offerings that have perceived value in industry, the market or society. While such ideas are generated in diverse ways and may come from diverse sources, an ultimate source is from society itself, forced to seek new ways of adapting to various ever-changing forces and situations. This is particularly the case with social entrepreneurship, that specialised field of entrepreneurship which seeks to solve a problem and thereby achieve changes that deliver improvement to a prevailing condition. How is this done? What does social entrepreneurship involve and what are its boundaries? Can it be extended to address macro level problems in society and the economy?

The purpose of this paper is to show how entrepreneurial practices can be applied at macro level by industry and government bodies, particularly to identify opportunity areas in target industries and thereby promote new business ventures that best serve the economy and society. A new macro context is argued for entrepreneurial activity based on marketing and entrepreneurship principles, and their specialization areas of social and societal marketing, macromarketing and social entrepreneurship. An example of government and industry involvement in industry opportunity identification is outlined to demonstrate macro level entrepreneurial activity, showing how, in the same way that macromarketing seeks to address the bigger issues and the links between marketing systems and society, so too can entrepreneurship use this bigger perspective to achieve its aims and contribute more effectively to the betterment of society. This paper makes an original contribution by demonstrating a new, expanded context for entrepreneurship's scholarly domain and its practice, showing how its key concepts can be effectively applied at industry level to provide a catalyst for development.

SOCIAL ENTREPRENEURSHIP AND VALUE CREATION IN NOT-FOR-PROFIT ORGANIZATIONS

Gillian Sullivan Mort, La Trobe University, Australia
Jay Weerawardena, University of Queensland, Australia
Adrian Sargeant, Indiana University, USA
Roger Bennett, London Metropolitan University, UK

ABSTRACT

The contribution of not-for-profit organizations (NPOs) creating social value is well documented. This paper drawing on the dynamic capability view of competitive strategy, attempts to model the antecedents of social value creation in networks.

INTRODUCTION

The contribution of NPOs in the third sector of the economy, providing goods and services, developing skills, creating employment and fostering pathways for social inclusion, is widely acknowledged (e.g. Lyons, 2001). As a result of a highly competitive environment, NPOs have been forced to adopt a competitive posture in their operations, to focus on outcomes targeted by government policy in pursuing innovative ways of delivering superior value to their target market thereby capturing competitive advantage for the social organization (Weerawardena and Sullivan Mort, 2001). In response, some researchers argue that NPOs can continue to deliver superior value to their targeted communities yet remain within their social mission by adopting a socially entrepreneurial approach in their strategic decisions (e.g. Nicholls and Cho, 2006; Weerawardena et al, 2001). Increasingly, advances in the for-profit literature have been made by attending to the value creation process in a network context (Adler and Kwon, 2002). Network and stakeholder research in NPOs has generally not paid attention to value creation. This paper aims at building a conceptual model incorporating key drivers of the social value creation in a network context. The research question guiding this research is: How do socially entrepreneurial NPOs manage a network of multiple stakeholders in the social value creation process?

THEORETICAL BACKGROUND AND CONCEPTUAL MODEL

In addressing the research question identified above, we find that the stakeholder theory of the firm (Brenner, 1993) and social network analysis (Granovetter, 1985) which has strongly influenced research in the for-profit domain provide valuable insights in understanding how NPOs operate in multiple constituent contexts. The amount of network resources available to the firm can influence its strategic behaviour by altering the opportunity set available to them. Some have argued that subsets of network members emerge that can be drawn on for specific purposes emerge (Granovetter, 1985). Tsai and Ghoshal (1998) in the for-profit context appropriately identify the role of network based social capital in intrafirm resource exchange and combination for value creation in a multi-unit setting. Holm, Eriksson and Johanson, (1999) examine the role of interfirm networks in international business relationships and find that they lead to value creation through mutual commitment and mutual dependence. In the social enterprise context, some research on networks has begun to emerge with attention to new venture creation (Haugh, 2007) and entrepreneurial orientation and stakeholder support (Voss, Voss and Moorman, 2005) but has primarily focused at the level of the individual organization. We combine a social network approach to value creation (Gilsing and Nooteboom, 2005) with social entrepreneurship (Weerawardena and Sullivan Mort, 2006), strategic choice view (Child, 1972) and dynamic capabilities view of competitive strategy (Teece Pisano and Shuen, 1997) to provide a novel theoretical model (Figure 1) of social value creation.

Social Entrepreneurship

Social entrepreneurship is conceptualized as the key initiator and driver in the model. Dees (1998) argues that the primary purpose of social entrepreneurship is to create superior social value for clients. Attempts to conceptualize social entrepreneurship highlight its role in the public domain, community models and social action (Nicholls and Cho, 2006) and emphasise its role in social value creation. In a distinct contribution, Weerawardena et al (2006) developed a constrained optimization model of social entrepreneurship incorporating innovativeness, proactiveness and risk management as key dimensions within social mission, sustainability and environmental dynamics. Sullivan Mort, Weerawardena and Carnegie (2004) have previously argued that social entrepreneurship combined with organizational capabilities results in organizational innovation intensity leading to sustained competitive advantage. Social entrepreneurs seek market opportunities that will enable better social value creation for their clients.

Networking Capability

Firms are widely recognized as being embedded in networks of social, professional, and exchange relationships with other actors (e.g., [Granovetter, 1985](#)) and no longer considered as individual, self-fulfilling units that prefer transactional arrangements. [Anand and Khanna \(2000\)](#) argue that firms have to learn to manage their partnerships to be able to cope with contingencies resulting from intangible personal, organizational, and cultural attributes. For profit literature on networking capability asserts that networking capability can be understood as the action based capacity of an entrepreneur - effective entrepreneurs more likely to increase network density and diversity (Dubini and Aldrich, 1991).

Proposition 1: Social entrepreneurship is positively related to networking capability.

Social Interaction Ties

Social interaction ties represent the structural dimension of social capital (Tsai and Ghoshal, 1998). Through social interactions, an actor may gain access to other actors' resources. They are the channels for information and resource flows. Such access, as Kanter observed, "allows innovators to go across formal lines and levels in the organization to find what they need" (1998: 190). Frequent and close social interactions permit actors to know one another, to share important information, and to create a common point of view. The extent of social interaction ties built by an organization depends on the extent of networking activity of the firm along the dimensions of duration, frequency of interaction, scope and control (Gilsing and Nooteboom, 2005). We advance the view that social interaction ties do not merely emerge but are built and nurtured through networking capability.

Proposition 2: Networking capability is positively related to social interaction ties.

Shared Vision

Shared vision is a major manifestation of the cognitive dimension of social capital (Tsai and Ghoshal, 1998); in an intrafirm context shared vision embodies the collective goals and aspirations of the members of an organization. Extending this view to an inter-organization context, when network members have the same perceptions about why they interact with one another, they can avoid misunderstandings in communications and have more opportunities to exchange ideas or resources freely. As a result, network members who share a vision are more likely to become partners sharing or exchanging their resources. Several studies have shown that a shared vision (or a similar construct, such as goal congruence) may hold together a loosely coupled system and promote integration (e.g., Orton and Weick, 1990). We advance the view that while they may initially be some goal overlap, shared vision must be strategically developed and does not merely emerge.

Proposition 3: Networking capability is positively related to shared vision.

Mutuality

Mutuality captures the interdependence of network partners for mutual gain. Building on previous work (Holm et al, 1999; Tsai and Ghoshal, 1998) we argue that mutuality is characterised by mutual trust, mutual commitment and mutual dependence. Trusting relationships evolve from social interactions (e.g., Granovetter, 1985). The network literature on tie strength has documented the implications of strong interaction ties for trust and trustworthiness (e.g., Krackhardt, 1992). Exchange commitments are critically important in network relationships. One of the network partners takes the initiative to enter into cooperation with the others by committing resources to the relationship. The exchange can evolve sequentially in a series of episodes, with more or less incremental commitments being made by the parties involved in developing the cooperation with each other (Holm et al., 1999). Mutual dependence is associated with the coordination of interdependent activities in a way that increases the level of joint productivity (Johnston and Lawrence, 1988).

Proposition 4: Social interaction ties are positively related to mutuality;

Proposition 5: Networking capability is positively related to mutuality;

Proposition 6: Shared vision is positively related to mutuality.

Resource Configuration (Innovation)

Moran and Ghoshal (1996) argued that new sources of value are generated through novel deployments of resources, especially through new ways of exchanging and combining resources. Dynamic capabilities result in new resource configurations (Eisenhardt and Martin, 2000). To create new or better offerings, firms need to reallocate resources, to combine new resources or to combine existing resources in new ways. Thus, the processes of resource exchange and combination may be associated with innovation that may serve as an indicator for value creation. As Hitt, Hoskisson,

Johnson, and Moesel noted, "Firm innovation has become important for value creation" (1996: 1085). Mutuality based on trust, commitment and dependence allows the effective acquisition of resources in a network context.

Proposition 7: Mutuality is positively related to resource configuration.

Social Value Creation

All businesses try to create value and entrepreneurs use a novel combination of resources to create new types of value. Some (Bagozzi, 1974) argue that all value is social value – that value is only established through exchange which must be a social action. However, social value in this research means value which benefits people whose urgent and reasonable needs are not being met by other means (Young, 2006). Social value “is created when resources, inputs, processes or policies are combined to generate improvements in the lives of individuals or society as a whole” (Emerson, Wachowicz and Chun, 2001). Innovation has been linked to social value and occurs in a competitive contested market in a process of achieving more for less, or solving problems that are otherwise insoluble (Weerawardena et al, 2001; Young, 2006).

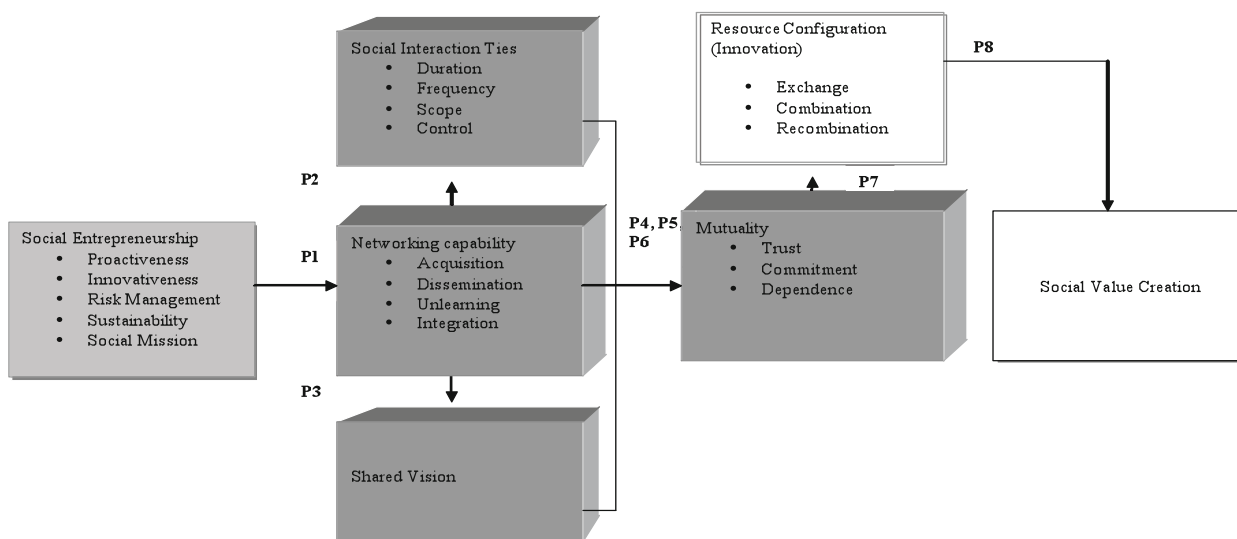
Propositions 8: Resource configuration (innovation) is positively related to social value creation.

CONCLUSION

The model is well founded in the extant literature and identifies key constructs enabling future research by providing a sound basis for qualitative field work and a guide for measurement and structural paths for estimation using structural equations.

FIGURES

Figure 1. Model of Network-based Value Creation in Social Entrepreneurship



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SESSION 9.5: INTERNATIONAL RETAILING

Session Chair: Halldor Engilbertsson, University
Reykjavik, Iceland

*“Swom: A Delphi Study of the Content and Valence of Staff
Word of Mouth within Social Networks”*

Kathleen A. Keeling, Manchester Business School, UK
Peter J. McGoldrick, Manchester Business School, UK
Petroula Charavitsidou, Manchester Business School, UK
Hannah Thompson, Manchester Business School, UK

*“Always Well Advised: Analyzing the Impact of Adaptive
Selling on Consumer Behavior”*

Isabel Martin, University of Mannheim, Germany
Daniel Heinrich, University of Mannheim, Germany
Hans H. Bauer, University of Mannheim, Germany

*“The Emergence, Importance and Implementation of Own
Label in Developing Retail Markets: A One Nation
Perspective—Colombia”*

Octavio Ibarra, Universidad del Norte Barranquilla,
Colombia
Philip J. Kitchen, Hull University, UK

SWOM: A DELPHI STUDY OF THE CONTENT AND VALENCE OF STAFF WORD OF MOUTH

Kathleen A Keeling, Manchester Business School, UK
Peter J McGoldrick, Manchester Business School, UK
Petroula Charavitsidou, Manchester Business School, UK
Hannah Thompson, Manchester Business School, UK

ABSTRACT

Several authors (Fram and McCarthy 2003; Jacobs 2003; Mitchell 2002; Worcester and Dawkins 2005) suggest that staff positive word-of-mouth within their social networks can be a powerful marketing tool. This might be termed Staff Word of Mouth (SWOM). Yet, surprisingly little is known about SWOM within informal social networks. This research starts to bridge the gap by finding a consensus on the content, triggers and motivations for SWOM from those with expert knowledge, in this case retail staff members. The Delphi technique optimizes the use of group opinion whilst minimizing the drawbacks of discussion groups (Rowe et al., 1991). Improving understanding should provide a basis for further research and guidelines for management of SWOM activities, such as how to design and deliver motivational messages targeted at employees.

Insights from the literature into WOM content, causes and motivation, validated by two retail staff focus groups, provided 61 items for the first Delphi questionnaire. Ratings of likelihood and valence of staff talking about work outside their working environment used seven-point scales. "Experts" for this study were retail employees from two multinational companies: 150 respondents returned the first round questionnaire (response 15%). Demographics reflect trends in retail employment, e.g., (majority of female labor (77%), shifts to part-time work (65%). The second round achieved 120 responses (80%).

The study confirms six domains of SWOM motivation: 1) Sense of (in)equity about company treatment of staff; 2) relationships at work; 3) Supporting or enhancing the staff members self-image or status in the community; 4) Commitment to the common good of their social network; 5) High organizational commitment and support for the company; 6) Need for small talk to ease everyday interactions. (1) and (2) are driven by a need to share experience and seek emotional support, perhaps as a coping strategy.

The most powerful triggers for positive SWOM are (unexpected) rewards and recognition. Although less likely, other positive triggers are self-identity and status, e.g., pride in work achievements and showing expertise. A powerful trigger of negative SWOM is poor work relationships, which also arises from organisational culture through violation of notions of fairness, inclusiveness and support. Good treatment and respect are thought equally as important as monetary incentives: praise, feedback and a caring attitude by the company are essential factors for staff, who, unfortunately, seem more likely to talk about negative aspects of organisational culture.

Although positive, staff commitment to their network common good was the least powerful motivator in this study, contradicting the focus group results. Delphi respondents came from two major retailers, and may judge customer service in their companies to be satisfactory; thus they do not feel obligated to warn their network about bad customer service. Thus, this result may be specific, representing a limitation of this study.

Talking about company ethics is a complex issue: focus group data indicated that company unethical behaviour results in negative SWOM, as a means to protect and warn close ties. However, the Delphi indicates a neutral standpoint on ethics as a trigger. Nonetheless, if staff talk on ethics is unusual, its presence could be more damaging as it will stand out against any more frequent negative talk about everyday, personal and relationship matters.

There are some similarities to hygiene factors (Herzberg 1959); as triggers for negative talk fall within the description of dissatisfiers, i.e., company policy, supervision, interpersonal relations, working conditions, and pay. Further, items promoting positive SWOM seem to relate to Herzberg (1959) motivators that enrich working life; such as achievement, recognition, the work itself, responsibility, and advancement.

An important implication is that infrequent but very negative talk topics may be more damaging than more frequent everyday talk. Even if negatively tinged, the latter may be dismissed as "just a bad day", the former may stand out and gain importance through its very infrequency. Hence, in addition to positive SWOM strategies, employers should have procedures in place capable of moving swiftly in response to negative events to minimise negative SWOM and brand image damage.

**ALWAYS WELL ADVISED:
ANALYZING THE IMPACT OF ADAPTIVE SELLING ON CONSUMER BEHAVIOR**

Isabel Martin, University of Mannheim, Germany
Daniel Heinrich, University of Mannheim, Germany
Hans H. Bauer, University of Mannheim, Germany

ABSTRACT

This article addresses how sales representatives' behavior in a retailing context influences customer trust - both in the salesperson and in the retail store – as key antecedents of consumer buying behavior. The salespersons' behaviors analyzed are derived from commonly suggested personal selling techniques. However adaptive sales strategies are frequently discussed in marketing literature, the specific influence of those techniques on consumers is analyzed only rudimentary in empirical research. This gap is addressed by developing a conceptual framework incorporating important adaptive behavioral selling techniques which are perceived by consumers. Empirical data, computed in a structural equation model, demonstrates different influences of specific behavioral patterns of salespeople on consumer behavior. Findings show that especially techniques relating to salespersons' support of the customer in making an optimal buying decision influence their buying behavior more than techniques focusing customers' or salespersons' characteristics. Results will provide managerial implications for both salespeople and management.

INTRODUCTION

For decades, sales researchers and managers have paid considerable attention to identify generally accepted sales representatives' characteristics predictive of higher performance levels – mostly without success. Since the early sixties, marketing science and practice call more and more for an increasingly flexible salesman. „He must be what the client wants, to make the client feel that he understands him” (Evans 1963, p. 76). In response to a claim on focusing on dyadic interaction processes, Weitz and colleagues have explicitly introduced this thought in the sales literature as the theory of adaptive selling (Weitz, Sujan, and Sujan 1986) that has emerged as a widely accepted subject for research and for managerial models of sales performance. Even though a variety of new communication approaches that companies are using to get in contact with their customers have been outlined (direct mail, online-marketing), an adaptive salesperson's personal contact is, and is likely to remain, the most effective method of making a sale. While the notion that effective selling requires the salesperson to be sensitive to the needs of the customers is not new, what is missing is a more precise understanding of which specific adaptive selling tactics have what kind of effects on key success factors for the retailer. Yet more insights seem useful to better understand how consumers deal with a salesperson's persuasion attempts (McFarland, Challagalla, and Shervani 2006).

THEORETICAL BACKGROUND AND CONCEPTUAL FRAMEWORK

The most important adaptive selling techniques exert influence on the consumer through the perceived similarity between the salesperson and the customer and the perceived expertise of the salesperson. With regard to the impact of similarity on the consumer, many authors refer to the customer's subjectively perceived similarity between his and the salesperson's personal system of moral values, character and objectives (Churchill, Collins and Strang 1975). Approaches like the theory of social comparison processes (Festinger 1954) and the match-up hypothesis (Kamins 1990) support these assumptions. The salesperson can attempt to enhance the perceived similarities by utilizing techniques that accentuate similar characteristics and opinions between himself and his client. In literature, such an approach is known as cooperation technique (Nerdinger 2001). In that case the salesperson tries to be suggestive of pursuing the consumer's goals, promoting these with strong commitment in order to enable the consumer to make an optimal buying decision, and being absolutely on the customer's side (Ahearne, Jelinek, and Jones 2007). Furthermore, similarities between the salesperson and the client can be made clear by the so called commonality technique. “The audience assumes that the communicator [who is similar to his audience on some dimension] feels a commonality with them and is concerned about their welfare” (Mills and Jellison 1968, p. 153). The salesperson accentuates similarities that surface during the interaction. Usually, the discovered topics are first mentioned by the customer and consequently picked up by the salesperson, expressing either attitude similarity like e.g. politics, common hobbies, taste or life situation like e.g. children, pets, and home. In scientific literature, perceived expertise is defined as a person's expertise about a certain subject attributed by another individual. The perceived expertise of the salesperson is suggested to be a convenient means to influence the customer (Busch and Wilson 1976). A significant link between the perceived expertise and the sales performance can be supported empirically (Weitz 1981; Woodside and Davenport 1974). One of the two commonly used sales techniques based on the perceived expertise is the technique demonstration of expertise.

This tactic describes the explicit demonstration of professional competence by verbal means: the salesperson consciously displays him to be a specialist, e.g. by introducing specialist terms, emphasizing his expert knowledge, or manifesting insider know-how (McGuire 1985). The salesperson can present his expertise also in an implied manner, using a selling technique called demonstration of product information. The technique involves the communication of information, including asking questions, sometimes with making specific recommendations to influence positively the buyer's general perceptions about the benefits of the salesperson's offerings. The salesman demonstrates certain information about advantages and disadvantages of the chosen products in order to turn the consumer's attention to specific product attributes. In that way, the salesman can dominate the customers' extent and depth of search and evaluation of alternatives (DeCormier and Jobber 1993). In the next part, the four described adaptive selling techniques will be transferred to a hypothesis system examining consumer's perception of the applied techniques and consequently their direct and indirect influences on dependent variables.

HYPOTHESES DEVELOPMENT

Numerous studies have pointed out trust as the relevant antecedent in successful customer relationships (Moorman, Deshpandé and Zaltman 1993). Consumers can develop trust around two different facets: trust in the salesperson and trust in the store (Sirdeshmukh, Singh, and Sabol 2002). Trust in the salesperson can be affected by the consumer's perception of congruence in values, character and objectives with the salesperson. When the consumer perceives similarity between himself and salesman, the consumer's embeddedness in the relationship is enhanced, promoting reciprocity and contributing to the development of trust in the salesperson. A large stream of literature demonstrates that perceived similarities can affect the development of trust in the salesperson positively (Fine and Gardial 1990). As the cooperation technique and the commonality technique are used by salesperson to enhance perceived similarities, the following hypotheses are proposed:

- H 1: The greater the consumer's perceived willingness to cooperate of the salesperson, the greater the consumer's trust in the salesperson.
- H 2: The greater the consumer's perceived commonalities between himself and the salesperson, the greater the consumer's trust in the salesperson.

A positive influence of the perceived expertise of the salesperson on the developing of trust can be verified (Sargeant and Lee 2002). Since the construct of perceived risk takes on an important function in the field of consumer research, it is seen as a determinant of consumer trust (Bhattacharya, Devinney and Pillutla 1998). One possibility which the consumer has of reducing perceived risk is to increase the search for information. Through the amount of perceived information about advantages and disadvantages of a product, the consumer reduces his perceived risk, he evaluates the salesperson's behavior as favorable, objective and honest and consequently as more trustworthy. Therefore:

- H 3: The greater the consumer's perceived expertise of the salesperson, the greater the consumer's trust in the salesperson.
- H 4: The greater the consumer's perceived product information by the salesperson, the greater the consumer's trust in the salesperson.

Consistent with the attribution theory, consumer's trust in the salesperson is proposed to influence consumer's trust in the retail store. Although salesperson's behaviors are directly observable, the reasons underlying this behavior must be inferred by the consumer. To the extent that the consumer attributes the controllability of the motives underlying salesperson behavior to the retail store, trust in the salesperson is likely to influence the trust in particular the retail store. Results of the empirical trust literature in retailing support these assumptions. Consequently:

- H 5: The greater the consumer's trust in the salesperson, the greater the consumer's trust in the store.

Consistent with prior research, consumer's trust in the salesperson and trust in the store are posited to affect directly consumer's willingness to buy (Morgan and Hunt 1994). The relationships are supported by reciprocity arguments. When the salesperson and therefore the retail store act in a way that builds consumer's trust, the perceived risk with the purchase is likely reduced, enabling the consumer to make confident prediction about his willingness to buy. This leads to:

- H 6: The greater the consumer's trust in the salesperson, the greater the consumer's willingness to buy.
- H 7: The greater the consumer's trust in the store, the greater the consumer's willingness to buy.

Numerous empirical studies have shown a significant link between the consumer's willingness to buy and the actual purchase

behavior (Miniard, Obermiller, and Page 1983). The following hypothesis is formulated to demonstrate with actual buying data that the former research result which suggests that the intention to buy a special product leads in fact to the purchase (Ajzen and Madden 1986) will hold as well for the given context:

H 8: The greater the consumer's willingness to buy, the more likely the purchase.

METHODOLOGY AND SAMPLE

The theoretical assumptions discussed in the previous chapter have been analyzed in a first qualitative survey. For this purpose 21 in-depth interviews with members of retailing sales teams were conducted to gain insight concerning the relevance of selling techniques in every day selling situations. The results show that most of the known techniques were indeed used by the sales representatives in the stores. Nevertheless, there was only little awareness of the specific impact on behavioral patterns. Personal selling techniques are used frequently without knowledge of their influence on important objectives, e.g. turnover or trust.

In a next step the hypothesized relationships were examined by means of an online questionnaire. Following a socio-demographic survey of relevant personality traits, participants were first asked to remember and write down their latest shopping situation, in which they were advised by a salesperson in a retail store. Subsequently, based on this specific experience, the questions representing the items of the measurement models indicating perceived selling techniques and depending variables were presented. The data was collected over a period of three weeks. During that time 376 people filled out the questionnaire completely. The data sample contained 49.2% females and 50.8% males. Except for demographic variables, all items were collected using a five point likert scale. Considering the dependent variables, existing reflective measurement scales were used. In case of the independent factors, all of the measurement scales were developed by the authors on the basis of a review of the literature and in-depth interviews with practitioners. The challenge was to transform a recommendation for a specific behavior (of salesperson) into a variable that measures the perception of behavior by the counterpart (consumer). Multi-item scales were discussed with 12 marketing research colleagues. Furthermore, a preliminary study (n=86) served as guarantee for the internal consistency of the measurement instruments. The validity and reliability of the scales were assessed through global and local goodness of fit. Additionally, based on Cronbachs α and the item-to-total correlation some items were eliminated or modified and the final set of items was confirmed. The results indicated a sufficient construct operationalization. Structural equation modeling was used for the evaluation the data. Before the model was calculated, all factors were tested with several CFA statistics (Diamantopoulos and Siguaw 2000) and Fornell-Larcker tests (Fornell and Larcker 1981) were done to ensure discriminant validity. The causal structure was analyzed using maximum likelihood. To test the model fit, commonly suggested goodness of fit statistics were used (Bagozzi and Baumgartner 1994) and found to be within the guidelines. All included path coefficients had at least a value of $|.10|$ which is suggested as a limit for interpretation of the standardized solution of complex models. All hypotheses were confirmed as illustrated in the final model in [figure 1](#).

CONCLUSION

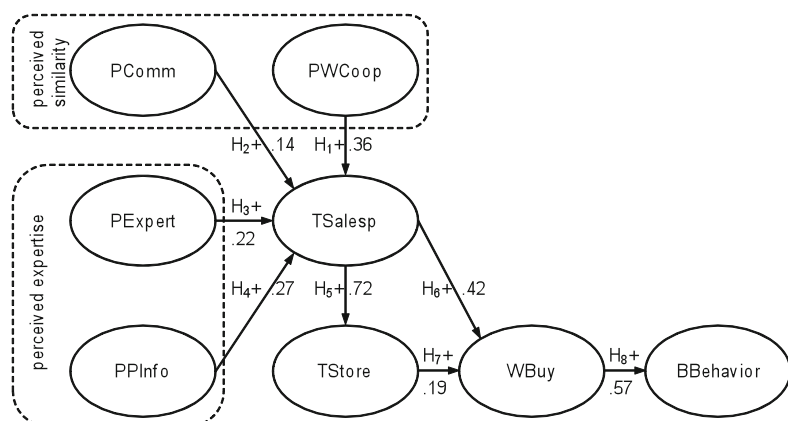
The model demonstrates which behavioral patterns of salespeople influence directly and indirectly relevant variables. The important variable of customer trust in salesperson is directly influenced by four behavioral patterns, representing adaptive selling techniques. The most important results can be summarized as follows. The selling technique perceived willingness to cooperate of the salesperson has the strongest effects on customers' trust in the salesperson and therefore impacts indirectly the customers' purchasing behavior. The effect results from the salesperson's possibility to influence the customer's behavior promoting common goals with strong commitment. It can be proposed that this technique operates through the process of identification because it seeks to elicit liking, enthusiasm and other positive emotive feelings toward the salesperson, and consequently causes trust in the salesperson and consequently trust in the store. The selling technique perceived product information by the salesperson impacts highly the consumer's trust in the salesperson as well as it influences indirectly the trust in the store as a relevant aspect of the consumers' purchase decision and therefore the final purchasing behavior. It can be argued that this technique operates through the mechanism of internalization because consumers find the content of the influence to represent a useful solution or because it is congruent with their own approach to problem solving.

Consequently it can be assumed that the influence on relevant key success factors is very strong for selling techniques that aim at the customer's support of making an optimal buying decision. The cooperation technique facilitates the consumer's purchase decision promoting his needs indicating the salesperson is personally committed to the customer's best interest. As a less affective and more rational selling tactic, the demonstration of product information focuses important product related

aspects during the buyer-seller-interaction in order to enable the consumer to make the perfect buying decision. Management should need to be aware of the importance of a salesperson's skills to meet the consumers' needs and to gain their trust. This goal can be realized by improved training of the sales personnel. Furthermore, companies should invest in the recruitment of sales staff as well as in recurrent training of the salespeople's social skills. Additionally, the results show a higher impact of the trust in the salesperson than of the trust in the store on the willingness to buy. Since customers develop trust in the store because of their trust in the salesperson, who functions as prominent company agent and whose performance represents a key characteristic of the store, retailers should be aware of the high importance of the buyer-seller-interaction. Finally, trust in the salesperson helps lower the risks of store exchanges and actively enhances consumers' buying behavior. In contrast, customer's trust in salesperson could harm store performance because it may lead to a hostage effect in which salesperson use the consumer's trust to kidnap him: if the salesperson leaves the company, the customer may leave with him (Bendapudi and Leone 2002). This study demonstrates that the enormous relevance of staff behavior and its impact on the shop is stressed and should encourage especially large chains to reconsider their limited attention on personal selling compared to other strategic options, especially the price focus. Moreover, it is shown that different behaviors, representing selling techniques in literature, have impact on the trust in the store as a relevant key success factor.

FIGURES

Figure 1: Conceptual Model & Results of the Test of Causal Relationships



SRMR = .050 RMSEA = .059 CFI = .99 TLI = .99 NFI = .98 TLT = .99 Chi-Square = 448.55 df = 196

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THE EMERGENCE, IMPORTANCE AND IMPLEMENTATION OF OWN LABEL IN DEVELOPING RETAIL MARKETS: A ONE NATION PERSPECTIVE-COLOMBIA

Octavio Ibarra, Universidad del Norte, Colombia
Philip J. Kitchen, University of Hull, England

ABSTRACT

The existing body of literature about the phenomenon of own label reveals research gaps with regard to developing countries. Furthermore, in the specific context of the Colombian food retail sector there are just two studies referring to the phenomenon of own label in this country: one examined the implementation of own label from a manufacturers perspective; the other analysed own label from a consumer perspective. However, there is lack of knowledge (no previous studies) regarding this phenomenon from a retailers' perspective. Therefore, the focus of this study is to explore the emergence, importance, and implementation of own label in the food retail sector of this country.

Twenty semi-structured in-depth interviews and four case studies were conducted among senior executives of retail companies located in Colombia, in order to identify managerial perceptions about the emergence of own label. The study provides an interesting insight into the emergence, importance and implementation of own label in developing retail markets. These raised important issues about the strategic role of own label, bringing to light six different dimensions. Moreover, the study revealed eleven variables influencing own label performance among product categories.

INTRODUCTION

In recent years, retail business has been characterized by high levels of concentration, mainly in regions such as Europe and North America, and caused by the significant growth in the size and market dominance of major retailers, the maturity of domestic markets, and the intensity of the level of competition (Euromonitor, 2005; Hollingsworth, 2004; Planet Retail, 2006). This has stimulated major retailers to diversify their store formats, innovate their distribution systems, implement own label, and expand internationally; especially to emerging countries, in which the level of retail concentration is considered to be low (Atkearny, 2007). These strategies have helped retailers to avoid downturns in domestic markets, sustain growth, and become more competitive (Deloitte, 2006; Atkearny, 2007).

In that sense, dynamic changes have been taking place in emerging countries of Latin America, such as Colombia, Argentina, Peru, Uruguay, Brazil, and Chile (Atkearny, 2007); in terms of store development, mergers and acquisitions, foreign direct investment, and the implementation of own label as one of the sources of competitive advantage for foreign and domestic retailers (Euromonitor, 2005). Furthermore, the retail sector in Colombia is considered as one of the most modern in the Latin American region (Gain, 2006), and one of the top ten fastest growing own label markets worldwide (Atkearny, 2007). This is important as it draws attention to the Latin American region, and more specifically to Colombia, as an attractive market for major retailers expanding internationally and for the implementation of retail concepts such as own label.

This paper argues that, in the context of the Colombian food retail sector, types of own label, category concentration, shelf space, category depth, strength of manufacturers brands, sector performance, manufacturers brands innovation price sensitivity, type of store format, supply chain and value (relationship between price and quality) influence own label performance among product categories. Moreover, it gathers these variables into macro and micro-environmental factors and proposes an own label theoretical model. In addition, six different dimensions (creating brand associations, reaching market gaps within categories, increasing the dynamism within product-categories, strengthen retailers position within the supply chain, strengthen retailers image, and generating profits) of own label are suggested in terms of its importance within the food retail sector of the country.

OWN LABEL IN COLOMBIA

In Colombia, the existing body of literature is focused mostly on the analysis of the structure of the retail sector (Gain, 2006), foreign and national alliances, geographical expansion of retailers, category management, own label from manufacturers (Cabrejos, 2004b), and consumer (Cabrejos, 2004a) perspectives. Despite the fact that only two studies refer to the existence of own label in the food retail sector of the country; this phenomenon has been analysed in terms of the way it is perceived by Colombian consumers, and its effect on manufacturers' strategies and market share within product categories. However, there is no evidence of research considering the phenomenon of own label from the retailers perspective and more specifically

regarding aspects such as critical factors stimulating the emergence of own label in the country, the way this phenomenon has been implemented, its importance within the food retail sector and factors influencing its performance among product-categories.

This brings to light a lack of knowledge regarding the exploration of the phenomenon of own label from the retailers' perspective, and the need to focus research attention on the emergence, importance, and implementation of own label in the Colombian food retail sector.

METHODOLOGY

Considering that little research has been done on the development of own label in Colombia, the lack of knowledge regarding the emergence, importance, and implementation of this phenomenon from retailers' perspective; this paper proposed to address this by exploring the development of own label within major retailers located in Colombia; a rapidly developing economy and country in South America. Admittedly, prior work has been done on this topic with regard to manufacturer and consumer research, but this paper will analyse specifically the emergence, importance, and implementation of own label within the Colombian retail sector, utilising major retailers as the source of expert opinion and information with specific reference to food categories.

Consequent with the previous statement, the nature of the research problem indicated the need to achieve a better understanding of the phenomenon of own label, by exploring and interpreting managerial perceptions (ontology) that social actors (top executives and managers of the major food retail chains located in Colombia) have about own label. Therefore, a qualitative paradigm was selected as the standpoint of this research and two empirical research phases were conducted.

The first, consisted of twenty semi-structured in-depth interviews conducted among senior executives of retail companies located in Colombia, in order to identify their perceptions about the emergence of own label in the context of the food retail sector of this country. This provided the opportunity and flexibility to explore the phenomenon of own label in-depth. An interview schedule was developed with a set of questions, but allowing independence to probe relevant themes originated in the interview process. Retail companies were contacted on the following bases: offering own labels as part of their portfolio of products; predominately marketing fast moving consumer goods (FMCG); and categorized as one of the major food retailers in the Colombian food retail sector. Furthermore, the data analysis followed a thematic coding, grouping relevant themes in relation to the interview questions, and then in nodes and in the form of response categories. Interviews were recorded and transcribed into text, using the NVIVO computer package.

The second, followed a multiple case study design; in order to enrich the analysis of the first stage (in-depth interviews). Therefore, four case studies were carried out, following a multiple case design, in which the leading four major retailers (in terms of market share) of the country were contacted. Four interviews in each company were conducted with regional managers. The data analysis was similar to the first phase following a thematic coding and using the NVIVO computer package. Construct validity was achieved by providing different sources of data, namely, multiple interviews, and unpublished and published information. Moreover, external validity was ensured by replication logic using a multiple case study in the form of cross-case analysis and facilitating generalization. Finally, internal validity was made by theoretical replication across case studies. Furthermore, the reliability of this research was ensured by using two computerised analysis techniques (Nvivo and SPSS), an interview schedule and a systematic procedure for data collection and analysis; facilitating a potential replication of this study in other emerging markets of Latin America.

FINDINGS

Emergence of Own label within the Colombian Food Retail Sector

The findings brought to light 1908 as the earliest period of the diffusion of own label in Colombia, and the value own label (wine products imported from Spain and branded as *Carulla*-one of the most traditional retailers) as the first type that emerged in this country. Later in the 1960s and 1980s, this phenomenon developed in the form of generic products, as a result of the entrance of international retailers, increased in importance and started to be more widespread within this country. Furthermore, the findings revealed that currently four different types of own label are taking place in Colombia: optimum point price (lowest price within product categories), value (strengths retailers' image), exclusive (creates the impression of a wide product selection) and premium (build an image of high quality).

This is important as it indicates the beginning of the twentieth century as the earliest period of the diffusion of own label in Colombia, and the value own label as the first type that emerged in this country. These findings contradict the literature of own label in other Latin American retail markets (Alvarez et al., 2007), which suggests that own label usually emerges as a price-oriented product (generic) and then through time evolves to a premium type, as in the specific case of the Colombian food retail sector the emergence and implementation followed a different pattern (emerged as a value brand and then developed through time in the forms of exclusive, optimum point price, and premium).

These findings also contradict some of the literature of own label in developed retail markets, as for example Laaksonen and Reynolds (1994) proposed that the phenomenon of own label usually follows an evolutionary process from a low price-low quality to a high price-high quality product, in terms of four different generations (Generic, Quasi-Brand, Own Brand, and Extended Own Brand); and this research shows a different development process for own label, in which the value own label (strengthens retailers image) is the first type.

Taking into account that the findings of this research revealed the value own label as the first type implemented in Colombia, and the exclusive, optimum point price, and premium own label as other types developed through time (as a result of the entrance of international retailers); it can be affirmed that the phenomenon of own label, in the Colombian food retail sector, followed a development process beginning with a value brand (strengthens retailers image) and not with a price-oriented own label (generic or optimum point price). Therefore, this paper reveals the way own label has been implemented in Colombia and brings to light a different development pattern (from value to premium) for own label in emerging retail markets.

The Importance of Own Label within the Colombian Food Retail Sector

The empirical findings of the first phase drew attention to three main roles of own label within retail companies. The *first* as a profit generator, based on the fact that the high level of margins of own label helps retailers to achieve their financial objectives. The *second*, as an image builder, as own label strengthens retailers' image by making retailers names more notorious among consumers. The *third* as a product that helps retailers increase their dominant role within the supply chain, as it diminishes the level of dependency from manufacturer brands; therefore, retailers become stronger when negotiating with manufacturers.

The empirical findings of the second phase (case studies) confirmed the findings of the first research phase in relation to the three previous roles of own label, and brought to light three additional aspects. First, regarding the high levels of dynamism within categories, caused by the entrance of own label, and reflected in a higher number of brand or line extensions, product innovations, and changes in price and merchandising strategies. Second, concerning the role of the value own label as the one that contributes most to positioning retailers' brand names in consumers' minds, as it has a similar brand name to retailers; therefore creating brand associations (retailers' brand name) with customers. Third, referring to own label assisting retailers to reach new market segments; unattended by manufacturers (market gaps within categories). Bringing together the findings of both empirical phases, helps identifying six dimensions regarding the role of own label within the Colombian retail business.

Considering that there is a lack of knowledge in the literature of own label in Colombia regarding the significance of this phenomenon within retail business; it is evident that this research augments knowledge about own label in the country, by revealing six different roles of this phenomenon within the food retail sector.

Factors Influencing Own Label performance among product categories

Manufacturers' innovation, category concentration, shelf space, and the relationship between price and quality (namely as value), were identified, in the first empirical phase, as the most salient variables influencing own label performance among categories. Regarding the first variable, the findings indicated that in categories in which manufacturers, constantly developed new products or modified the existing ones, own label tend to have a low market share. Concerning category concentration, it was identified that commonly own label are not able to reach higher levels of market share in categories with high levels of concentration among manufacturers' brands. As regards as shelf space, the findings showed a direct relationship between this variable and own label market share. Finally, regarding value, it was revealed that own label increase their market share, when it quality and price are consistent.

Furthermore, the second empirical phase provided a wider perspective of the variables influencing own label performance in retail business. For instance, case-study one (Retailer A) confirmed shelf space, category concentration, and value, as variables influencing own label market share. In addition this empirical phase incorporated price sensitivity, the strength of

manufacturers' brands, types of own label, the number of own label, category depth, and sector performance, as additional variables. In the subsequent case-studies (Retailers B, C and D) some of the previous variables (value, shelf space, and manufacturers' innovation, types of own label), were confirmed as influencing own label market share; and others such as type of store format, and supply chain, were revealed as new variables influencing own label performance within food categories and store formats.

Bringing together the above elements, allows for identification of two different groups of variables: one, concerns factors influencing own label performance, but not controlled by retailers; another, regards factors influencing own label performance, and controlled by retailers. Taking into account that variables such as shelf space, value, category depth, type of own label and store formats are controlled by retailers; it is appropriate to group them as *micro-environmental factors* influencing the performance of own label. Furthermore, considering that the company is not able to control variables such as the strength of manufacturers brands, category concentration, price sensitivity, sector performance and manufacturers brands innovation; it is appropriate to group them as a macro-environmental factors influencing own label performance. In addition, retailers' performance is influenced by other four *macro-environmental factors* such as, technology, political and legal, economy, competition, social and cultural, and consumer trends. Therefore, a theoretical own label model is proposed as follows (See [Figure 1](#)).

IMPLICATIONS OF THIS RESEARCH AND CONCLUSIONS

This research presented, in the context of the Colombian food retail sector, a new perspective (retailers) of the phenomenon of own label; as the literature concerning this subject has focused mainly on consumers and manufacturers. This research created new knowledge bringing to light the emergence time of own label (1908) and a development process of this phenomenon based on the fact that currently four types of own label are offered: premium, value, optimum point price and exclusive. Moreover, a new pattern of own label development was presented, as the findings indicated that this phenomenon emerged as a value and not as a generic product (suggested by the literature of own label in Latin American countries). Therefore, this research augmented knowledge (with reference to this subject) in both the context of the Colombian food retail sector and the Latin American retail markets.

Another aspect concerns the significance of own label within retail business. Six different dimensions of own label were identified. These factors, led to suggest own label as a source of competitive advantage and as a driver of the retail branding process. Therefore, it seems appropriate to affirm that this research augments knowledge of own label in this country. Finally, it was expected to provide guidance to retail organizations operating or planning to initiate operations in emerging markets.

Furthermore, eleven variables were identified and grouped into macro-environmental and micro-environmental factors influencing own label performance among product categories. These variables led to propose an own label theoretical model that gathers both groups of factors (macro and micro-environmental) and suggest these variables as elements that could help identify the characteristics of product categories and then determine or redefine own label strategies among categories.

Considering that the literature of own label in Colombia, revealed a lack of knowledge regarding the variables influencing own label performance among product categories and the fact that this research proposes an own label theoretical model that could be replicated in established and other developing retail markets; it seems appropriate to highlight that this research contributes significantly to the general literature of own label.

RECOMMENDATIONS FOR FUTURE RESEARCH

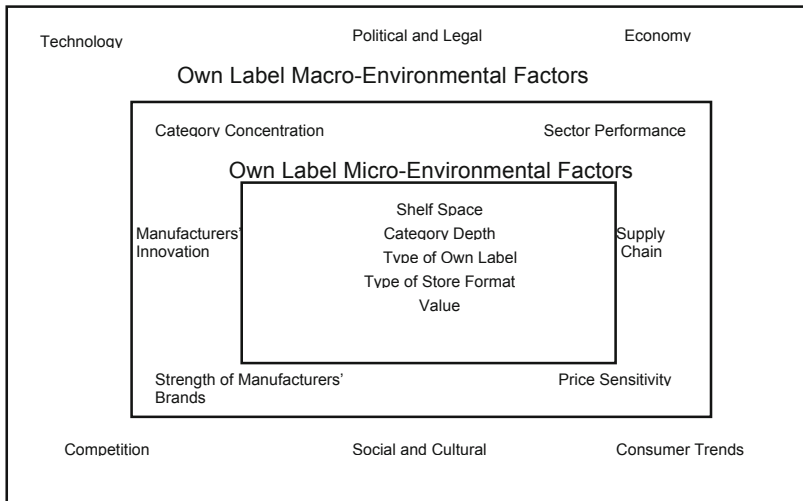
This research has increased the knowledge regarding own label in retail business. However, there are some potential subjects that could be addressed as future research in this area, and especially in emerging markets.

It would be significant to conduct similar studies in other developing retail markets, in order to validate the findings of this research in a wider scope. Furthermore, a comparative study of the phenomenon of own label in a developing and in an emerging country, would help to determine similarities and differences of this phenomenon in different retail business environments. Finally, taking into account that this research suggests that one of the roles of own label is to create brand associations; it would very useful to examine the extent to which own label is building brand awareness (recognition and recall), in order to determine whether or not the brand equity concept has taken place within own label.

FIGURES

Figure 1: Own Label Theoretical Model

Retailers Macro- Environmental Factors



Source: Authors

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SESSION 10.1: PRODUCT AND PRICING STRATEGIES

Session Chair: Nicholas Nugent, Southern New Hampshire University, USA

“Using the Rational Expectation Model to Investigate the Relationship between New Product Introductions and Resale Price Maintenance”

Guan-Ru Chen, I-Shou University, Taiwan

“Which Laws do your Marketers Know? Some Legal Issues on Price Discrimination”

Paul Sergius Koku, Florida Atlantic University, USA

“Consumer Processing of Bundle Prices: When do Discounts Matter?”

Judy Harris, Towson University, USA

Edward A. Blair, University of Houston, USA

USING THE RATIONAL EXPECTATIONS MODEL TO INVESTIGATE THE RELATIONSHIP BETWEEN NEW PRODUCTS INTRODUCTIONS AND RESALE PRICE MAINTENANCE

Chen Guan-Ru, I-Shou University, Taiwan

ABSTRACT

When a product is in its introduction stage, the proportion of consumers with information about product quality is relatively low. For most consumers, price is the only indication of a product's quality. The rational expectation model predicts that at the introduction stage, the price should be stable in order to communicate quality-related information efficiently. Therefore, manufacturers have incentives to use resale price maintenance (RPM) to reduce the noise from intrabrand price competition. Over time, the demand for RPM declines as the proportion of consumers with access to quality-related information gradually increases.

INTRODUCTION

Resale price maintenance (RPM), specifies the final price that retailers charge consumers, is the most important vertical restraint in terms of both the frequency of use and the number of legal cases generated. Mathewson and Winter (1998, p.60) have written: "In markets that demand extensive distribution systems, RPM is often used in the early part of a product's life cycle to aid in the establishment of the distribution system." For a new product, existing literature considers that the adoption of RPM can increase a brand's visibility in its distribution channels by ensuring downstream member profits. Telser (1960) explains that if the distributors are not protected by RPM, this enables price discounters to "free ride" on other dealers' investments which incur substantial costs for pre-sales services. However, an opposing explanation proffers that RPM prevents consumers who do not value retailers' service from purchasing products at lower prices, regardless of whether or not price-fixing measures are applied to ensure retailers' profit or to act as a cartel between upstream and downstream profits. The Supreme Court of the United States was skeptical of the evidence supporting the service argument because RPM is used for a much wider variety of products than that argument would suggest.

In the early stage of a product's introduction, consumers who possess information regarding the product's quality are exceptional; their beliefs about quality depend on the information conveyed by the equilibrium retail price. The manufacturer expects the retail price to efficiently communicate information of quality. However, in the presence of intrabrand price competition, consumers cannot use retail price as an efficient predictor because they cannot distinguish whether the price movements reflect variance of quality or variance of quantities supplied by retailers. Intrabrand price competition perturbs consumers' predictions of quality and, thus, increases the uncertainty faced by consumers and results in a lower average retail price. This paper argues that when faced with intrabrand price competition, manufacturers use RPM to communicate information regarding a product's quality through pricing. If RPM is not applied, the expected price received by manufacturers decreases due to an increase in consumer uncertainty over a product's quality. As products enter the growth stage, consumers gradually possess private information regarding the quality differential. For instance, a consumer may observe the experiences of friends and family members who have previously used the product, or might have access to an independent report on the quality of the product. The need for RPM after the product has entered the growth stage declines because consumers pay less attention to the price.

THE MODEL

Consider a market in which there is one product and a continuum of consumers indexed by $a \in [0,1]$. Let $\lambda \in [0,1]$ be the fraction of consumers, whose expectation of quality based on private information, and retail price. The $1 - \lambda$ fraction of consumers who infer quality only by observing the retail price is denoted by uninformed consumers. Other assumptions are described as follows.

A.1. Consumers can exchange the utility obtained from the product into monetary units. Under this assumption, consumers can evaluate the product's quality in monetary terms. Thus, the benefit, B , obtained from the product by each consumer is

$$\tilde{B} = \tilde{Q}Z_d - PZ_d = (\tilde{Q} - P)Z_d$$

where \tilde{Q} is the quality of the product that the consumer obtains, measured in monetary units. The random variables are $\tilde{Q} \sim N(\bar{Q}, V)$, where $N(\cdot)$ is denoted by normal distribution, and $V > 0$. The motivation for the consumer to purchase a product is that the quality of the product may exceed the retail price, P .

A.2. Every consumer's utility is given by the negative exponential utility function

$$u(B) = -\exp\left(-\frac{1}{\gamma}B\right),$$

where γ is the level of risk tolerance. Since the product quality, \tilde{Q} , has normal distribution, the consumer's demand quantities, Z_d , can be derived by maximizing the expected utility,

$$Z_d = \gamma \text{Var}(\tilde{Q}|\Omega)^{-1} (E(\tilde{Q}|\Omega) - \tilde{P}), \quad (1)$$

where Ω is the information set on which consumers base their expectations.

A.3. The average value of quality information received by informed consumers is

$$\tilde{I} = \tilde{Q} + \tilde{\varepsilon} \quad (2)$$

where $\tilde{I} = \int_0^\lambda \tilde{I}_i di / \lambda$, $\tilde{\varepsilon} = \int_0^\lambda \tilde{\varepsilon}_i di / \lambda$. We denote \tilde{I}_i as the private information received by particular consumers i , $i \in [0, \lambda]$, and $\tilde{I}_i = \tilde{Q} + \tilde{\varepsilon}_i$. \tilde{I}_i expresses the true quality, \tilde{Q} , perturbed by noise $\tilde{\varepsilon}_i$, $\tilde{\varepsilon}_i \sim N(0, S_i)$, $S_i > 0$. Assume that $\tilde{\varepsilon}_i$ and \tilde{Q} are independent, and $\tilde{\varepsilon}_i$ is independent of $\tilde{\varepsilon}_j$, $i \neq j$. Since $\tilde{\varepsilon}_i$, $\tilde{\varepsilon}_j$ and \tilde{Q} are independent, $i \neq j$, \tilde{I} and $\tilde{\varepsilon}$ are also independent. We further assume $\tilde{\varepsilon} \sim N(0, S)$, where $S = (\int_0^\lambda S_i^2 di)^{1/2} / \lambda$. The demand quantity of informed consumers i and uninformed consumers are $Z_d(I_i, P)$ and $Z_d(P)$, respectively.

A.4. The random vector $(\tilde{Q}, \tilde{I}, \tilde{P})$ has a joint normal distribution.

For informed consumers, the posterior distribution of \tilde{Q} , given a realization (\tilde{I}, \tilde{P}) is again normal, and the mean and variance take the following form:

$$E(\tilde{Q}|\tilde{I}, \tilde{P}) = B_0 + B_1 \tilde{I} + B_2 \tilde{P} \quad (3)$$

$$\text{Var}(\tilde{Q}|\tilde{I}, \tilde{P}) = V_0 \quad (4)$$

For uninformed consumers, the expected quality, which is conditional on retail price, is as follows:

$$E(\tilde{Q}|\tilde{P}) = C_0 + C_1 \tilde{P} \quad (5)$$

$$\text{Var}(\tilde{Q}|\tilde{P}) = D_0 \quad (6)$$

A.5. Manufacturers achieve the desired outcome of RPM by reducing the variance of retailers' supply quantities.

This assumption is necessary for market clearing conditions. The per capita quantities supplied are denoted by Z_s , where $\tilde{Z}_s \sim N(\bar{Z}, U)$, where $\bar{Z}, U > 0$, and are independent of $\tilde{\varepsilon}$. In markets where extensive distribution systems are necessary, goods are purchased and stocked by retailers after being produced. Retailers can accumulate a certain amount of goods and release them at one time while providing price discounts. The manufacturer who wishes to control price variation must control quantity, either directly or indirectly. Reducing the quantity variance, U , is a necessary condition for imposing RPM.

Under above assumptions, the equilibrium price, \tilde{P} , can be derived by solving following equation:

$$Z_s = \lambda \gamma \frac{[E(Q|I, P) - P]}{\text{Var}(Q|I, P)} + (1 - \lambda) \gamma \frac{[E(Q|P) - P]}{\text{Var}(Q|P)} \quad (7)$$

INFORMED CONSUMERS AND RPM

Lemma 1. The rational expectations price, \tilde{P} , for a given value of λ is a linear function of quality-related information, \tilde{I} , and of the per capita supply quantity, \tilde{Z}_s .

$$\tilde{P} = A_0 + A_1 \tilde{I} - A_2 \tilde{Z}_s \quad (8)$$

where

$$A_0 = \frac{V_0 D_0}{(\lambda D_0 + (1 - \lambda) V_0)} \left[\frac{1}{V} \tilde{G} + \frac{\gamma \lambda}{(\gamma^2 \lambda^2 + US)} \tilde{Z} \right]$$

$$\begin{aligned}
A_1 &= \frac{V_0 D_0}{(\lambda D_0 + (1-\lambda)V_0)} \frac{\lambda}{S} \left[1 + \frac{\gamma^2 \lambda}{\gamma^2 \lambda^2 + US} \right] \\
A_2 &= \frac{V_0 D_0}{(\lambda D_0 + (1-\lambda)V_0)} \frac{1}{\gamma} \left[1 + \frac{\gamma^2 \lambda}{\gamma^2 \lambda^2 + US} \right] \\
V_0 &= \left[V^{-1} + S^{-1} + (S + US^2 (\gamma \lambda)^{-2})^{-1} \right]^{-1} \\
D_0 &= \left[V^{-1} + (S + US^2 (\gamma \lambda)^{-2})^{-1} \right]^{-1}
\end{aligned}$$

Proof: See Admati (1985)

The price in equation (8) aggregates the informed consumers' information, and then reveals it to the uninformed consumers. Chan and Leland (1982) and Cooper and Ross (1984) demonstrate that when both informed and uninformed consumers exist in a market, the price conveys information about product quality; thus, informed consumers provide a positive externality to uninformed consumers. However, the equilibrium price in equation (8) cannot be a sufficient statistic for the product's quality, since the noise comes from the supply quantities. Manufacturers are concerned with how the *a priori* expectations of the equilibrium prices, $E(P)$, are affected by changes in the probability distribution's parameters and the proportion of informed consumers. Since the lower expected retail price represents lower demand curves, and this inevitably results in lower revenue than what the manufacturers receive from the retailers. Proposition 1 indicates how the intensity of intrabrand price competition impacts the *a priori* expectations of the equilibrium prices.

Proposition 1. The higher variance of supply quantity, U , leads to lower *a priori* expectation of the equilibrium prices, $E(P)$.

Proof: The *a priori* expectation of the equilibrium price can be obtained by calculating the expectation in (8):

$$E(P) = \bar{G} - \frac{D_0 V_0}{(\lambda D_0 + (1-\lambda)V_0) \gamma} \bar{Z} \quad (10)$$

We now show that $\partial E(P) / \partial U < 0$.

Equation (10) can be rewritten as follows:

$$E(P) = \bar{G} - \left[\lambda V_0^{-1} + (1-\lambda) D_0^{-1} \right]^{-1} \gamma^{-1} \bar{Z} \quad (10a)$$

Differentiating V_0^{-1} and D_0^{-1} with respect to U gives

$$\frac{\partial V_0^{-1}}{\partial U} = \frac{\partial D_0^{-1}}{\partial U} = - \left[S + US^2 (\gamma \lambda)^{-2} \right]^2 S^2 (\gamma \lambda)^{-2} < 0.$$

Therefore, it follows that

$$\frac{\partial E(P)}{\partial U} = \left[\lambda V_0^{-1} + (1-\lambda) D_0^{-1} \right]^2 \left[\lambda \frac{\partial V_0^{-1}}{\partial U} + (1-\lambda) \frac{\partial D_0^{-1}}{\partial U} \right] \gamma^{-1} \bar{Z} < 0.$$

Q.E.D.

As previously noted, intrabrand price competition involves price movements, and more volatile supply quantity is a necessary condition for a more volatile retail price in order to ensure market clearing at any given time. Hence, we use the variance of supply quantity, U , to represent the intensity of intrabrand price competition. Retail price can aggregate and reflect quality-related information but cannot be a sufficient statistic due to the noise from the retail supply quantity. Intrabrand price competition perturbs consumers' predictions of quality; therefore, it increases the uncertainty faced by consumers, resulting in lower average sales quantities. For example, if a retailer offers a price discount, consumers cannot distinguish whether it reflects low quality or is just a result of increasing quantity. As U increases, consumer uncertainty over quality will increase because the equilibrium retail price is not reliable enough to be a predictor of quality. Consumers demand a higher risk premium to compensate for the additional uncertainty they face as the price that they are willing to pay decreases. Dodson et al. (1978) study the effects of different types of coupons on consumers' loyalty behavior and found that price promotions reduce future purchase probabilities. Similar conclusions were drawn by Jones and Zufryden (1981), who found that the repurchase probability after purchasing on-promotion items was lower than not purchasing promotional items. Kalyanaram and Winer (1995) indicate that the promotions erode purchase probabilities by lowering reference prices. As a result, consumers might be more reluctant to pay regular prices or tolerate price increases.

Proposition 2. The *a priori* expectation of the equilibrium price increases as the proportion of informed consumers in the market increases.

Proof: The $E(P)$ has been given in (8), and we now show that $\partial E(P)/\partial \lambda > 0$. First, we differentiate V_0^{-1} and D_0^{-1} with respect to λ , which yields the following:

$$\frac{\partial V_0^{-1}}{\partial \lambda} = \frac{\partial D_0^{-1}}{\partial \lambda} = \left[S + US^2(\gamma\lambda)^{-2} \right]^2 US^2 \gamma^{-2} \lambda^{-3} > 0.$$

The V_0 and D_0 in equation (8) satisfy $V_0 < D_0$ because of $S^{-1} > 0$, which yields $V_0^{-1} > D_0^{-1}$. Differentiating $E(P)$ with respect to λ results in the following:

$$\frac{\partial E(P)}{\partial \lambda} = \left[\lambda V_0^{-1} + (1-\lambda)D_0^{-1} \right]^2 \left[V_0^{-1} + \lambda \frac{\partial V_0^{-1}}{\partial \lambda} - D_0^{-1} + \frac{\partial D_0^{-1}}{\partial \lambda} - \lambda \frac{\partial D_0^{-1}}{\partial \lambda} \right] \gamma^{-1} \bar{Z} > 0 \quad (11)$$

Q.E.D.

The economic intuition of Proposition 2 is explained as follows. First, we compare the $V_0 = \text{Var}(\tilde{Q}|\tilde{I}, \tilde{P})$ and $D_0 = \text{Var}(\tilde{Q}|\tilde{P})$ in the equation (8). Observing additional information reduces the conditional variance of informed consumers, therefore the V_0 is lower than D_0 . It means that the average uncertainty faced by all consumers decreases as more consumers access private information. The demand for the product, which is given in equation (1), indicates a decrease in $\text{Var}(\tilde{Q}|\Omega)$ leads to a higher value for the product. In addition, as more consumers access information, the more information of quality is revealed by the retail price. So the conditional variance of quality faced by uninformed consumers declines due to the more reliable information reflected by the price. When the product is introduced, there is uncertainty associated with the product's quality. The value of the new product to a risk-averse customer is lower than the product's value if all experience information was available. As more customers observe information more of the uncertainty is removed and the valuation of the product increases.

Corollary: As the proportion of consumers increases, the manufacturers' need for RPM decreases given the *a priori* expected price.

Proof: Maintaining the expected price $E(P)$, the relationship between the intensity of price competition, U , and the proportion of informed consumers λ is

$$\frac{dU}{d\lambda} \Big|_{dE(P)=0} = - \frac{\partial E(P)}{\partial \lambda} \frac{\partial U}{\partial E(P)} > 0.$$

Q.E.D.

As the new product enters the market, the proportion of consumers who possess private information is low. The price reveals informed consumers' information to the uninformed consumers. However, consumers cannot evaluate quality efficiently from the retail price because of the noise created by intrabrand price competition. The uncertainty over quality reduces the consumer's incentive to purchase that product and this ultimately harms the manufacturer. Therefore, manufacturers are encouraged to use RPM, which decreases the noise of the information communicated by price as new products enter into a market. Over time, the attention paid to private information increases with the proportion of informed consumers. The need for RPM declines because the dependence on the retail price for purchase decision-making gradually decreases. Dodds et al. (1991) show that the consumers use price as a signal of quality if they lack information to make choice. However, the dependence on the price to assess quality declines in the presence of other information such as brand names and advertising. Pauwels, K., Silva-Risso, J., Srinivasan, S. and Hanssens, D.M. (2004) examine data from automobile industry and find that there is an inverse relationship between new product introductions and sales promotions. In practice, the products that appear most frequently in sales promotion are maturing and heavily advertised brands. Albion (1983, p131) has written: "Those brands that are good loss leaders, proposed to be mostly the well-known, highly advertised brands..." These are often famous brands that are nationally available and widely used. Therefore, consumers will not be confused by the price variation, which has a negative effect on prices in the long run when there are fewer informed consumers.

CONCLUSION

Marketing decision-makers must determine an appropriate pricing strategy that accounts for negative externalities from retailers. The consumers' uncertainty over a product's quality, which can be affected by pricing strategy, plays a major role in

the product's prospects for success. A volatile price makes uninformed consumers feel "unsafe" about the product's quality because they cannot determine whether the price discount reflects low quality or if it is merely a result of increased supply. In the presence of supply noise, the retail price does not fully reveal private information about quality; thus, manufacturers are encouraged to adopt RPM. Over time, an increasing amount of information is collected by consumers through advertising or opinions expressed by friends and family. The need for RPM to let price reveal quality decreases, the result of which is a substitution effect of information on RPM.

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WHICH LAWS DO YOUR MARKETERS KNOW? SOME LEGAL ISSUES ON PRICE DISCRIMINATION

Paul Sergius Koku, Florida Atlantic University, Boca Raton, FL, U.S.A.

ABSTRACT

As the only marketing variable that directly generates revenue for the firm, marketers often “play around” with price in an attempt to maximize the firm’s revenue and/or profit. However, as one of the most regulated marketing variables, unwary use of certain pricing strategies can lead a marketer into legal troubles. This paper conducts a brief overview of legal issues related to pricing and draws the awareness of marketers to common pricing and promotion legal mine fields such as “naked” or tacit agreements to divided the field and *ladies’ night* price discount promotions. It also outlines other areas of intersection between marketing and law that could benefit from future research.

INTRODUCTION

Pricing is one of the most critical processes to the firm. The importance of the pricing process lies in the fact it is the only means through which a firm can generate revenue, and without which a firm will may cease to operate. Because of its importance, pricing has attracted a significant research effort in many academic disciplines. Foremost in these areas are economics and marketing, with legal scholars commenting on the implications of the laws on the day-to-day business practices (see McGee, 1958; Elzinga, 1970; Koller II, 1991).

The concerns about pricing are not limited to for-profit organizations alone. Not-for-profit organizations such as universities, municipalities, and public hospitals are also equally concerned about their pricing strategy and often practice price discrimination. Price discrimination is as such an ever present phenomenon in the real world business. However, because there are federal as well as state laws (in the United States) that make certain types of price discrimination illegal, it is important that marketers know which types of price discrimination are permissible and where they are permissible.

There are several possibly permissible pricing strategies, however, because of the scope of this paper, we will minimize our discussions of pricing strategies per se, and focus on price discrimination instead. The purpose of this paper therefore is to provide marketers who are involved in pricing and promotions some understanding of the not-so-well-publicized, but nonetheless important illegal price discriminatory practices. We also draw attention to a gap in the marketing literature in the area of intersection between law and marketing that should attract future research efforts. Price discrimination is said to have taken place “Whenever there are price differences for the same product or service sold by a single seller that are not justified by cost or changes in the level of demand. Price discrimination also occurs when two or more buyers of the same product or service are charged the same price despite differences in the cost of serving these buyers.” (Monroe, 2003, p. 250).

Even though price discrimination as the name suggests and as defined above connotes charging different prices for the same product or service without cost justifications, the ambit of price discrimination could involve such other business practices as special promotions, rebates, and discounts (cash and quantity) that lead to price differences. The interesting, but perhaps the more perplexing aspect of illegal price discrimination issues is the fact that pricing and promotion issues are covered by both federal and state laws that are not only constantly changing, but can also be very differently applied with different consequences. Thus, marketers need not only be aware of the federal laws regarding price discrimination and promotions or selling in general, but they must also be equally well informed on price discrimination laws of the different states in which they operate.

OVERVIEW OF FEDERAL PRICE DISCRIMINATION LAWS

The federal government is increasingly interested in pricing issues because of its ability to injure consumers and to stifle competition. Both the Justice Department and the Federal Trade Commission (FTC) are responsible for carrying out the federal government’s laws on discriminatory pricing practices. These two entities draw their authority from The Sherman Act (1890), The FTC Act (1914), the Clayton Act (1914) and the Robinson-Patman Act (1936) which has several sections and was designed to plug holes in the Clayton Act.

Section (2a) of the Robinson-Patman makes illegal the practice in which sellers charge different buyers different prices for the similar products, and where the effect of this practice might injure, destroy, or prevent competition, in either the buyers’ or sellers’ market. Section 2(a) also not only provides civil penalties, but it also provides a defense when price discrimination

can be cost-justified by the seller (see Monroe, 2003, p. 251). Two aspects of Section 2(a) are worth noting: (1) despite its attempts to plug the loop holes in the Clayton Act, Section 2(a) applies to only commodities. The letter of the law suggests that the Act does not apply to services or real estate. (2) The Act does not apply to exports or sales meant for consumption or use in a foreign country.

Subsequent amendments have been made to the antitrust laws to either to grant exemptions in the laws to certain groups or to further expand the existing laws. For example, amendments have been passed to grant exemption in the laws to trade unions, baseball teams, and cooperative farms. Similarly, the Federal Trade Commissions' powers have been expanded in subsequent amendments to include the following (i) prosecution under the antitrust laws, (ii) to seek injunction to business practices even before formally investigating them, and (iii) the power to regulate advertising, and unfair or deceptive acts or practices as well as the original unfair methods of competition.

These amendments carry two main lessons for marketers. 1) The laws regarding discriminatory business practices including price discrimination are continually changing, even at the federal level. Because ignorance of the law is generally not an excuse for violating a law, marketers need to constantly monitor the federal laws in order not to engage in acts that will constitute a violation. 2) Because of the frequent amendments which end up either expanding the existing laws or granting certain exemptions, a thorough knowledge of all the applicable laws is required. It is not sufficient to know only parts of the law and extrapolate or generalize on that part. Such an exercise could be dangerous as well as a costly.

PERMISSIBLE PRICE DISCRIMINATORY PRACTICES UNDER FEDERAL LAW

The two words, "price discrimination", almost always immediately evoke the feelings of an illegal act, however, amendments to the federal antitrust laws as well as precedents in decided cases have established legally permissible or defensible price discriminatory practices. The permissible price discriminatory practices are generally contained in the exceptions to the antitrust laws. The most well known exception is the cost-based. Another exemption in the antitrust laws allows manufacturers to sell the same product at different prices to different buyers in order to allow the buyers at lower price to compete with their rivals. Thus, even though the U. S. Supreme Court has held that price differences are a prima facie evidence of price discrimination, there is more to it than meets the eye. For this reason, marketing managers need establish formal channels with their corporate counsels (be it in-house or external) so that they can get advise on the current state of the laws (see Koku, 2007).

Because the motivation of anti-trust laws is to prevent a monopoly, the law makes exemptions for different prices to be charged for the same product if it is certain that the firm will not emerge as a monopoly, or injure competitors. Hence Section 2(a) of the Robinson-Patman Act provides an exemption to the antitrust laws in the case of fire, floods and going out of business sales. It also allows price changes for obsolescence of goods that are seasonal and perishable. Closing-out-a-line sales and court-sanctioned distress sales are also exempted.

Marketers also need to be aware that the courts have consistently held that the words "tangible commodities" that Congress used in Section 2(a) of the Robinson-Patman excludes services, real estates and contract rights or privileges from the ambit of antitrust laws. But does that mean that price discrimination in services is permissible everywhere? The answer, of course, is maybe not.

OTHER IMPERMISSIBLE PRACTICES UNDER FEDERAL LAW

Under the Section 2(a) of Robinson-Patman Act, other business activities such as free goods premiums or free goods, credit, guarantees, provision of delivery, and warehousing when applied differently to different buyers could result in significant price differences and can therefore lead into illegal price discrimination. The combined effects of the antitrust laws, their amendments and the FTC guidelines have serious implications not only on how marketers price their products, but also on how they sell their products. For example, marketers cannot make "naked" or implied restrictive agreements with competitors to divide the market (territories) and/or major fields in order to prevent competing with each other. Even though this prohibition is obvious in the Robinson-Patman Act and has been applied to find the defendants in several major legal cases such as *United States v. Mckesson & Robins* (1956) liable, many businesses continue to be caught by the tentacles of this law.

In *Rodriguez et al v. West Publishing Corp., d/b/a BAR/BRI, and Kaplan, Inc., for example*, the plaintiffs Ryan Rodrgues, Reena B. Frailich and others filed a class action lawsuit in which they alleged that the defendants West Publishing Corp

which, amongst other things, organizes a well-received bar examination review courses and Kaplan, Inc., which also organizes well-received review courses in several areas ranging from SAT to Medical Licensure courses agreed between themselves to divide the fields to avoid competing directly with each other. It has been alleged in a suit brought against West Publishers and Kaplan that an agreement was made between the two companies in which West Corp takes the *Bar Review* field, and Kaplan takes the *LSAT* and *other Review* field (see *Rodriguez et al v. West Publishing Corp., d/b/a BAR/BRI, and Kaplan, Inc.*). The defendants agreed to settle without admitting the violation and pay \$49 million. The lesson in this and other cases like this for marketers is that violations of the antitrust laws are not inexpensive, even when one does not admit the violation.

Deceptive pricing practices in which the seller deceives or deliberately seeks to confuse the buyer is illegal and falls under the jurisdiction of the FTC since it is responsible for actions considered “unfair methods of competition”. The interesting thing about the FTC’s operations against anticompetitive practices and deceptive pricing is that its findings can be used in a lawsuit by either the Justice Department or the alleged “victim” or “victims” (i.e., a competitor or a consumer). The “victims” in a private antitrust lawsuit can sue the defendant for actual damages and attorney fees. However, the damages are tripled if the plaintiff wins. Because these lawsuits could involve millions of dollars, a marketer cannot be too careful about what its salespersons say to customers.

Warranties also constitute a common area of deceptive pricing. Why? Even though warranties are generally, legally considered a contract issue, they have been an issue for deceptive pricing because extended warranties are generally available on products for an extra fee. Selling practices in which an extended warranty is included in the product whether for free or for a little more money becomes a legitimate pricing issue because it affects both the revenue of the firm and the customer’s evaluation of the product. Marketers need to know that warranties may not always be in writing for the consumer to enforce them.

Another common deceptive practice is associated with sales promotion. Here, in order to fool the consumer into believing that s/he got an item on a discount, or with a big discount, the seller immediately prior to the sale increases the price on the item in such a way that the discounted sales price merely brings the price of the product down to the actual pre-sale level. Such antics which in some cases may have been undertaken in good faith by a seller attempting to increase its revenue is nonetheless violative of the Federal Trade Commission’s prohibition on “deceptive” practices that are engaged to confuse the consumer. Even this practice is prohibited by the FTC any entity including competition, the Justice Department and consumers could bring action against a seller violating any of the “deceptive” and “unfair” practices codes. It is also important for marketers to realize that it is possible for the different states, in some cases, to have stiffer consumer protection laws than the federal government. The argument that the federal government has already *occupied the field* and has therefore preempted state laws does not work here. Thus, it is not sufficient for marketers to know only the federal laws.

Active in bringing action against sellers for violations of the “deceptive” practices laws (pricing and/or advertising) are the attorneys general of the different states. For example, Federated Department Stores, Mary’s parent company, in early 2006 settled a lawsuit with, then New York attorney general, Eliot Spitzer for deceptive marketing and advertising (The Consumerist, 2006).

SALES PROMOTION AND PRICE DISCRIMINATION

Some sales promotion activities have also landed companies in court for price discrimination or deceptive advertising. For example, it was alleged in the suit that Kaufman’s, one of the upscale stores, owned by Federated Department Stores offered Braun Tassimo Hot Beverage System at a sale price of \$169.99 from its regular price of \$219.99. However, the Manufacturer’s Suggested Retail Price (MSRP) for the product actually was \$169.99 and the product was being sold by Kaufman’s competitors at \$169.99 (the MSRP) (The Consumerist, 2006). Federated settled the suit without admitting fault and paid \$725,000.00 in penalties and costs (see New York State Attorney General’s Press Release, 2006)

When does “no late fees” actually mean no fees for returning your rented videos late was another widely discussed deceptive pricing and false advertising case. Here, Blockbuster in an attempt to boost its sagging revenue and declining market share claimed in its ads that it has eliminated its late fees. However, several state attorneys generals alleged that Blockbuster’s “The end of late fees” because it does not tell the “whole truth”, it is violative of the Federal Trade Commission’s rules on “truth-in-advertising.” The “truth-in-advertising” law in general asserts that advertising messages must be “non-deceptive” and cannot be unfair to the consumer (see McCarthy, 2005).

Other Promotional Activities – Ladies Night!

While this paper is primarily on statutes and laws on pricing, we have also included discussions on legal issues on communications and promotions practices because whatever pricing strategy that the firm adopts must be effectively communicated to consumers in order to elicit the kind of response/reaction that the company is looking for. Secondly, because promotion and advertising strategies are themselves also designed to increase revenue, they are legitimate candidates for discussion under or with pricing issues. Thirdly, because there are specific FTC guidelines and rules regarding commercial communication which seek to protect the final consumer, just like regulations on pricing, we think it is important that we discuss all the related issues under one umbrella.

One of the more recently controversial issues on pricing that intersects communication issues, and has generated a lot of public discourse is the *ladies' night* special promotions (see Williams, 2004; see also Rank, 2006; Jones, 2004, Chapman, 2004, Wickman, 2004). Ladies' Night is a special promotion that is generally used by bars and clubs to boost attendance; a variety of ladies' night promotions are used. For example, a ladies' night special promotion at a club may entitle female patrons to a free admission, or half price on drinks. Similarly, a ladies' night at a bar may entitle the bar's female patrons to half price on drinks or free first drink. The question is whether this special promotion that favors one gender over the other constitutes price discrimination?

First, it is important to note as stated earlier that The Robinson-Patman Act applies only to tangible goods and not to services. Therefore, it is not implicated in ladies' night promotion. However, it is yet still possible that another federal law may be implicated. The most likely federal law to be implicated is the Title II of the 1964 Civil Rights Act on Public Accommodation. Section 202 of the law states that "All persons shall be entitled to be free, at any establishment or place, from discrimination or segregation of any kind on the ground of race, color, religion, or national origin, if such discrimination or segregation is or purports to be required by any law, statute, ordinance, regulation, rule, or order of a State or any agency or political subdivision thereof." (Title II, §202 of the 1964 Civil Rights Acts)

Nothing in this law, however, mentions gender as a non permissible basis for discrimination in public accommodation, thus this law too is not implicated.

Furthermore, it is also important to note that because state action is not involved in the ladies' night promotion, the Public Accommodation Law is not directly implicated. Nevertheless, a court could possibly find one if it is so inclined. The absence of state action also renders the Equal Protection Clause of the Fourteenth Amendment non applicable.

However, various states such as California, Colorado, Connecticut, Iowa, Maryland, Missouri, Nebraska, New York, Pennsylvania and New Jersey, and Florida have prohibited gender-based discrimination in one statute or the other. For example, California has forbidden gender-based discrimination in its Unruh Civil Rights Act which the courts rigorously enforce. Pennsylvania has forbidden gender-based discrimination in its Human Relations Acts. While the rigorous interpretation and enforcement of the law in states such as New Jersey led to a change in the law, different states still have very different approaches to handling gender-based discrimination issue.

The gender-based price discrimination issues go far beyond the ladies' night controversy though. They have been implicated in such services as haircuts, laundry, dry cleaning, and alterations of clothes in which it has been documented that women are, on average, charged higher for the same or similar services than men are. Because the attorneys general in the states where such gender-based discrimination laws exist choose to pursue these violations with different levels of intensity, awareness and knowledge are the proper words of caution to marketers.

The costs of these violations go beyond money or out of pocket costs and expenses. They involve time, energy, and reputation. They could even involve imprisonment as provided for in Section 3 of the Robinson-Patman Act.

CONCLUSION

Some trends that have surfaced as the intensity of competition amongst firms for market share increases are: 1) Firms are quick to take their competitors to court over perceived violations of the rules of "fair play" as spelt out in the antitrust laws and the Federal Trade Commissions' guidelines. 2) Ever so often, firms succumb to temptation of either stretching the truth or playing with price, to the point that their acts become illegal, and 3) Despite the "Caveat Emptor" warning, there are still

several laws on the books that protect consumers against unsavory business practices, and consumers are increasingly fighting back by applying these laws.

As result of these trends, litigations involving firms is becoming common and result in an increasing cost of doing business. Awareness by marketers to these trends and the taking of steps to be properly informed on the relevant laws and statutes will not only save cost in the long-run, but they could also save reputations and company executives from jail.

We have, in this paper, attempted to provide a brief overview of some of these legal landmines that involve pricing, selling, and sales promotions. However, these are only the tip of the ice-berg. There are still several areas such as liability issues in e-tailing, online dating, and alternative dispute resolution that involve marketing and the law and need to be discussed vigorously in the academic and practitioner journals.

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CONSUMER PROCESSING OF BUNDLE PRICES: WHEN DO DISCOUNTS MATTER?

Judy Harris, Towson University, USA
Edward A. Blair, University of Houston, USA

ABSTRACT

Although bundles of products or services are typically offered at retail prices that are less than their components, some bundles offer little or no discount. One explanation for why consumers would purchase of such bundles lies in how consumers process item price information. When circumstances favor a piecemeal processing approach – as in previous bundling research – discounts play an important part in the evaluation of bundles. However, when circumstances favor a more holistic processing approach, discounts have little effect. This paper reports the results of an experiment that indicates that the effect of discount size on bundle choice is moderated by the extent of piecemeal processing, which is instantiated by factors that make the item prices easier to process. Specifically, we consider the amount of a price discount and the salience of price information on bundle choice. The findings have theoretical implications in regard to the processing of bundled information and practical implications for retail bundle pricing and consumer welfare.

SESSION 10.2: NONPROFIT MARKETING

Session Chair: Anne M. Lavack, Univ. of Regina, Canada

*“Social Marketing Campaigns Aimed at Preventing
Drinking and Driving: A Review and Recommendations”*

Magdalena Cismaru, Univ. of Regina, Canada

Anne M. Lavack, Univ. of Regina, Canada

*“Church Marketing: An Investigation of the Role of Market
Orientation in Church Participation”*

Riza Casidy Mulyanegara, Monash University, Australia

Yelena Tsarenko, Monash University, Australia

Felix T. Mavondo, Monash University, Australia

*“Marketing by the Rules: Exploring Modern Monastic
Business Practices in the Perspective of Religious Rules and
Traditions”*

Sandra Mottner, Western Washington University, USA

David Gilbertson, Western Washington University, USA

**SOCIAL MARKETING CAMPAIGNS AIMED AT PREVENTING DRINKING AND DRIVING:
A REVIEW AND RECOMMENDATIONS**

Magdalena Cismaru, University of Regina, Canada
Anne M. Lavack, University of Regina, Canada

ABSTRACT

This paper examines the role of social marketing programs in preventing drunk driving, and how Protection Motivation Theory can be used to create effective anti drunk driving communications. Communication and program materials aimed at reducing drunk driving were identified and gathered from English-language websites from the U.S.A., Canada, U.K., Australia, and New Zealand, and a qualitative review was conducted. The review provides a description of the key themes and messages being used in anti drunk driving campaigns, as well as target population, campaign components, and sources of funding. A key facet of this review is the examination of the use of Protection Motivation Theory in social marketing campaigns designed to prevent drunk driving. The review presents social marketing campaigns aimed at preventing drunk driving in English-speaking countries, and shows that Protection Motivation Theory can be successfully used in this context. The paper provides a guide for future initiatives, as well as recommendations for social marketing practitioners.

CHURCH MARKETING: AN INVESTIGATION OF THE ROLE OF MARKET ORIENTATION IN CHURCH PARTICIPATION

Riza Casidy Mulyanegara, Monash University, Australia
Yelena Tsarenko, Monash University, Australia
Felix Mavondo, Monash University, Australia

ABSTRACT

Over the recent years, the concept of market orientation has become an attractive avenue for research in marketing. However, despite an array of theories, a systematic framework investigating the role of market orientation in non-profit organizations remains limited. Through the integration of concepts from strategic marketing and religion literature, the study put forth a comprehensive model that explains the role of market orientation in church participation context.

Despite the extensive number of studies on the application of marketing techniques in church context, most studies in the past only take into account marketing activities as part of church marketing without considering the importance of market orientation as the driving philosophy behind the church promotional approach. Following this gap of literature, there is a need for a future research with on consumer behavior aspects in church context to advance our understanding of motivations, incentives, and deterrents that influence people to choose, to attend, to get involved, to lose interest, to stop attending, or to switch churches. The present study addresses this research gap by examining respondents' perception of the extent to which their churches adopt market orientation and how this affects their extent of participation in church-related activities.

Convenience sampling technique was employed in the data collection stage. Using a self-administered questionnaire, this study involves Church Goers (CG) as part of the sampling frame. The respondents were approached through a district leader in Assemblies of God (AOG) denomination. A total of 344 usable questionnaires were obtained representing 31% of the total number of respondents approached.

Structural Equation Modeling (SEM) technique using AMOS 7.0 was employed to test the hypothesised relationship between key constructs in the conceptual model. The results suggest that market orientation plays a central role in affecting church participation. Perceived benefits construct was also found to play significant mediating role on the relationship between market orientation and church participation.

The investigation of the role of market orientation in affecting perceived benefits is an important contribution of the present study. It is found that market orientation is a positive determinant of perceived benefits. Whereas previous studies have linked market orientation with perceived benefits and customer satisfaction in commercial context, the present study has broadened the scope of research by investigating the link between market orientation and perceived benefits in religious participation settings. The investigation of the link between market orientation and church participation is another significant contribution of the present study. Whereas market orientation has often been associated with higher level of satisfaction and business profitability, little attention has been given to examine the link between customer perception of market orientation and their level of involvement in non-profit organization.

The declining church attendance in Australia over the past decade, particularly in a number of Mainstream churches, makes this study potentially important for church leaders in Australia. The significant relationship between market orientation, perceived benefits, and church participation indicates that an improvement of the market orientation level of a church organization will have a positive impact on perceived benefits and level of participation of the church members. Hence, church leaders should invest their time and effort to address the respective dimensions of market orientation for the purpose of achieving the mission objectives of the church.

References available upon request

**MARKETING BY THE RULES: EXPLORING MODERN MONASTIC
BUSINESS PRACTICES IN THE PERSPECTIVE OF RELIGIOUS RULES AND TRADITIONS**

Sandra Mottner, Western Washington University, United States
David L. Gilbertson, Western Washington University, United States

ABSTRACT

This research focuses on marketing practices of Benedictine monasteries. These communities make marketing decisions with respect to the products they make and sell, as well as their retailing and retreat businesses. These provide a setting for an examination of the role that marketing decisions play in raising funds to support one of the world's oldest nonprofit causes, that of religion and religious organizations. In addition, this study also provides a unique setting for examining how the role of religion as interpreted by religious rules for living and religious tradition affect marketing decisions. Exploratory investigation of this previously un-researched area helps to shed light on nonprofit marketing in religious settings, one of the lesser developed streams of nonprofit marketing research. Further, it also integrates the role of tradition, history and religious (highly mission related) directives into marketing decisions. The Rule of St. Benedict, written sometime close to 500 A.D. still governs the behavior of the largest group of monks and nuns. Testing reveals that "The Rule" still has a major effect on the marketing choices made in the monasteries but qualitative and other data demonstrate the variety of interpretations.

References are available upon request

SESSION 10.3: BRANDS AS PEOPLE?

Session Chair: Rajeev Batra, University of Michigan, USA

“Brand Personality and the Utilitarian Brand”

Adrian Peretz, Oslo School of Management, Norway

Magne Supphellen, The Norwegian School of Economics
and Business Administration, Norway

*“Exploring Country of Manufacture Effect on Strong and
Weak Brands”*

Kemal Kurtulus, Istanbul University, Turkey

Zehra Bozbay, Istanbul University, Turkey

BRAND PERSONALITY AND THE UTILITARIAN BRAND

Adrian Peretz, Oslo School of Management, Norway
Magne Supphellen, The Norwegian School of Economics and Business Administration, Norway

ABSTRACT

More than 30 studies have explored the effects of brand personality on attitudes towards a brand. However, no studies have explored the influence of brand personality on evaluations of *utilitarian* brand benefits. Based on an analysis of thirty-seven brands, many of them utilitarian in nature, Aaker (1997) identified the brand personality dimensions *Sincerity* and *Competence* as first and third in terms of explained variance. These dimensions do not appear to be very relevant for social-identity brand concepts, However, they do represent key components of *trustworthiness*: credibility and benevolence. *Competence* – as described in Aaker’s scale (reliable, intelligent, successful) closely mirrors “credibility” (reliable, knowledgeable, honest), while *Sincerity* (honest, wholesome, down-to-earth) closely mirrors “benevolence” (caring, likable, friendly). We suggest that under certain conditions, the two dimensions Competence and Sincerity may be perceived as diagnostic for evaluating brand functionality, especially if consumers can use this information to reduce uncertainty about a brand’s expected performance. Conversely, the brand personality dimensions more closely linked to social-identity benefits – Excitement, Sophistication, and Ruggedness – are not expected to affect evaluations of utilitarian benefits.

When consumers are uncertain as to whether a product will deliver the expected benefits, e.g. because the product has significant credence qualities, perceived risk increases. When perceived risk increases, consumers try to reduce risk through various activities, such as: i) searching for more and more varied information; ii) careful evaluation of alternatives; iii) product trial. The presence of credence qualities rules out options ii) and iii) and, under such circumstances, some consumers may find brand personality dimensions diagnostic for evaluations. In lieu of more function-related information, consumers may interpret the two brand-personality dimensions competence and sincerity in terms of a brand’s credibility (willingness to deliver) and knowledge (ability to deliver), and this may affect consumers’ evaluations. Further, we expect that consumers’ level of subjective knowledge of the product should moderate the degree to which brand personality associations affect evaluation of utilitarian brand benefits – consumers with higher levels of subjective knowledge of the category should be less willing to base their evaluations on non-product-related information.

Across two studies, perceived risk was manipulated by increasing/reducing the perceived difficulty of evaluating a utilitarian product and by increasing/reducing the likelihood of an unwanted outcome arising from using this product. In the first study, brand personality was manipulated using strong/weak Competence associations. In the second study, two different associations – Sincerity and Excitement (at the same level of strength) were used. Results support the overall hypothesis that under conditions of increased perceived risk, consumers with relatively low levels of subjective knowledge of a product category find brand personality associations linked to trustworthiness (Competence and Sincerity), but not dimensions linked to social identity (Excitement), diagnostic for evaluations of utilitarian brand benefits.

References are available upon request

EXPLORING COUNTRY OF MANUFACTURE EFFECT ON STRONG AND WEAK BRANDS

Kemal Kurtulus, Istanbul University, Turkey
Zehra Bozbay, Istanbul University, Turkey

ABSTRACT

A large body of research has provided strong evidence of country of manufacture effects on product evaluations however; country of manufacture effect on brand image is appeared to be ignored. This research based on country of manufacture effect on brand image of strong and weak brands. The main purpose of the study is to explore the differential effects of country of manufacture on brand image for strong and weak brands. In the study, consumer judgments of two digital camera brands varying in their level of brand image, manufactured in developed and developing countries were measured. In order to identify the differential effects of country of manufacture on brand image, 600 respondents were surveyed. Results show that when a product made in developing country rather than developed country, it produces comparatively more negative effect on brand image of strong brands compared to weak brands.

INTRODUCTION

Globalization has forced multinational corporations produce and assemble products in countries different from that of brand origin. Nowadays, many brands manufactured in developing countries having less reputable images than developed countries. Lower production cost is one of the key motives behind this strategic trend. When a product is manufactured in a developing country rather than produced in developed country, country of manufacture exerts different extends of impacts on product's evaluation. In the literature, many researches has shown the effect of country of manufacture on consumers' product evaluations but little research has been carried out to measure the effect of country of manufacture on brand image. It is the study's proposal that country of manufacture effects is not only on product evaluations but also on the brand image. The main objective of this study is to test the differential effects of country of manufacture for brands having different levels of brand image. However, the effect of country of manufacture on brand image is complex, this study is hoped to provide beneficial insights for both academicians and practitioners.

THEORETICAL BACKGROUND

The past decade has seen massive globalization of business operations through strategic alliances and foreign direct investment. Multinational or even global manufacturing has become increasingly prevalent. Thus, relocations of production from industrialized to less-developed countries have become very common. Such sourcing decisions can provide lower costs of labour, the reduction of transportation costs, and the achievement of global presence of the company. As a result of this increasing multinationality, the number of products with country of manufacture other than their brand's home country has been rising sharply (Ettenson and Gaeth 1991).

The impact of country of manufacture on consumers' product evaluations has been an issue of increasing importance for marketers and consumer behaviour researchers. In the literature, the effects of country of manufacture on consumers' product evaluations have been studied extensively (Peterson and Jolibert 1995). As more companies in developed countries move their production to developing countries, the way their brands are perceived by consumers changes (Cordell 1993; Tse and Gorn 1993). Most of the research has shown that binational products made in less-developed countries are negatively evaluated (Cordell 1992).

Building strong brands has become a marketing priority for many firms in order to gain many advantages. Strong brands help the firm establish an identity in the market place, less vulnerability to competitive actions and higher profitability (Aaker 1996). The strong brand is also important in consumer evaluations of products. Consumers who do not have any specific ideas about product commonly rely on the strong brand name to infer the quality of a product (Lee and Ganesh 1999). The only way to have strong brands is to build strong brand image among customers.

Brand image can be defined as perceptions about a brand reflected as associations existing in the memory of consumer (Keller 1993). The associations can be created from direct experience with the good or service, from the information communicated (by the company itself, by other commercial sources and by word-of-mouth) and by making inferences according to pre-existing associations about the company, the origin, etc. (Keller 1993). Brand image refers to the

understanding consumers derive from the sum total of brand related activities engaged in by the firm (Park, Jaworski and MacInnis 1986). It is the set of all associations linked in the consumer's memory to a brand (Aaker 1991). Since country of manufacture linked to brand image, it is expected that country of manufacture has effect on the brand image. Therefore, it will be safe to say that a more positive country of manufacture image is almost a common or natural requirement for a brand to have a positive image. In addition, some studies support that consumers' evaluation of products are effected less by the country of manufacture when a product carries a strong brand name than when it carries a weak one (Johansson and Nebenzahl 1986; Cordell 1992; Tse and Lee 1993). On the other hand, Tse and Lee (1993) and Ulgado and Lee (1993) did not find any significant brand-country of manufacture interactions. Besides, the strong brand is found to be more negatively effected by country of manufacture in the study of Nebenzahl and Jaffe (1996). In sum, there is no consensus about the effect of country of manufacture on the products that have different levels of brand image.

RESEARCH METHODOLOGY

This research is designed to determine the differential effects of country of manufacture on brands that have different levels of brand image. The main purpose of this research is to find out the effect of country of manufacture on brand image. In addition, analyzing the differential country of manufacture effects for both strong and weak brands is also aimed. In the study, country of manufacture effect on brand image of binational products is examined. In the literature, most of the studies are focused on the effects of country of manufacture on product evaluations such as product's quality rather than the brand image. In the study, an alternative explanation of the country of manufacture effect on brand image is proposed.

H₁: Brand image of brands manufactured in developed country is more favorable than the brand image of brands manufactured in developing countries.

H_{1a}: Brand image of strong brand manufactured in developed country is more favorable than the brand image of strong brand manufactured in developing countries.

H_{1b}: Brand image of weak brand manufactured in developed country is more favorable than the brand image of weak brand manufactured in developing countries.

Previous research has shown the effect of country of manufacture is greater for fictitious brands than for known brands (Hui and Zhou 2003). In the study, similar to this finding country of manufacture effect is proposed to be more negative for strong brands relative to weak brands.

H₂: Country of manufacture effect on strong brand's image is more negative than the country of manufacture effect on weak brand's image.

Research Design

In the study, brand image and country of manufacture were manipulated in order to test the effect of country of manufacture on the brand image for strong and weak brands. In the study, a 2x2 factorial design was used, with two levels of brand image (strong and weak) and two levels of country of manufacture (developed country and developing country).

The product category applied in this research is digital camera due to being known by Turkish customers and its multi-nationality. Two brands, Sony having strong brand image and Sanyo having weak brand image were selected. In the pilot study of 30 people, it is determined that these two brands sharing the same brand origin, Japan, differed in terms of their brand image significantly. Japan (developed country) and China (developing country) were chosen as manufacturing countries based on pilot study. Japan and China were considered to be known for high and low favorable manufacturing countries and Turkish people were able to evaluate the products manufactured in those countries.

A sample of 600 undergraduate students from Istanbul University, Faculty of Business Administration was taken. This sample is justified because students are quite familiar with digital cameras examined in the study. Students are also an important market segment for technological products such as digital cameras. Moreover, student samples are usually seen in country of manufacture studies. Liefeld (1993) and Peterson and Jolibert (1995) have revealed that there is no significant differences in country of manufacture effect between samples of students and consumers.

The brand image scale was derived from the studies of Lee and Ganesh (1999), Parameswaran and Pisharodi (2002) and Nagashima (1970). A seven point semantic differential scale was used for measuring the brand image of products, Sony

digital camera manufactured in Japan, Sony digital camera manufactured in China, Sanyo digital camera manufactured in Japan and Sanyo digital camera manufactured in China.

Before testing research hypotheses, the validity and reliability of brand image scale were tested. To further analyze the country of manufacture effect on both Sony and Sanyo, t test was performed. In addition, in order to assess the differential effect of country of manufacture on brand image for strong and weak brands, t test was used.

Respondents Characteristics

Out of 600 respondents surveyed, males constitute of 64.3% and females constitute of 35.7%. The majority of respondents belong to 20-22 years age group (60%), followed by the 23-25 years age group (20.8%). The sample was represented by students having low income level by 32.3%. Of the respondents 98.8% were single and only 1.2% were married. Some 48.0% of the respondents' family size was four and 33.0% of them were five. Most of the respondents had own car.

Hypotheses Testing

The validity of scale used in the study was assessed by principal component factor analysis with Varimax rotation and the internal consistency of items was measured by using Cronbach's alpha test. The brand image scale was explored by principal component factor analysis with Varimax rotation giving rise to one factor solution. The ten items relating to performance, durable, valuable, long lasting, original, luxury, innovative, high technology, workmanship, proud of owning formed one factor that explained 69.078 percent variance. The brand image scale has established good reliability of 95.7 %. The generally agreed upon lower limit for Cronbach's Alpha is 70 % (Nunnally 1978; Hair, Anderson, Tatham and Black 2005). Thus, reliability of brand image scale is approximately 0.70, indicating that this scale exhibits an acceptable level of reliability ($\alpha=0.70$).

In order to explore the differential effects of country of manufacture between strong and weak brands, t test was performed. Firstly, t test compared mean scores of brand image between Sony digital camera manufactured in Japan and Sony digital camera manufactured in China. [Table 1](#) shows the image differences between Sony digital camera manufactured in Japan and Sony digital camera manufactured in China. The mean differences between the images of Sony digital camera manufactured in Japan and Sony digital camera manufactured in China was statistically significant, thus H_{1a} is accepted. The brand image of Sony digital camera manufactured in Japan is higher than the brand image of Sony digital camera manufactured in China.

Secondly, t test compared mean scores of brand image between Sanyo digital camera manufactured in Japan and Sanyo digital camera manufactured in China. [Table 1](#) also shows the image differences between Sanyo digital camera manufactured in Japan and Sanyo digital camera manufactured in China. The mean differences between the images of Sanyo digital camera manufactured in Japan and Sanyo digital camera manufactured in China was statistically significant, thus H_{1b} is accepted. The brand image of Sanyo digital camera manufactured in Japan is higher than the brand image of Sanyo digital camera manufactured in China.

Finally, t test was conducted in order to explore the differential effects of country of manufacture among brand images of Sony and Sanyo. [Table 2](#) shows the differential effects of country of manufacture on Sony and Sanyo digital cameras. The country of manufacture effect on Sony and country of manufacture effect on Sanyo was statistically significant, thus H₂ is accepted. The negative effect of country of manufacture on strong brand Sony is higher than the negative effect of country of manufacture on weak brand Sanyo.

CONCLUSION

This research was conducted with an aim of identifying the country of manufacture effect on brand image of strong and weak brands. To achieve this purpose, 2x2 factorial design experiment with two levels of brand image (strong and weak) and two levels of country of manufacture (developed and developing country) was conducted. Brand image of products having different levels of brand image were assessed. T tests were conducted in order to find the differential effects of country of manufacture on brand image of strong and weak brands.

According to result findings, country of manufacture has an important effect on brand images of binational products. Besides, country of manufacture has more negative effect on the strong brand's image compared to weak brand's image. In other words, country of manufacture effect is more negative for strong brands than weak brands. Country of manufacture

gives more harm to the strong brands compared to weak brands. It means that if consumers have negative perceptions about manufacturing country, they could evaluate strong brand's image less favorable than weak brand's image. Thus, it is crucial for companies having strong brands to select manufacturing countries with high image in order to protect their brand image. In summary, brand managers having both strong and weak brands need to find manufacturing countries with high image in order to be successful. It should be taken into account that country of manufacture did not only effect the product evaluations such as perceived quality and buying intention but also the brand image of products.

THEORETICAL AND MANAGERIAL IMPLICATIONS

This research showed that country of manufacture effect on brand image differs among strong and weak brands. Understanding the country of manufacture effect on brand image will definitely benefit to the marketers in their marketing strategies. High labor costs are major reasons behind manufacturing location decisions of developing countries. However, it may not be right to determine a manufacturing location solely based on cheap labor costs, companies need to be very cautious in their choice of country of manufacture. Thus, the findings of the study might help companies in sourcing and brand strategies.

It is interesting to observe how the country of manufacture phenomenon will impact on brand image. This study also contributes the growing literature of branding by extending the country of manufacture effect on brand image for strong and weak brands. As this study tried to identify country of manufacture effect on brand image, both the methodology and the findings could be helpful for other researchers who will probably undertake similar research in the future.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The results of this study suggest that country of manufacture has effect on brand image. Especially, country of manufacture effect is more severe for strong brands than weak brands. Thus, country of manufacture effect is important not only predicting the consumers' product evaluations but also to set right branding strategies.

As with any study, the generalization of our findings is limited beyond the sample and product class investigated. In this study, 600 students were surveyed and digital camera having different countries of manufacture and brand images were examined. Further research can verify whether these findings hold for other samples and products. Future studies should also address the country of manufacture differential effects on brand image for brands having high, middle and low levels of brand image.

TABLES

Table 1: t Test Results for Strong and Weak Brands

	Mean		Std. Deviation		t	df	p
	Japan	China	Japan	China			
Brand Image for Sony	5.9213	4.2500	0.84429	1.33209	12.979	298	.000
Brand Image for Sanyo	4.5600	3.3060	1.17342	1.03075	9.833	298	.000

Table 2: t Test Results for Differential Effects (Sony-Sanyo)

	Mean	Std. Deviation	t	df	p
Effect for Sony	1.6713	1.48746	13.761	149	.000
Effect for Sanyo	1.2540	1.50023	10.237	149	.000

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SESSION 10.4: INTERACTIONAL ISSUES IN BTB

Session Chair: Jorge A. Wise, ITESM, Mexico

“Beyond the Buying Center—Industrial Lifestyles and their Implications on Price Negotiations”

Marc M. Kuhn, Baden-Württemberg Cooperative State University, Germany

The Role of Service Quality Perceptions and Service Failure/Recovery Episodes in the Formation of B2B Loyalty: An Empirical Investigation in the Greek IT Industry”

Nicholas G. Paparoidamis, Catholic Univ. of Lille, France
Ruben Chumpitaz, Catholic Univ. of Lille, France

“Trade Show Performance: Exploring Interpersonal & Non-Personal Interaction Dimensions”

Klaus-Peter Wiedmann, Leibniz University of Hanover, Germany
Martin Kassubek, Leibniz University of Hanover, Germany
Sascha Langner, Leibniz University of Hanover, Germany

“Power to None: Conceptualising the Role of Power and Control in Asymmetrical Inter-Firm Relationships”

Stephane Bignoux, Macquarie University, Australia
David Gray, Macquarie University, Australia

BEYOND THE BUYING CENTER – INDUSTRIAL LIFESTYLES AND THEIR IMPLICATIONS ON PRICE NEGOTIATIONS

Marc M. Kuhn, Baden-Wuerttemberg Cooperative State University, Stuttgart

ABSTRACT

The Buying Center / Buying Network concept is still being stubbornly cited in industrial business relations analyses. However, professionals doubt whether this concept is sufficient to explain the specific behaviors of industrial customers and to derive suitable marketing measures. This paper will examine industrial buying behavior from a completely different research perspective. Qualitative market segmentation approaches form the basic framework yet “lifestyle typologies” (or social background studies), traditionally applied in consumer marketing, can just as easily be inserted into the inter-industrial marketing segmentation framework. A number of industry targeting workshops were conducted with young professionals and trainees from more than fifty, largely globally active enterprises to empirically analyze and position “Industrial Lifestyles”. These companies recruit energy supply and industrial services from the mechanical engineering, electrical engineering, and automotive industries. Recommendations and their implications were derived from this industrial lifestyles positioning exercise that can be implemented for price negotiations.

INTRODUCTION

Peter Schmidt, Key Account Manager of a large international automotive supplier is looking forward to his meeting with a customer. This time it's not going to be the usual fraught back-and-forth with car manufacturer buyers; the new head of Product Development has invited him for an impromptu get-together that will include a presentation of potential innovative solutions involving IVN electronics. Happily for Schmidt, who is inherently an engineer, this will be a piece of cake. He could effortlessly win over the previous PDM with his own ideas which made it all the easier when it came to price negotiations. Unfortunately, this meeting starts out completely contrary to what Schmidt was expecting. Dr. Weng, a wiry 30-something PDM with no need for small-talk, is all business. When Schmidt begins the introductions ritual by telling a little about himself, Weng cuts him short with an appeal to “get to the heart of the matter”. Schmidt tries to win some advantage during his product presentation by pointing out the technical benefits but is immediately confronted by Weng about price estimates and the prospect for price reductions. Peter Schmidt has no idea how to react. This type of behavior he would have expected from a purchaser, but never from a customer during a development strategy meeting.

The function and organizational classifications of company representatives involved in the procurement process are still being implemented in practice now as it was then (see Webster/Wind, 1972a; Hutt/Speth, 2004; Backhaus/Voeth, 2007). Decision-makers are being regarded as “role takers” in which they are expected to take on certain behaviors in the buying process (role sending), and these expectations more or less fulfill strict behavioral patterns (role behavior) (Backhaus/Voeth, 2007, p. 50 et seq.). Typical examples here are the “cost-conscious buyer” or the “tech-crazed Development Project Head”. The example I presented here at the beginning of this paper was to illustrate the inconsistency of this organizational and function-related type model. On an industrial stage characterized by momentum and internationality, decision-makers often act contrary to the roles intended for them by the Buying Center. Their behavior is influenced far more by a multitude of institutional or individual-related variables that transcend factors far beyond the scheme set by the Buying Center.

“Total models” was an approach to accommodate the call for a better understanding of Organizational Buying Behavior (e.g.: Johnston/Lewin, 1996). These models define a range of determinants; each combination of values reflecting a certain type of industrial buying behavior. Total models however exhibit a high level formalism and complexity. Even though indefinite numbers of empirical analyses have been conducted on direct cause/effect relationships in these models, the fact remains that any practical application in sales or price strategies is limited. And trying to explain buying behavior by defining the industrial supplier's type of relationship to their customer (see Skarmas/Katsikeas/Spyropoulou, Salehi-Sangari, 2008) has so far remained on an abstract level.

B2B MARKET SEGMENTATION

Industrial market segmentation approaches generally follow a multi-stage procedure, each addressing a succession of B2B-relevant criteria. As with the total models associated with Organizational Buying Behavior, these also seem to be based on the extreme complexity of the buying behavior of organizations (Cf. Kohrmann 2003, p.16). Scheuch and Gröne (Scheuch 1975, Gröne 1977) present three-stage segmentation models that overlap in environmental, organizational and individual

segmentation definition layers. Robertson and Barich (Robertson/Barich 1992) categorize industrial consumer markets in three layers according to consumer type; potential customers (First-Time Prospects), first buyers (Novices) and experienced buyers (Sophisticates). The five-stage “Nested Approaches” (from Bonoma/Shapiro 1983) or even the nine-step phase concepts that include alongside organization-related characteristics, customer variables such as performance, buying, and situational factors are an attempt to respond with more granularity to the extreme complexity of industrial markets. These approaches accommodate the unusual aspects of the B2B sector in which they not only factor in as orientation the external characteristics of a company as defined by survey institutes -- but also internal aspects. The multi-step quality however generates a tree structure. This has the consequence that an object/a company assigned to a particular segment can not be assigned to yet another layer in another segment. Moreover, much of the segmentation criteria exhibit marginal relevance with regard to industrial decision-maker behavior.

All multi-stage segmentation approaches have one thing in common: the first step always contains a “**macro segmentation**” based on the industrial company’s buying characteristics and/or the relevant market (Backhaus/Voeth 2007, p.122). The subsequent “**micro-segmentation**” is a disaggregation of Buying Center behavioral criteria. This micro-segmentation forms a substantiated base from which to start an industrial buying behavior analysis and to interpret results for price negotiations. The new perspective takes lifestyle typologies from consumer marketing and methodically applies them to the industrial marketing environment.

LIFESTYLE STUDIES AS MICRO-SEGMENTATION APPROACH IN INDUSTRIAL TARGETING

Lifestyle is the reflection of a self image expressed in terms of economic aspects, social status, one’s role/position, attitude and values (Koschnick 2006). Lifestyle research results have enabled the definition of groups, or lifestyle typologies, which can be implemented for target group strategies and to characterize procurement and buying behavior. There are five relevant lifestyle-based typologies worldwide -- all are however exclusively oriented towards expenditure and consummation. For example the Eurostyles system categorizes European society into 6 sociocultural mindsets and 16 types. The American VALS (Values and Lifestyles) concept has been implemented since 1975 by the Stanford Research Institute in California and bases its consumer type declaration on values and needs.

The Sinus-Milieus® system (Fig. 1) is particularly prevalent in Germany, Austria and Switzerland. This holistic sociocultural typology developed by the Sinus Sociovision market research institute in Heidelberg offers an excellent consumer research approach (Kalka/Allgayer 2006). Target groups are categorized according to an in-depth analysis of social lifestyles. Sinus Sociovision’s fundamental consideration is that “socio-demographic equals”, or persons who share the same attributes such as age, gender, profession or income or are completely identical in every way can still end up in very different target groups. Formal commonalities or a similar social status can go hand-in-hand with completely differing attitudes or values. The expectations, ideas and buying behavior of these consumers can only be methodically compiled by conducting a complete examination of their lives and attitudes (Kalka/Allgayer 2006, p.12). Towards the end of the 1970s, Sinus Sociovision first supplied clarity about the everyday lives of consumers by conducting a number of qualitative interviews. In the meantime Sinus-Milieus® indicators qualitatively classify people according to sociocultural aspects, such as the “Established” or the “Modern Performer”. The Sinus-Milieus® are positioned according to lifestyle, that is to say according to value system and social status.

POSITIONING AND CLASSIFICATION OF INDUSTRIAL LIFESTYLES

The low relevance of behavior with regard to the “socio-demographic equals” in consumer marketing can be transferred to the supposedly parallel industrial role in any specific Buying Center function. Yet not all purchasing heads are interchangeable, not all production engineers are interchangeable. That is to say that “Buying Center equals” can differ greatly as regards their buying behavior. Therefore a micro-segmentation to characterize these procurement professionals going beyond mere Buying Center structure and function orientation was to be conducted. We expected an improvement in implementation orientation from the results, which would prove useful for compiling general guidelines.

The Industrial Lifestyle profiles were compiled from the experiences of 67 young professionals and trainees who attended qualitative group workshops conducted for these purposes. The participants contributed sales and purchasing experience from a total of 52 different industrial companies. These included Siemens, EnBW, Merck, SAP, Valeo and Honeywell as well as further medium-to-large sized industrial companies and groups.

The targeting workshops followed the following course of action:

- dividing company representatives into 14 cross-sector teams
- each of these teams then defines 8-16 industrial lifestyle types within a 4-hour investigative session

- team-specific definition of negotiation-relevant positioning systems for lifestyle types
- cross-group discussions: to consolidate redundant lifestyle types
- presenting all positioning systems and selecting one single system
- calculating the lifestyle type percentages of all potential industrial customer contact persons
- incorporating the defined lifestyle types into the positioning system
- extracting recommendations for price negotiations from the results

Characteristics influencing personality and value systems along with typical lifestyle function and hierarchy-related aspects were included in the segmentation. The teams were given the categories “Demography”, “Sociography”, “Psychographics” and “Function” to work with during the investigative workshops. The teams then had to identify and describe typical groups representing specific characteristics within the given categories they had observed during routine interactions with their industrial customers. They also had to develop two price negotiation-relevant positioning criteria for the classification of industry negotiators. A second workshop phase brought together all redundant industrial lifestyle types. For this the “originators” of every similar lifestyle type in each team were asked to develop their concepts collectively into one single industrial lifestyle subset. Due to the fact that the quantification of industrial lifestyle characteristics was avoided during the investigative procedure, no multi-variable methods, such as factor assessments, were applied for the consolidation of redundant types. The company representatives participating in the workshop estimated the industrial lifestyle types as a percentage of all those involved in procurement. A simplified final percentage was calculated via the arithmetic mean of each lifestyle type, statistical spread was disregarded. Workshop results showed the following:

The “Greenhorns” (11%) are generally graduates of higher learning who are involved in the procurement process within the context of their trainee program or hold a procurement position. The average age is between 22 and 28 years. Greenhorns are usually ambitious but inexperienced and therefore very careful when dealing with suppliers. Statements are only made with hesitation. A marked “reassurance mentality” towards supervisors is evident. They do not yet have any familial commitments. Only a maximum of 25% were fully mobile. Even if job aspects rank high in the Greenhorn’s life, as a group, personal interests come first. The Greenhorn spends his/her free time with electronic entertainment, the Internet and adventure-type athletic activities. Greenhorns are prevalently uninterested in politics and social causes. Employer directives and guidelines are for the most part “unquestionably believed”.

The “Wild Ones” (7%) are usually found in the industry in purchasing posts or positions involving project development. Aged between mid-20 and mid-30 and with 3-5 years of professional experience they have already reached the first rung on the career ladder. It is therefore no wonder that a distinct “killer instinct” dominates their pursuit of professional goals. Wild Ones are extraordinarily self confident and can be assertive during negotiations. However appearances do not always match the level of professional expertise. Superficial status symbols, such as the company car or having reached frequent-flyer status, are their goals to strive for in the company. A familial attachment has low relevance for the Wild Ones. The DINK (Double Income No Kids) lifestyle is prevalent. Privately, the Wild One’s identity is defined through their profession; the manner, their commitment and position. Recreational activities are centered on going to restaurants and taking exclusive vacations. In all, the Wild Ones lay great value on image and how others perceive them.

“Dependable Workers” (28%): Continuity and duty-bound are attributes associated with the Dependable Worker. Having worked for the company for over 5 years in the same post and division shapes the way this group thinks and acts. Dependable Workers live and work according to a set routine and fulfill the traditional Buying Center approach in function and expected role. For instance senior buyers with many years of expertise follow cost orientation directives with dedication. However, any creative influence on the configuration of specifications or proactive design in their job duties can not be expected. The stability in their private lives may be reflected in a harmonious family life that is from the viewpoint of this target group seen positively as one rite or ritual after the other. Living in the same place, the same brand of car, the same vacation destination year after year: the Dependable Worker feels comfortable in this stable environment. Outside of work, the Dependable Worker will sometimes commit to volunteer work, for instance in baseball clubs or choral societies. Based on a minimum length of time in a position, this group is composed of almost all ages. Taken from a supplier’s perspective, the Dependable Worker is predictable; however due to their amount of experience are not be underestimated.

The “Overzealous Altruists” (8%) are characterized by an extraordinary dedication to his/her job that can in the extreme lead to self-abandonment. Yet, the Overzealous Altruist does not act for the purpose of individual gain. They will gladly design all the diagrams for the management presentation, but allow the others to stage their results. Their seemingly boundless readiness to help others is the greatest hindrance in their own career, since they themselves are the ones who are passing their rightly earned kudos on to their colleagues. This potential for frustration provides excellent conditions for the

victim role, which the Altruist takes on with pleasure. The selfless altruism of this target group is also expressed -- although on a significantly smaller scale with co-workers -- in dealings with suppliers. For example, the Altruist is prepared to explain general specifications in more detail than is usual in the bidding phase. In a negotiations scenario the Overzealous Altruist is not to be categorized as a hard-liner. In private this target group leads a rather middle-class and modest lifestyle.

The “Powerful Emperors” (7%) usually play the strategic lead position within the industrial procurement process. The type and size of the company will determine if the Emperor is at the executive level, or department or area head. It is vital that they generally are not directly involved in the procurement process; their job is to jump in within the context of a “strategic override” to counteract when the person leading negotiations reaches a dead end or fears the situation will escalate. Their decision making superiority and their marked power instinct creates an (artificial) aura that makes these Powerful Emperors appear inviolable and sacred. So as not to disturb this aura, the Emperor is careful to keep aspects of his/her private life separate or protected from business. Business contacts are only given superficial information about family and recreational activities. It is important that the Powerful Emperor always, even during procurement projects, are supplied with condensed information that may be “cosmetically” prepared for the sake of politics. Emperors therefore have marginal knowledge of any specialized detail. Staff members under the Emperor can therefore influence the way the information is going to be perceived. This aggravates negotiations for suppliers who want to win the Emperor over in a situation that requires detailed explanation.

The “Old Hands” (14%) in this group are 40 years old and older and can look back on more than 10 years with the company, the average is 50 with 20 years of company service. Old Hands are typical representatives of the channeled career, are similar in many ways, even privately, with the Dependable Worker but have much more professional experience. This is the reason for their characteristic serenity in business that should however not be misinterpreted as a lack of flexibility or “age-related” stubbornness. The Old Hands rather avoid creative functions, also in the procurement processes, and would rather concentrate on the individual aspects of their core competence in negotiations. Suppliers find it hard to win Old Hands over when it comes to innovative technical approaches. The fundamental “we’ve always done it this way” attitude however only applies to some in this group. Their power to make decisions is based more on professional expertise than company seniority. Powerful Emperors are often open to advice from Old Hands owing to personal connections.

The “Bored and Lethargic Worker” (11%) leads a niche existence filled with low-intensity tasks in the industrial company. Their energy is concentrated on avoiding anything that might take effort. Because Lethargic Workers can only exist in the types of organizations where they can “hide” and remain unnoticed, they are over-proportionally found in large-scale, well staffed enterprises. The Lethargic Worker avoids unnecessary contact from suppliers if it means it would lead to more work. Any changes suggested by the supplier are frequently stonewalled. Queries are answered insufficiently and untimely. Their doing even most basic activities with zero enthusiasm is a distinct difference from the Dependable Worker. Lethargic Workers are more interested in keeping a close watch on their overtime account and planning their recreational activities during work time. The Lethargic Worker also frequently lives in a middle-class familial structure; in this respect no particular difference can be found when compared with the Dependable Worker.

The “Pedantic Fault-Finder” (14%) is widely scattered in procurement functions ranging from controlling, product development and purchasing. This target group is over-proportionally represented in some specific German industry organizations. They can best be characterized as having attributes such as precision, correctness and conscientiousness. Fault-Finders call suppliers attention to minor mistakes and ambiguities in tender documents. Should the Pedantic Fault-Finder have the job of compiling general specifications as the development project head, then the supplier can expect no or only some of the flexibility that normally could be applied in price negotiations. The sales employee with a proclivity for small talk or being vague will have a particularly difficult time with the Pedantic Fault-Finder. The Fault-Finder is even pedantic in private. Buying decisions are only made after carefully weighing all conceivable alternatives, political and social views follow a set principle and are unvarying.

The industrial lifestyles were positioned corresponding to the negotiations-relevant criteria “Decision-making competence” and “Professional experience” (Fig.2). Both criteria were mentioned most frequently throughout the 14 workshop teams (“Decision-making competence” = mentioned 12 times; “Professional experience” = mentioned 10 times). A positioning of the lifestyles within the matrix was based on qualitative assessments and findings derived from the group discussions conducted during the workshops. After adapting them to a basic sinus matrix grid the positioning characteristics were then segmented. The industrial lifestyle types were positioned according to low, medium or high decision-making competency as well as to reduced, established or highly specialized professional knowledge. Each industrial representative in the grid represented a lifestyle type positioning point. Therefore the subjectively estimated variation/margin of the decision-making and professional competence of each type could be presented graphically. Consequently the working graphic resulted in, for

each of the 8 industrial lifestyle types, 67 positioning points and as many vertical and horizontal lines. These data were then consolidated into the following graphical iteration of industrial lifestyle types allowing for previously determined percentages.

DERIVING PRICE NEGOTIATION RECOMMENDATIONS FOR PRICE MANAGEMENT

In conclusion to this industrial lifestyle group definition exercise, the final question must be asked: Does this segmentation approach have any real use? From the supplier perspective this will be revealed in the diverse forms of customer interaction, specifically during negotiations. The company representatives were able to derive recommendations concerning the industrial lifestyle types in a subsequent step that can be applied as a basic strategy for the special case of price negotiations.

Treat the Greenhorns with respect!

The potential for risk in price negotiations with Greenhorns lies only in not taking them seriously or by underestimating them. This is the result of the perfectly natural, though perilous, act of sales managers to rate the customer's reference person according to experience. This however disregards the "progressive factor". Greenhorns are the potential decision-makers of tomorrow. A continual cultivation of trust will allow the Greenhorn's pursuit for permanent reassurance to lessen. This can be made possible when the inexperienced Greenhorn is given the support he/she needs in all phases in the negotiations process. Queries that come up pertaining to the tender documents must be answered timely and in detail, key selling points should be produced transparently and easy to understand. In addition, involving young and prepared sales staff in the interaction can prove to be very useful. This similar situation usually leads to a readiness to offer information unmotivated by political considerations. Greenhorns can under these circumstances advance to become a valuable source of interesting information for the supplier.

Channel the Wild Ones!

Keeping harmony with the Wild Ones can be regarded as an essential basic strategy in price negotiations. On the one hand the supplier company representative behaving obsequiously as a reaction to the Wild One's aggressive tone during negotiations can prove to be counter-productive. Wild Ones like to focus on weaknesses and demand a yield in price where the supplier's sales managers are prepared to be particularly generous. Therefore the aim is to prepare for hard negotiations so that it can be conducted on equal footing. Objectives and general conditions should be clear and distinct; a demonstration of professional expertise and efficiency reinforces the negotiation position. It is not recommended for the supplier to become friends with the Wild One or promote a "familiar" atmosphere. On the other hand supplier experience has shown that a project is more likely to end positively when the Wild Ones feel they are the winner of price negotiations. One option is to systematically exploit any technical weakness the Wild Ones might have when going over the technical specifications during price negotiations. For instance vaguely defined stipulations in the general specifications may be "favorably" interpreted in a higher price category. This can be done by always applying higher quality materials, finishing and test processes to unclear specifications. Suppliers can then be "negotiated down" by the Wild Ones. The Wild Ones are then the "winners" in negotiations.

Integrate the Dependable Worker!

In price negotiations the general principle is to focus Dependable Workers on standardized and established processes. While Dependable Workers in development functions who might have the advantage of winning the customer over by knowing the technical aspects of the matter under negotiations, purchasing staff are more removed from this type of argument. Their objective consists more in arriving at the minimum cost and this target is pursued in price negotiations with consistency according to a set line of action. Supply companies say Dependable Workers should have the feeling of being involved in arranging prices as far as possible. For low contribution margins, "buying price analyses" or cost disclosures may be of help here. In this case the supplier creates transparency about how the price was arranged, for instance by disclosing materials or finishing costs. The customer will be able to understand how the price came about, therefore heightening customer acceptance. In the event that contribution margins are calculated high, it is suggested to avoid price transparency, or to divide parts of the margin into negotiable components. In general, the Dependable Worker sales manager should not deviate from conventional customer-specified negotiations processes. It is absolutely reasonable for Dependable Workers to interact with customers by making private interests and commitments the subject of discussion since these provide good launching pads for conversation. Small birthday and company anniversary gifts are also allowed.

Appreciate the Overzealous Altruist!

The supplier can also make use of the Overzealous Altruist's eagerness to help best by applying it during the bidding process. Examples for this are the detailed general specifications that are often complicated to evaluate and interpret without the

customer's help. Even if the Altruist is not a qualified technical or business expert, they can use their company connections to provide assistance to the supplier's queries during the negotiations process. An absolute precondition here is a positive relationship between the supplier's sales management and the Overzealous Altruist. Any conflicts or aggressive behavior should be absolutely avoided during price negotiations. Compassion is the key to create a basis of trust in order to win the Altruist over. Personal and positive feedback about the agreeable business relationship is beneficial. In the end this amiable target group may be approached without hesitation about permanent issues in the bidding process. Should the Altruist have an authoritative instead of a supportive position during price negotiations, then "living the customer's position vicariously" is not to be expected.

Play Court to the Powerful Emperors!

Sales managers need to be carefully prepared before they initiate any interaction with the Powerful Emperors. Since contact to this industrial target group happens mostly in a crisis situation or to resolve a problem, suppliers have to be well-versed in all conceivable technical and business issues. According to a statement made by the companies, senior management has the key task of strategically posing awkward questions. Permanent time-pressure and the constant anxiety to achieve objectives are benchmarks suppliers have to brace themselves for in negotiations. Therefore suppliers should focus on essential aspects and not get lost in the details. Emperors are generally not experts in project details but have the information selectively interpreted for them. A scenario analysis would therefore be more relevant for the supplier: How is the Emperor being informed by those in purchasing and project management? Which aspects are in the foreground? What is being avoided? An argument strategy has to be worked out to respond to these different information scenarios to be able to immediately react to any confronting arguments the Powerful Emperor may have. Statements made by the supplier should be short and to the point and proposals contain only the points that are most essential. Avoid any conversational themes that would stray from the actual negotiation.

Honor the Old Hands!

Due to the wide spectrum of decision-making ability, company representatives recommend not to standardize negotiation procedures for dealing with Old Hands during price negotiations. Old Hands who have a lot of decision-making authority are regarded as being particularly hard in negotiations, because in comparison with the Powerful Emperor they are more highly specialized in their given expertise. Old Hands with less decision-making authority can directly influence negotiations if they for instance express their doubts to senior decision-makers about the value of certain product characteristics. In general, the Old Hands should be highly respected in all their core areas of expertise. It is often difficult to get technological solutions accepted against the judgment of a well-connected Old Hand in a development position. The supplier may have a chance by anticipating the Old Hand's preferences and professional skills before and orient negotiations arguments accordingly. That is to say that when a particular technology or process is preferred, the proposal should be tailored to this preference basis. Deviations and additions are then gradually introduced into the negotiations process in following discussions. Old Hands should not be "ambushed". It will take more effort to build up a trust relationship than with a Dependable Worker or Overzealous Altruist. When trust has been established, the Old Hand in, say, a technical position will be a valuable basis of information for further proposals or for the supplier's own development process.

Unburden the Bored and Lethargic Worker!

From the perspective of most supplier companies a relaxed and stressless relationship with representatives of the Lethargic Worker target group is the most practical. In this regard the tender company has to be able to convince the Lethargic Worker that their project carries the bonus of involving less work and effort than if they went with the competitor. Therefore, the Lethargic Worker should not be "burdened" with too many queries and requests to meet during the proposal stage. It is also counterproductive for the sales management to want to speed up the negotiations process, for instance by proactively creating a set of more specifically defined proposal documents. It is to be noted that the Lethargic Worker only rarely has any direct decision-making power in awarding projects. They are rather "followers", holding posts in the most diverse of areas which allows supplier companies to conclude that it is best to bypass the Lethargic Worker for negotiations processes. Should this not be an option, then informal connections gained during prior project work with the customer are to be sought out to clarify any queries or aspects about the proposal. In general, matters of personal interest are welcome conversation subjects. This includes especially those recreational activities the Lethargic Worker might enjoy.

Stay ahead of the Fault-Finders!

When dealing with Fault-Finders, remember: Always stay one step ahead! In their pursuit of perfection, this industrial target group has the ability to find the most minor flaw that might have been made by the tender company. Since these flaws are frequently put in the center of focus, the supplier should definitely make sure that any declarations made are absolutely correct. Detailed and transparent specifications are imperative. The well-known 80:20 rule is taboo when

dealing with the Fault-Finder. A 100% accurate documentation and calculation made prior to the initial meeting with the customer will prevent embarrassment. If you are about to discuss purchase price analyses and cost disclosures with a Fault-Finder, you will be treading on thin ice! Fault-Finders can quickly detect a cost shift. The Fault-Finder is usually the wrong contact partner for premature innovative product approaches. This is not because of their lack of openness for new things, but rather because the Fault-Finder is not happy about mere ideas, they want to see detailed specifications.

CONCLUSION

Up until now lifestyle typologies were a consumer marketing domain. Now the segmentation method as been transferred to industrial market circumstances and requirements. The micro-segmentation approach of identifying the different industrial lifestyle types gains a new perspective and expands the Buying Center concept. Procurement staff is not solely characterized according to function, duties and responsibilities. Additional aspects such as type and individual characteristics are better determining factors for compiling recommendations that supplier companies can apply in relations with customer representatives. These are particularly relevant in negotiations situations, since purchasing, controlling and project development representatives don't always behave in the roles and positions anticipated by the Buying Center concept.

The segmentation of industrial lifestyles was compiled empirically by means of qualitative workshops involving trainees and young professionals from the German industry. Hence, no quantitative mathematical method to date has been applied for a classification and positioning. The potential for further development exists here, parallel to how the consumer sector lifestyle studies evolved.

One main area of concern associated with all lifestyle typologies is the generalization of individual types. Even in the workshops a sometimes noteworthy heterogeneity was revealed within the groups, which was generally caused by the different industrial branches. For example there were recognizable differences between the automotive and the power supply sectors in the Pedantic Fault-Finder and Wild Ones positioning. In view of this fact it may be reasonable to specifically refine the definition of industrial lifestyles according to market division.

Last but not least there is also a potential for development regarding national focus. Industrial lifestyles that reflect the industrial setting in Germany represent only a very small percentage of all globally active businesses. In the future particular attention should be laid on a comparative analysis of country-specific lifestyle types. Typological positioning conducted in the USA, European or Asian countries will most probably give the most diverse results. It is precisely the interdependencies and interreactions of national and regional lifestyle schemes that prove highly relevant for international negotiations.

FIGURES

Figure 1: Sinus Milieus (Source: Sinus Sociovision 2008)

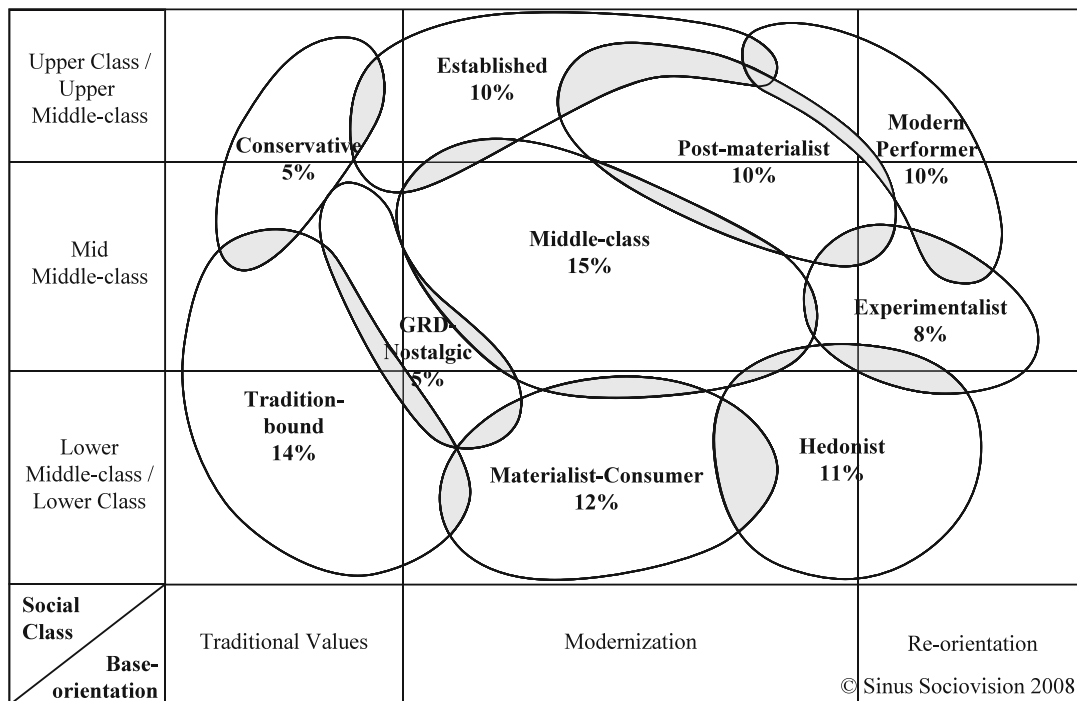
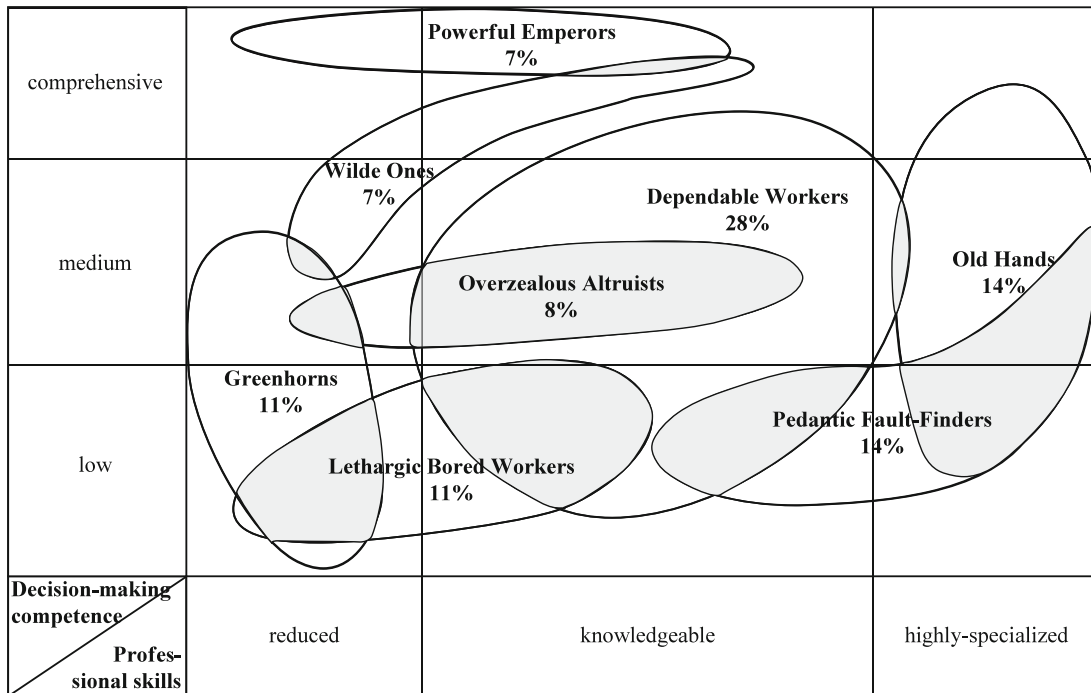


Figure 2: Industrial Lifestyles (Source: Author)



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THE ROLE OF SERVICE QUALITY PERCEPTIONS AND SERVICE FAILURE/RECOVERY EPISODES IN THE FORMATION OF B2B LOYALTY: AN EMPIRICAL INVESTIGATION IN THE GREEK IT INDUSTRY

Nicholas G. Paparoidamis, IESEG School of Management, France
Ruben Chumpitaz, IESEG School of Management, France

ABSTRACT

The impact of service recovery strategies has attracted increasing research and practitioner interest in recent years. The majority of studies, however, have been conducted in a business to consumer setting, rather than in a business to business (B2B) setting, where customers tend to be more experienced with the service. This paper extends previous work by examining customer perceptions of service recovery in a business market (the Greek IT market), and models the effect of service quality and service recovery perceptions on overall satisfaction and on customers' behavioural intentions, using key informants who have been involved directly in a service failure incident. Customer perceptions of reliability are found to be critical, with direct and indirect effects on service recovery satisfaction, overall satisfaction and customer loyalty. Service recovery perceptions are also found to have both a direct effect on behavioural intentions, and an indirect effect (via satisfaction).

TRADE SHOW PERFORMANCE: EXPLORING INTERPERSONAL AND NON-PERSONAL INTERACTION DIMENSIONS

Klaus-Peter Wiedmann, Leibniz University of Hanover, Germany
Martin Kassubek, Leibniz University of Hanover, Germany
Sascha Langner, Leibniz University of Hanover, Germany

ABSTRACT

Firms frequently use trade shows in their B2B (Business-to-Business) marketing mix. The importance of trade shows has been well documented in the United States and Europe in terms of show participation and expenditure levels. Trade shows are accelerators which boost economic effectiveness and innovativeness of involved firms. Within the significant role of trade shows as a platform for business to business communication, a better understanding of at-show interaction implies the in-depth analysis of its dimensions and drivers, as well as the identification of those business visitors with special interests in interaction with exhibitors.

Regarding the question, what kind of added value firms and business visitors receive of their trade show participation, existing research concentrates either on functional expectations and the selection of trade shows or on trade show success in general. Although a few studies have analyzed performance dimensions, only little research has tried to conceptualize a link between the constitutive stakeholders of trade shows: exhibitors and business visitors. The purpose of this paper is to provide a conceptual framework elaborating interpersonal and non-personal interaction factors influencing trade show performance.

Our paper is structured into three main sections: First, analyzing literature on the role of trade shows in marketing and especially in B2B relationships, a basis framework of at-show interaction performance is developed. Second, based on previous research, performance determinants and their specific role in trade show interaction are introduced and empirically analyzed. All measures used in the study were adapted from existing scales and previous research. The wording of scales was adapted to suit trade show interaction performance. Items were rated on five-point Likert scales (1=strongly agree, 5=strongly disagree). Finally the questionnaire was face validated using exploratory interviews and pre-tested offline and online to identify the most important and to reduce the number of items. 1,023 subjects, who visited the booth of the IT firm, were contacted shortly after the trade show via personalized emails with the invitation to contribute to an online survey. This process yielded 171 utilizable questionnaires (representing a response rate of 16.7%).

Within the data analysis, we first uncovered the various dimensions underlying the at-show interaction performance by an exploratory factor analysis using the principal component method with varimax rotation. The factor analysis produced the proposed five factor structure with medium (>0.6) up to high factor loadings (>0.9) and a Kaiser-Meyer-Olkin measure of 0.867. The factor solution accounted for 61.17 per cent of the variance with 30 of 45 items. Cronbach's alpha were 0.761 up to 0.917, indicating that the chosen scales and items were reliable and generalizable to trade show interaction performance. Then, the factor scores for each respondent were saved and consequently used in stage two for clustering them into different groups of business visitors. The focus of cluster analysis in this study was on the comparison of cases according to the hypothesized interpersonal and non-personal dimensions and factors. The results strongly suggested the presence of three clusters: Cluster 1 is referred to as the Conversation Seekers, members of Cluster 2 are referred to as the Information Seekers, and individuals in Cluster 3 are called the Reliability Seekers. These three groups of different trade show visitors are presented and discussed with reference to future research steps and managerial implications.

The potential benefits of this paper are that the interpersonal and non-personal interaction dimensions provide important insights to the underlying motivations and reasons of trade show visitors to visit a specific booth. Each type of business visitor is characterized by a different underlying 'philosophy' to interact with the exhibitors booth, which helps marketing managers to understand the nature and extent of trade show success and might serve as a theoretical base to efficiently develop and manage more successful trade show participations. This knowledge can enlarge the efficiency of identifying different visitors groups and of addressing them faster in the right way. Also, the interaction concept between business visitors and exhibitors has to broaden on the pre-show phase and the after show phase to develop a year-round framework of trade show interaction.

References are available upon request

POWER TO NONE: CONCEPTUALISING THE ROLE OF POWER AND CONTROL IN ASYMMETRICAL INTER-FIRM RELATIONSHIPS

Stephane Bignoux Macquarie University, Sydney, Australia
Dr David M. Gray, Macquarie University, Sydney, Australia

ABSTRACT

This paper integrates the extant literature in inter-firm control by rethinking the nature of control in inter-firm relationships as it applies to the context of low power suppliers. This study contributes to the literature in several ways. First, it compares the power context between two inter-firm relationship types – preferred supplier agreements (PSAs) and buyer-supplier partnerships. Second, this study brings the power concept to the fore of the literature by defining the ‘low-power supplier’ and then develops a conceptual framework for investigating the control mechanisms used by low power suppliers. Third, this is one of a handful of studies to analyse performance from the supplier’s perspective.

INTRODUCTION

Inter-firm relationships are one of the most commonly adopted firm strategies (Gulati, 1998). Yet, despite their popularity and the reported benefits for participating firms, many inter-firm relationships have been reported to be unstable and poorly performing (Arino and Doz, 2000). The focus of this study is on control mechanisms and inter-firm performance. One research question is put forth: can low-power suppliers use control mechanisms to improve their performance in inter-firm relationships? If yes, what control mechanisms can they use? And why these control mechanisms? Why not others? This paper answers these question conceptually by predicting that low power suppliers will be inhibited in their ability to control buyers. It predicts that low power suppliers will not have the ability to impose any controls on buyers. However, these suppliers may have some ability to use the buyer’s own control mechanisms to control the buyer.

LITERATURE REVIEW AND CONCEPTUAL ANALYSIS

Much of what is seen in the literature today, in terms of control, has its foundations in the works of William Ouchi (1979) and Kathleen Eisenhardt (1985). It was Ouchi (1979) who first suggested that there were two basic approaches to control – bureaucratic control (also known as formal control) and clan control (also known as social control). Interestingly, trust, from this perspective, is not considered to be a form of social control. However, the underlying assumption of control is that trust is part of every control system. Many scholars have used Ouchi’s (1979) and Eisenhardt’s (1985) conceptual models to explicate their own research on control. One topic of interest has been the use of various forms of control to increase the performance of inter-firm relationships (Langfield-Smith and Smith, 2003; Zhang). The empirical evidence in this line of research supports a link between relational capital and inter-firm performance (Lee and Cavusgil, 2006). There is also supporting evidence linking formal controls, social controls and performance (Cannon, Achrol and Gundlach, 2000). The debate is ongoing but the evidence is strong. The literature is moving away from general studies on control, towards studies focussing on the various components of control and the factors that moderate the control-performance relationship. For example, Cannon, Achrol and Gundlach (2000) found that the positive relationship between contracts, social norms and performance is moderated by uncertainty and adaptation. The common moderating variables found in the literature were: uncertainty/environmental turbulence (Cannon, Achrol and Gundlach, 2000; Lee and Cavusgil, 2006), dependency (Lusch and Brown, 1996; Poppo and Zenger, 2002) and trust (Zhang et al., 2003). If these variables are common to the literature then the question one needs to ask is: what construct would reduce the need for or eliminate the effects of these variables? This study proposes that the answer to this question is ‘power.’ Additionally, recent studies have shown a strong research orientation toward investigations of control and performance in a manufacturing related industry. Studies abound in industries, such as personal computer manufacturing making (Mohr and Spekman, 1994) but are scarce in industries such as services. For reasons unknown, researchers are neglecting the study of inter-firm relationships within the services sector effectively leaving a gap open for any researcher. A problematic fact indeed as industry undoubtedly affects the way partners transact and interact in an inter-firm relationship. This study fills that gap by comparing and contrasting control mechanisms in two different inter-firm relationships – PSAs and buyer-supplier partnerships.

CONCEPTUAL FRAMEWORK

Figure 1 proposes that relationship structure; supplier power and industry type moderates the relationship between control and performance. Within the context of this discussion a PSA is defined as a “relatively long term contractual

commitment...often at arms length and adversarial, pitting the customer against the vendor... (requiring) a buyer to maintain a list of qualified vendors...to attract maximum competition” (Webster, 1992, pp. 7). Conversely, a buyer-seller partnership is defined as “relatively enduring inter-firm cooperative arrangement, involving flows and linkages that utilize resources and/or governance structures from autonomous organizations, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firm” (Parkhe, 1993, pp.794).

Supplier Power and Industry

Power has been defined as the ability to “carry out one’s own will despite resistance” (Weber, 1947, pp. 152). Power is inherently asymmetrical. Its source is one-sided dependence (Emerson, 1962). It rests on the net ability of actors to withhold rewards from and apply punishments to others. Without dependence one can never achieve power (Blau, 1964; Hakansson, 1982; Anderson and Narus, 1990). Power imbalances in inter-firm relationships are related to the differences in value that buyers and sellers attach to the relationship (Buchanan, 1992). It is related to the extent to which the partner is viewed as irreplaceable (Kumar et al., 1998). The more value a seller places on the relationship the less power it has in the relationship. In most inter-firm relationships, the least dependent actor dominates exchange (Pfeffer and Salancik, 1978). From the seller’s perspective, a powerful buyer is one who is important to the seller in terms of magnitude of transaction or reputation (Buchanan, 1992). In most inter-firm relationships, preferred suppliers are more easily replaced than buyer-supplier partners. If power is the ability to carry out one’s own will despite resistance and power is based on dependence then a low power supplier is: ‘any supplier that is unable to impose its will on the buyer or inter-firm relationship due to high levels of buyer resistance or high levels of supplier dependence’.

The Australian Recruitment Services Industry generates an income of more than AUD\$10 billion contributing some 1.3 per cent to Gross Domestic Product (Hall, 2006). Most of the empirical research conducted on the recruitment industry has been conducted in the United States and United Kingdom (Theodore and Peck, 2002; Ward, 2004). The American research is somewhat contradictory because it argues that although some labour suppliers achieved a measure of success during the 1990s by taking the high road to value-added services, the majority of labour suppliers still appear to be consigned to the low road of trimming margins to obtain high-volume orders. Many labour suppliers discovered that their attempts to get ahead of the competition through value-adding strategies failed when it became impossible to pass increased costs on to buyers. Buyers hold most of the power in this unusual version of a consumer-driven supply chain (Theodore and Peck, 2002).

Outcome Control and Behaviour Control

Outcome control mechanisms specify the outcomes to be realized by the inter-firm relationship and by its partners. It involves setting performance targets, then monitoring the achievement of these targets. It also involves setting goals and objectives that determine the direction of task performance (Dekker, 2004). The human resources literature does discuss outcome controls; however, the discussion is restricted to outcome controls imposed by buyers on labour suppliers (Conklin, 2005). There are no studies detailing outcome controls imposed by labour suppliers on buyer firms. This may be due to the fact that labour suppliers do not have the power to impose outcome controls on buyer firms. In the relationship between labour supplier and buyer, the buyer holds most of the power (Theodore & Peck, 2002). However, there may be an exception to this rule. Labour suppliers engaged in buyer-supplier partnerships may have the ability to use the buyer’s own performance targets, objectives and goals to control the buyer. This is not a strong form of control however if accessible it would achieve the same ends as an imposition – partner compliance. The same is unlikely to occur in PSAs. PSAs require four to five labour suppliers to contract with one buyer firm (Druker and Stanworth, 2001). It is therefore proposed that the multi-sourcing nature of these agreements will prevent any single labour supplier from having the power to impose outcome controls on buyers or to have the ability to use the buyer’s outcome controls to control the buyer.

Typical behaviour controls used in inter-firm relationships are planning, rules, standard operating procedures (SOPs) and dispute resolution procedures (DRPs) (Gulati and Singh, 1998). Behaviour monitoring consists of “reporting and checking devices (RCDs), written notice of any departure from the agreement, accounting examination (AE), cost control, quality control, arbitration clauses, and lawsuit provisions” (Das and Teng, 1998, pp. 507). There are no studies detailing behaviour controls imposed by labour suppliers on buyer firms. However, one can predict that the power discrepancy between labour suppliers and buyers (Theodore and Peck, 2002) will prevent labour suppliers from imposing behaviour controls on buyer firms. However, labour suppliers engaged in buyer-supplier partnerships may have some ability to use the buyer’s behaviour control mechanisms to control the buyer through synchronizing many aspects of operations. Without synchronicity, the buyer-supplier partnership would be unable to function effectively. The most likely behaviour control mechanisms that labour suppliers in buyer-supplier partnerships can use are plans, SOPs and DRPs. These three may be used because they are

ted to the supply process.

Contracts and Culture

Contracts specify the rights and responsibilities of all parties in an exchange, how those rights and responsibilities will change as the exchange evolves, and how violations of the terms of the contract will be managed (Macneil, 1978). Research conducted on the recruitment industry confirms that commercial contracts are found in almost all types of inter-firm relationships (Koene et al., 2004). However, the problem with this research is that it addresses the content of the contract, not its enforceability. It assumes that contracts are enforceable in this industry but does not confirm it. In all likelihood, degree of enforceability is a key factor separating buyer-supplier partnerships and preferred supplier contracts. Although buyer-supplier partnerships are considered to be stronger than PSAs both these relationships are quite weak (Theodore and Peck, 2002). The power discrepancy between labour supplier and buyer in both buyer-supplier partnerships and PSAs makes it very difficult for the labour supplier to take legal action against a buyer firm.

Organizational culture is defined as “a system of shared values...that define appropriate attitudes and behaviours for organizational members” (O'Reilly and Chatman, 1996, pp. 160). There are no studies detailing the cultural controls imposed by labour suppliers on buyer firms. As mentioned by Das and Teng (1998), culture is highly important in inter-firm exchanges. However, the challenge with culture is to make cultural blending work, while largely preserving a separate identity. The key point here is that inter-firm relationships are subject to cultural blending not cultural imposition (Das and Teng, 1998). Blending requires the partnering firms to freely adopt aspects of one another's culture. This behaviour resembles cultural use not cultural imposition. As such, an initial prediction is made that labour suppliers have no ability to impose their culture on buyer firms. However, they may have the ability to use certain aspects of the buyer's culture to control the buyer.

Norms and Trust

Norms are principles of “right action binding upon the members of a group and serving to guide, control, or regulate proper and acceptable behaviour” (Macneil, 1980, pp. 38). Although norms are widely acknowledged as being highly important in all types of inter-firm relationships (Cannon et al., 2000), there is no literature directly analysing the normative controls imposed by labour suppliers on buyer firms. The following is therefore based on conceptual analysis. Based on conceptual analysis, one can predict that norms are likely to be highly important in buyer-supplier partnerships but less important in PSAs. They are more important in buyer-supplier partnerships because buyer-supplier partnerships require a high level of interaction on a daily basis between labour supplier staffs and buyer firm staffs. Suppliers that engage with buyers on a daily basis are likely to have a good understanding of the buyer's norms. They may not be able to impose normative control on the buyer but they will probably have some ability to use the buyer's norms to control the buyer. Conversely, norms are less likely to be important in PSAs.

The literature portrays the inter-firm relationship between labour supplier and buyer as one requiring high trust, at least from the labour supplier's perspective (Druker and Stanworth, 2001). However, it is difficult to predict if labour suppliers can use trust to control buyer behaviour. And, if labour suppliers can use trust to control buyers then the question becomes – what type of trust can labour suppliers use to control buyers? Based on the little evidence available, an initial prediction is made that trust is important for labour suppliers in both buyer-supplier partnerships and PSAs and that labour suppliers can use both goodwill and competence trust to control buyer behaviour. Thus low power suppliers in buyer-supplier partnerships and PSAs are expected to have the ability to use competence and goodwill trust to control buyer firms.

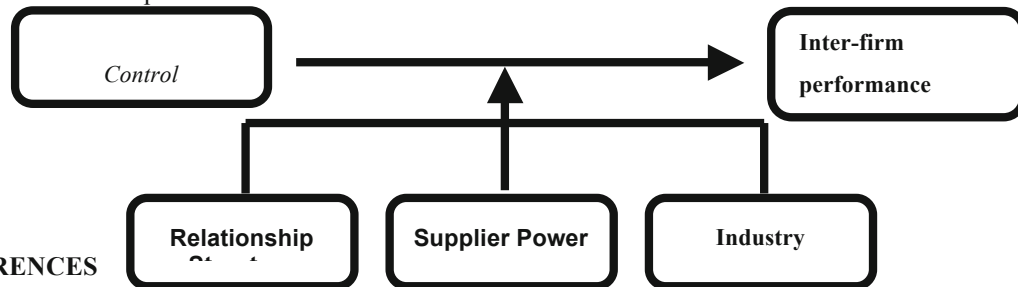
CONCLUSIONS AND FURTHER RESEARCH DIRECTIONS

This study offers several propositions about low power suppliers, control mechanisms and supplier performance. First, this study proposed that low power suppliers in buyer-supplier partnerships and PSAs do not have the ability to impose controls on buyer firms. Second, this study proposed that low power suppliers in buyer-supplier partnerships and PSAs had the ability to use some of the buyer's control mechanisms to control the buyer. It is proposed that low power suppliers are likely to be inhibited in terms of the control mechanisms they can impose on buyers and that low power suppliers are generally limited in terms of the control mechanisms that they can use to control buyers. Although low power suppliers in buyer-supplier partnerships have more control options to choose from, neither buyer-supplier partners nor preferred suppliers have a significant ability to control buyers. In a follow-up study we develop testable hypotheses to test the relationships proposed. Although not examined directly in this study, it is evident that low power suppliers use more than just control to affect buyer behaviour. They also use influence mechanisms or tactics. As such, an interesting area of further research could involve an

exploratory examination of the role of influence in the performance of buyer-supplier partnerships and PSAs. A follow up research question could ask: can low-power suppliers use influence tactics to improve their performance in inter-firm relationships? If yes, why these influence tactics? Why not others? The answer to this question will allow future researchers to determine the effects of influence on the performance of inter-firm relationships.

FIGURES

Figure 1: Relationship Structure



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SESSION 10.5: CODES OF ETHICS AND VALUES

Session Chair: Bodo B. Schlegelmilch,
Wirtschaftsuniversitaet, Austria

*“An Investigation of the Effects of Corporate Ethical Values
on Employee Commitment and Performance: Examining
the Moderating Role of Perceived Fairness”*

Dheeraj Sharma, Athabasca University, Canada

*“Ethical Dimensions of Social Marketing: Does Trying to
do Good Equate to Doing no Harm?”*

Lynne Eagle, University of West England, UK

Sara Bird, University of West England, UK

Fiona Spotswood, University of West England, UK

Alan Tapp, University of West England, UK

AN INVESTIGATION OF THE EFFECTS OF CORPORATE ETHICAL VALUES ON EMPLOYEE COMMITMENT AND PERFORMANCE: EXAMINING THE MODERATING ROLE OF PERCEIVED FAIRNESS

Dheeraj Sharma, Athabasca University, Canada

ABSTRACT

Statements of corporate values and ethics have been popular for decades. Organizations also have increasingly asked employees to sign ethics statements to confirm their agreement with core values. Recent well-publicized corporate malfeasance has drawn attention to whether these tools are effective or are true reflections of an organization's principles and values. Corporate ethical values (CEVs) can be viewed outside the realm of organizational training, standard operating procedures, reward and punishment systems, formal statements, and as more representative of the real nature of the organization (Organ, 1988). CEVs steer the organization's approach for taking action related to stakeholder groups, including customers, competitors, channel partners, employees, and society in general (Hunt, Wood and, Chonko, 1989). CEVs may be viewed as an organization's true values, as perceived by employees and other relevant stakeholders.

The last decade has raised questions about aspects of that conventional wisdom. For example, Starbucks's handling of coffee producers in Ethiopia and Nike's handling of child labor issues in Asia have been widely publicized and criticized, yet Starbucks and Nike continue to have a highly motivated and committed workforce (Michelli, 2006). The conventional notion that a company's ethical values have a direct link to performance outcomes within the workforce hints at a more complex explanation.

In their seminal work, Hunt et al. (1989) demonstrated that there is a positive relationship between corporate ethical values and employees' commitment, but recognized, conversely, that organizational commitment may "blind some employees to the ethical problems in their firms" (p. 87). Hunt et al. (1989) argued, however, that this blinding is unlikely based on the proposition that it was theoretically less reasonable to expect a commitment level high enough to blind employees to ethical problems within their organizations (p. 87). Hunt et al. (1989) do acknowledge that an examination of intervening variables between CEVs and employee outcomes is needed. Our general proposition is that intervening factors between perceived corporate ethical values and employee outcomes (commitment and performance) may produce some employee perceptual distortion, which, in turn, produces a more complex relationship than described by Hunt et al. (1989).

One such intervening variable is the employee perception of how fairly he or she is treated. Perceived fairness is a key antecedent to commitment and job performance (Moorman, Niehoff, and Organ, 1993). This view concurs with the Benthamian perspective that human actions are determined by experience or attainment of rewards. Ostensibly, the justifiable ethical principle then is maximization of gains (Arrington, 1998; Baumgardt, 1952). We argue that as a result of the intervening effect of the employee perception of fairness, high employee commitment is a possibility, notwithstanding questionable CEVs and vice versa (see Figure 1). Thus, this study argues that employees' perception of fairness will create perceptual distortion of CEVs. Depending upon the magnitude and direction of the perceptual distortions, employees' commitment and job performance will vary.

Using a sample of 202 sales agents, the results of study offers both prescriptive and descriptive insights for academe and industry. First, this study extends the work of Hunt et al. (1989) by demonstrating that fairness moderate the CEVs effect on performance and commitment. In other words, that intervening variables play an important role between CEVs and employee related outcome variables. Consequently, the relationships are more complex than initially hypothesized. Consistency theories/perceptual distortion provide the explanation of how employees may be committed and perform well, notwithstanding the inconsistency between CRVs and their own values. Second, organizations need to understand that commitment and performance of ethical employees may stay at high levels, notwithstanding corporate ethical transgressions inconsistent with individual employee ethics. Fairness in organizational justice to employees can enable the organization to overcome the inconsistencies between organizational and individual ethical values.

References are available upon request

ETHICAL DIMENSIONS OF SOCIAL MARKETING DOES TRYING TO DO GOOD EQUATE TO DOING NO HARM?

Lynne Eagle, University of the West of England, U.K.
Sara Bird, University of the West of England, U.K.
Fiona Spotswood, University of the West of England, U.K.
Alan Tapp, University of the West of England, U.K.

ABSTRACT

Social marketing aims to improve the health and wellbeing of society; however the development and implementation of interventions may have ethical repercussions for both intended and incidental targets, and in general ethical terms. To date there is little systematic analysis in the literature of these issues or possible solutions. There is a lack of unambiguous ethical frameworks to guide social marketers, with different outcomes possible under intention-focused (deontological) reasoning versus consequence-focused (teleological) reasoning. While ethical checklists and codes of ethics have been proposed for the sector, significant questions relating to administration and enforcement remain unresolved. This article reviews these issues and suggests routes for developing such guidelines and codes, and future research.

INTRODUCTION

Since the 1950s, there have been calls for the appropriation of commercial marketing techniques to the achievement of social good through behaviour change, a discipline termed 'social marketing' since Kotler and Zaltman's seminal 1971 paper. A more recent definition describes social marketing as "the adaptation of commercial marketing technologies to the analysis, planning, execution and evaluation of programs designed to influence the behaviour of target audiences in order to improve their physical and mental wellbeing and/or that of the society of which they are a part" (Andreasen, 1993: 1). The last decade has seen a rapid escalation in debate about the theory and practice of social marketing as it is adopted across wider geographic and behavioural spheres, such as healthcare, environment and wider social good. The number of practitioners has also ballooned, prompting calls for industry standards of practice, particularly with respect to ethical practices.

Since its inception, social marketing has been under close ethical scrutiny and there is no question that consistently high ethical standards should be expected of practitioners given the potential impact of interventions on individuals and society. Sources of concern lay in determining suitable behavioural goals in pursuit of the intrinsically ethical aim of achieving 'social good'; in who has the right to make such decisions; and in implementation and how it impinges upon both intended targets and bystanders. Here we seek to identify some of the most common sources of ethical concern in social marketing and to review current procedures for supporting and guiding practitioners. We go on to suggest avenues for development of ethical guidelines and codes of practice, and areas for future research.

ETHICAL ISSUES

One broad question is how individual freedoms of choice and individual rights are balanced against the needs of society as a whole. The ethics of using social marketing to change behaviour in one group at the behest of another are debatable. A related issue is who defines desired behaviour and decides what 'social good' is. Guttman and Salmon (2004) also ask "who has the mandate to represent large and diverse populations for the purpose of informed consent, and how can this be implemented?": the criteria for such choices are not clear.

The choice of target group poses further ethical questions. If social marketers simply "select target markets they can best affect and satisfy" (Kotler, Roberto and Lee 2002: 7), segments of the population may be excluded because they are difficult or comparatively costly to reach (Brenkert 2002). The temptation to target 'low hanging fruit' (such as middle class smokers) may bring more rapid and cost-effective success but widen health inequalities as we fail to support the most entrenched groups. If the latter are targeted, but intervention costs are significantly more than those aimed at lower priority groups, is it ethical to focus resources on one 'hard to reach' group at the expense of others? Targeting children or adolescents, when long-term behaviours such as smoking are becoming habitualised, raises issues of consent and coercion. Young people should not feel coerced into participation in social marketing interventions simply to please "parents or other authority figures" (Moolchan and Mermelstein 2002).

The harm to both intentional and untargeted (incidental) groups that may arise as a consequence of social marketing interventions should be considered in the development of any intervention. A wide range of unintended effects of health communication campaigns

have been reported (summarised in [Table 1](#)). For instance, safe sex messages may offend some cultural or religious groups who may not be directly targeted but still witness interventions (Brenkert 2002).

Many of the unintended effects of health communication campaigns could be attributable to fear appeals, i.e. dissonance, discomfort and distress, boomerang effects, epidemics of apprehension and desensitisation (Cho and Salmon 2007; Witte and Allen 2000). Early AIDS campaigns used strong fear appeals which aroused anxiety and fear amongst low-risk groups (Murphy and Bloom 1992), while potentially stigmatising, desensitising and alienating high-risk groups. Further, those who respond to fear-based campaigns tend to be better educated and more affluent than average (Hastings, Stead and Webb, 2004). Caution is required for fear appeals for less educated segments and there is a need for research into the attitudes, information needs and message framing preferences of these groups. There are also pragmatic reasons for caution in using fear appeals: despite laboratory studies which establish short-term effectiveness, real-world effects do not show the same results (Hastings et al. 2004). Additionally, strong fear appeals are unethical if target populations do not believe they can undertake the recommended behaviour or that it will be effective in reducing the perceived threat (Snipes et al. 1999).

These ethical challenges are highly subjective and will be viewed differently around the world, so before assessing how to address them it is worth considering the various ethical frameworks that could be used.

ETHICAL FRAMEWORKS

The guidelines and codes outlined below, and the issues suggested above, arise from the often implicit ethical frameworks of Greek and other philosophies. There are a number of frameworks available, but there is no consistency in the literature as to which might apply in specific circumstances. The frameworks most commonly cited focus either on intentions (deontology, from the Greek word for 'duty') or consequences (teleology, from the Greek word for 'ends'; also referred to as consequentialism), with the latter being broken down further into utilitarianism and egoism (Andreasen 2001; Ferrell and Fraedrich 1994). Thus a social marketing intervention that was driven by good intentions without potential negative consequences being considered is acceptable under deontological reasoning but not under teleological reasoning. A relativist view would suggest that no universal set of ethics can apply across all sectors of society due to the increasing diversity of society, with different perspectives held even within cultures; therefore each group's ethical perspective should be held to be equally valid. Additionally, social contract theory suggests that there is an implicit contract between the state/government and individuals within society (Dunfee et al. 1999). This is reflected in documents such as the UN Charter which makes reference to basic assumptions about the right of all citizens to health (Easley et al. 2001).

The role of culture in establishing ethical standards is largely ignored within the marketing literature (Pires and Stanton 2002). For example, Saeed and Mukhtar (2001) suggest that use of fear appeals is contrary to Islamic beliefs, therefore can interventions based on fear appeals ever be acceptable? How should social marketers balance respect for minority cultural norms with the desire to challenge them in the interests of improving health and well-being (Guttman and Salmon 2004)?

A further problem is the lack of clear interpretation of the frameworks. For example, using the Ferrell and Fraedrich (1994) interpretation, the 2007 UK Department of Health 'fishhook' intervention, which featured smokers being dragged to purchase cigarettes by fishhooks through their faces, would be acceptable under deontological reasoning, as the intention was to help smokers to quit smoking. Using the same reasoning, others would argue that it is unacceptable to knowingly cause anxiety (Hastings et al. 2004; Duke et al. 1993). Their argument is that, even though the intention was to help a specific segment of society, the methods used caused harm (anxiety) for others, thereby violating the utilitarian principle of producing the greatest good for the greatest number.

Despite the importance of the topic, much of the material promoting the potential benefits of social marketing is devoid of any significant consideration of ethical issues. Even edited texts focussing specifically on ethics in social marketing (e.g. Andreasen 2001) do not provide consistent frameworks across the discipline.

EXISTING ETHICAL GUIDELINES AND CODES OF PRACTICE

There is a clear need for systems or structures to help prevent or resolve ethical issues in social marketing. Around the world, codes of practice have been developed to govern commercial marketing communications, often through co-operation between advertisers, advertising agencies and the media. They often provide advisory services, interpreting relevant statutes and industry codes and applying them to scripts of proposed advertisements and vetting completed advertisements prior to screening. These regulations do not state explicit ethical principles, providing only general guidelines regarding areas such as decency and circumstances under which fear and distress might be considered acceptable, yet recent rulings suggests that a de facto framework exists. The focus is generally on marketing communications only and there is no equivalent structure for wider social marketing interventions beyond mass media.

The American Marketing Association (AMA 2007) provides a broader code of ethics for its members:

- “ 1. Marketers must do no harm.
2. Marketers must foster trust in the marketing system (not mislead), good faith and fair dealing.
3. Marketers must embrace, communicate and practice fundamental ethical values that will improve consumer confidence in the integrity of the marketing exchange system. These basic values are intentionally aspirational and include honesty, responsibility, fairness, respect, openness and citizenship”.

The broad nature of this code provides little explicit guidance for social marketers seeking support.

The fragmentation of the marketing industry also presents a barrier; while many sector organisations have codes there are no overarching industry mechanisms within individual countries, let alone cross-border initiatives. The European Association of Communication Agencies (EACA, 2007) approaches this, however such codes are little more than statements of good intent and lack specific guidance. For example, the EACA's Code of Ethics states that “[w]e accept that our understanding of the “average consumer” might not always be the standard, acknowledging that there are groups who are vulnerable, for example, and that we should adopt a sensitive approach to judging how advertising will be understood and acted upon by society in general”.

A doctor, accountant or lawyer could lose the right to practice if found guilty by their peers of a significant transgression of professional ethics (Crues and Crues 1997), however marketers are not subject to the same level of regulation and lack the ability to enforce such codes (Hunt and Vitell 2006). Marketers need not be licensed and membership of sector organisations is voluntary. If a marketer is found guilty of transgressing the implicit or explicit standard of behaviour for any sector organisation to which they belong, they may be excluded from that organisation, but this does not prevent them from continuing in employment in the sector. There are less direct sanctions available to the industry overall in many countries. For example self-regulatory bodies can withdraw or amend marketing communications in breach of codes, and industry regulators can request media to deny advertising space or discounts to non-compliant marketers. In many countries, legal support to enforce discontinuation of unacceptable material is available, though such regulation only focuses on marketing communications and is of limited value for broader social marketing interventions.

The healthcare sector has many commonalities with social marketing and four key principles from medicine are more specific than the ‘good intentions’ for the AMA above and may be of relevance to social marketing, i.e.:

- “ 1. Respect for autonomy of individuals or communities, requirement for consultation and agreement (i.e. effective two-way communication) and absence of deceit
2. Beneficence, i.e. provision of net benefit to target group or patient
3. Obligation to ensure no harm is caused by actions
4. Justice in terms of fairness in distributing resources, respecting of rights and for morally accepted law” (Gillon 1994).

We would add the necessity of recognising the extent, and boundaries, of our expertise as marketers; few of us are formally qualified in medical or related health fields in which much social marketing activity occurs, such as smoking cessation and exercise promotion programmes. There is, however, a recognised role for communication expertise in improving health and other social issues, and as such, guidance or codes of ethics can only improve our practice.

DEVELOPING SOCIAL MARKETING GUIDELINES AND CODES OF ETHICS

Two broad approaches may be useful in guiding practitioners and sensitising them to potential issues. Firstly, guidelines for social marketers would help define potential issues and suggest how to mitigate their consequences. Such an ethical checklist for social marketing is proposed by Donovan and Henley (2003):

- Ensure that the intervention will not cause physical or psychological harm
- Does the intervention give assistance where it is needed?
- Does the intervention allow those who need help the freedom to exercise their entitlements?
- Are all parties treated equally and fairly?
- Will the choices made produce the greatest good for the greatest number of people?
- Is the autonomy of the target audience recognised?

More formal codes have also been proposed for social marketing, such as Rothschild's (2001) code of ethics for social marketing:

- Do more good than harm
- Favour free choice
- Evaluate marketing within a broad context of behaviour management (giving consideration to alternatives of education and law)
- Select tactics that are effective and efficient

- Select marketing tactics that fit marketing philosophy (that is meeting the needs of consumers rather than the self-interest of the organisation)
- Evaluate the ethicality of a policy before agreeing to develop a strategy

However, codes are not a panacea as they are often broad statements of intent and cannot cover every situation that will arise or provide guidance on how specific issues can be resolved (Wright 1993). Neither of the above addresses the impact of interventions on intentional targets versus incidental exposure, nor the ethicality of the chosen solution to perceived problems, or the mandate for developing and implementing interventions per se. Sectors such as marketing lack the enforcement mechanisms of more regulated professions, so could codes of ethics ever be more than statements of desired best practice (Lere and Gaumnitz 2007)? Such voluntary codes also require input from all stakeholders, to ensure effectiveness (Rust et al. 2006). Social marketing activity also occurs across a range of sectors, including health, environmental planning and marketing; developing codes that can be applied across all sectors, some with existing codes, is problematic. It is therefore evident that considerably more work needs to be done to develop a viable code of ethics and appropriate management and enforcement mechanisms for all social marketers.

CONCLUSIONS

While it is a positive step that ethical issues within social marketing are being discussed, much work remains to be done in drafting codes and developing administration and enforcement mechanisms. Underpinning frameworks need to be agreed and input is required from all stakeholders. Codes can never be exhaustive and guidelines and support are required for practitioners facing ethical dilemmas. There is also a need to raise awareness and offer training to highlight the issues that should be considered when developing social marketing interventions. Future research needs to assess what these issues are and how codes of ethics can best be presented and enforced. These challenges are significant, but the rapid development of social marketing requires such guidelines and codes to protect publics, both targeted and incidental, and the discipline as a whole.

TABLES

Table 1: Unintended Effects of Health Communication Campaigns (Adapted from Cho and Salmon 2007: 300)

Effect	Definition
Obfuscation	Confusion and misunderstanding of health risk and risk prevention methods
Dissonance	Psychological distress caused by incongruence between recommended health states and actual states
Boomerang	Reaction by an audience that is the opposite to the intended response of the persuasion message
Epidemic of apprehension	Unnecessarily high concern produced by pervasive risk messages over the long term
Desensitisation	Repeated, long-term exposure to messages about a health risk may render the public apathetic
Culpability	Locating the causes of public health problems in the individual rather than social conditions
Opportunity cost	Choice of communication campaigns/health issues removes alternative options
Social reproduction	When campaigns reinforce existing social distributions of knowledge, attitudes and behaviours
Social norming	Social cohesion/control accompanying marginalisation of unhealthy minorities
Enabling	Campaigns inadvertently promote power of individuals/institutions and promote industry
System activation	Campaigns influence unintended segments, whose actions mediate effects on intended audience

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SESSION 11.1: CONSUMER NORMS WITHIN SOCIETIES

Session Chair: Vince Mitchell, City University, UK

“The Interplay of Local and Global Cultural Influences on Japanese Consumer Behavior”

Mark Cleveland, University of Western Ontario, Canada

Michel Laroche, Concordia University, Canada

Ikuo Takahashi, Keio University, Japan

“Self Gifts from a Regulatory Focus Perspective”

Mengkuan Lai, National Chen Kung University, Taiwan

Tzu-Ling Yang, National Chen Kung University, Taiwan

“The Wholesaler as Concept Provider—Consequences of Structural Customer Bonds on Competitive Advantage and Relationship Quality”

Sandra Pocsay, Saarland University, Germany

Hanna Schramm-Klein, Saarland University, Germany

Joachim Zentes, Saarland University, Germany

THE INTERPLAY OF LOCAL AND GLOBAL CULTURAL INFLUENCES ON JAPANESE CONSUMER BEHAVIOR

Mark Cleveland, the University of Western Ontario, Canada
Michel Laroche, Concordia University, Canada
Ikuro Takahashi, Keio University, Japan

ABSTRACT

Globalization depicts an increasingly interconnected and interdependent worldspace. While globalization continues to alter the economic and political landscapes, global forces are increasingly impacting the social and cultural environments of the world. Given that culture is the single most profound influence on consumer behavior, a key question concerns how the cultural flows emanating from globalization impact local cultures, and how global and local cultural influences combine to influence consumer behaviors. With globalization, is it the case that cultures and consumer behaviors worldwide are becoming less distinctive? Or, in the wake of globalization, are consumers increasingly motivated to resist global forces, leading to the reactivation and retrenchment of cultural and behavior differences? With globalization, the interplay of local and global forces may in fact lead to hybridization, implying increasing homogeneity and heterogeneity of behaviors occurring simultaneously. Focusing on Japan—the world's second largest economy, and socio-culturally, straddling the boundary of East and West—the primary question posed by this research is: how do local and global cultures influence what consumer behaviors? Our first objective was to assess the structure and reliability multidimensional measures for (Japanese) ethnic identity (JEID) and acculturation to global consumer culture (AGCC). Within a greater nomological network, we examined how JEID and AGCC were antecedent to two dispositional constructs associated with globalization: materialism and consumer ethnocentrism. Lastly we sought to identify different acculturation patterns corresponding to how JEID and AGCC apply to consumer behaviors spanning a broad variety of product categories, including foods and beverages, hygiene and fashion/apparel, appliances, consumer electronics, media and communication devices, as well as luxury products.

EID is defined as a sense of common ancestry, shared communal attitudes and values, and/or other feelings of ethnic belongingness and commitment. Individuals exhibit varying degrees of affiliation with a given cultural entity, certain cultural facets may be adhered to and not others, and EID itself may be situational. Drawing from the literature, JEID was operationalized with multi-item measures for the following facets: identification with and desire to maintain Japanese culture, Japanese pride and participation in Japanese cultural events, traditional Japanese family structure and sex roles, interpersonal relationships with fellow Japanese, and Japanese-language media usage. Acculturation describes cultural adjustments occurring through encounters with one or more cultural groups other than the one in which the person grow up in. AGCC consists of a series of measures relating to how individuals acquire the knowledge, skills, and behaviors that are characteristic of a nascent and deterritorialized global consumer culture, operationalized with multi-item measures along seven dimensions: cosmopolitanism, exposure to marketing activities of multinational corporations, exposure to/use of the English language, global/foreign mass media exposure, openness to and desire to emulate global consumer culture, travelling experiences and attitudes, and self-identification with global consumer culture. Established scales for materialism and consumer ethnocentrism were employed. For the dependent measures, 71 distinct consumer behaviors were measured, corresponding to the product categories listed earlier. Standard procedures of translation (from English into Japanese) and back-translation were employed. There were 308 usable surveys for analyses, drawn from native-born Japanese university students.

Exploratory and confirmatory factor analyses were conducted on the independent scale items. Using AMOS, a series of structural equations models were constructed to test the relationships. AGCC was found to positively and negatively predict materialism and consumer ethnocentrism, respectively; while JEID was a positive precursor of materialism. Our results indicate that the behavioral impact of the cultural constructs is complex and situational, varying across product categories. Four distinct acculturation patterns were delineated, based on the combined effects of AGCC and JEID: assimilation (culture-shift), integration/creolization (cultural incorporation), separation (entrenchment of local influences), and deculturation (non-cultural consumption). As a consequence of globalization, contemporary marketers need to respond to the increasing diversity occurring within their own markets. Providing an account of the situational nature of the relationships between local/global cultural influences and behavior assists international marketers to segment—within and across borders—similar groups of locally- and globally- oriented consumers, and to decide whether to use a standardized, localized or hybrid marketing strategy, depending on the nature of the product category. Other practical implications, and directions for future research, are also discussed.

References available upon request

SELF-GIFTS FROM THE SELF-REGULATORY FOCUS PERSPECTIVE

Mengkuan Lai, National Cheng Kung University, Taiwan
Tzu-Ling Yang, National Cheng Kung University, Taiwan

ABSTRACT

Self-gifts are a common consumer behavior and are typically characterized as highly self-motivated, context bounded, self-directed, and hedonically oriented (Mick and DeMoss 1990a). Research on self-gifts can be viewed as two distinct but interrelated directions. One is from the extrinsic aspect, such as the four most frequent occasions for self-gifts: accomplishment reward, failure therapeutics, birthday, and with extra money (Mick and DeMoss 1990a). The other approach to explain self-gifts is from an intrinsic aspect such as attribution theory, which provides us with more precise and richer insights to individuals' psychological phenomena (Mick, DeMoss and Faber 1992). However, a practical question exists: How to define and segment consumer according to their successful or failure condition and further make inference about their own intrinsic attribution in advance? Thus, we propose another viewpoint to explore the goal and process of self-gifts through the lens of "self-regulatory" (Higgins 1997) and "goal-attribute compatibility" (Chernev 2004) to gain more understanding within. In this research, we intend to further investigate whether there are more effective ad appeals to evoke or strengthen consumer to buy themselves gifts.

Two studies were carried out. In study 1, based on research in self-gift and self-regulatory focus, we propose that self-gifts (both reward and therapy) is primarily a promotion focus activity, and further propose hedonic ad appeal would lead to better persuasion (Aaker and Lee 2001; Chernev 2004). In study 2, we investigate whether preference of self-gifts appeals differ between genders.

There are two independent variables—self-gifts appeal and self-regulatory focus (i.e., promotional focus as the focus of this study). Self-gift appeals are manipulated as either hedonic or utilitarian orientation following Lee and Aaker's study (2001). As to self-regulatory focus, we have proposed that self-gifts is a promotion focus activity even though an individual may be buying him/herself a gift for a reward or a therapeutic motive. There are three dependent variables—recall of self-gifts ad information, attitude toward self-gifts, and self-gifts intention. In Study 1, a 2 (ad appeal: hedonic vs. utilitarian) × 2 (self-regulatory—promotion focus: reward vs. therapy) experimental design was adopted. Print ad corresponding to the experimental conditions were made for the research product. As predicted, under the goal-attribute compatibility theory, hedonic appeals applied in self-gift ads generate significantly greater effect on recall of ad slogan, special attributes, and overall recall. In Study 2, gender difference in the preference of self-gifts appeal (hedonic vs. utilitarian) was investigated. Females show better recall, overall attitude, and self-gift intention while viewing the ad with hedonic attributes as hypothesized. However, males have better but not significantly higher in recall, overall attitude, and self-gift intention while viewing the ad with utilitarian attributes.

So far, few empirical research has devoted to self-gifts territory and their researches are mainly exploratory or descriptive (i.e., Mick and DeMoss 1990a, b; Mick and DeMoss 1992). This study is one of the first which primes self-gift behavior as a promotion focus activity and using goal-attribute compatibility to conceptualize the behavior. Through the lens of goal-attribute compatibility theory, we identify hedonic is a better appeal in self-gifts context, compared with utilitarian ad appeal. Furthermore, we adopt the findings of Voss et al. (2003), use multiple attitudinal dimensions (hedonic and utilitarian) to explain respondent's overall attitude toward self-gifts. The results suggest that hedonic attitudinal dimension plays the prominent role when we use self-gift attitude to explain self-gift giving behavior. Finally, there are very few studies exploring gender differences in self-gifts scenario. In this study, we find significant differences between male and female respondents. Female participants significantly prefer the hedonic appeal than utilitarian appeal; however, male's preference is insignificantly different between the two ad appeals manipulated in this study.

Self-gift has recently become an attractive promotional appeals to marketing practitioners. However, there has not being developed a clear advice as to "how to effectively stimulate people to buy themselves a gift." In this study, we find that self-gift ad highlighting with hedonic attributes would lead to better persuasive effect than utilitarian attributes regardless of a reward or a therapeutic motive, and this effect would be moderated by gender.

THE WHOLESALER AS CONCEPT PROVIDER – CONSEQUENCES OF STRUCTURAL CUSTOMER BONDS ON COMPETITIVE ADVANTAGE AND RELATIONSHIP QUALITY

Sandra Pocsay, Saarland University, Germany
Hanna Schramm-Klein, Saarland University, Germany
Joachim Zentes, Saarland University, Germany

ABSTRACT

In order to tie customers more closely to the relationship, wholesalers implement a variety of bonding strategies. Using PLS regression, we analyze the effects of structural bonds on relationship quality as well as the mediating effect of the competitive advantage that customers gain through the relationship. We assess different dimensions of structural bonds (relationship-specific investments, operational linkages, information exchange and contractual bonds) and analyze their respective impact on relationship quality as well as on competitive advantage. Our results imply that while structural bonds have a significant influence on the quality of the relationship, the effects of the four dimensions of structural bonds differ considerably and therefore need to be addressed accordingly.

INTRODUCTION AND RESEARCH OBJECTIVES

Recently, marketing channels researchers have called for more insights into marketing channel decisions and behavior from the perspective of an intermediary, rather than from the viewpoint of an upstream manufacturer (Van Bruggen et al. 2005). The perspective of wholesalers as managers of extensive customer nets has largely been neglected. Especially wholesalers who are operating further down in the value chain, i.e. closer to the (final) consumer, in many industries have continuously extended their influence. In responding to their customers' needs, wholesalers install numerous kinds of structural bonds to their customers seeking to ensure an increased customer commitment. The aim of this study is to analyze the nature of the relationship between wholesalers and their customers. More specifically, the effects of structural customer bonds on relationship quality are being studied as well as the role of the competitive advantage that wholesalers' customers gain due to the relationship.

BACKGROUND AND LITERATURE REVIEW

According to Mattsson (1985) firms are tied to one another by bonds of different types and strength which are of long-lasting nature, hard to break and develop through mutual investment processes. As wholesalers are building up strong nets of associated customers, they strive to establish strong customer bonds that create sustainable competitive advantage for all partners in the net. The effects of various bonds on the competitive advantage of the customers on the one hand as well as on the stability of the relationships implemented by the wholesaler on the other hand are to be analyzed here. The typology of customer bonds introduced by Berry and Parasuraman (1991) – economic, social and structural bonds – is generally accepted in the literature (Gounaris 2005). Although there is consensus that all three types of relational bonds have an important influence on customer relationship performance, research has also shown that structural bonds seem to be the most effective way to maintain customer trust and commitment (Berry and Parasuraman 1991). Moreover, while economic and social bonding techniques, such as price incentives and personal contacts between the employees of the companies involved, have for a long time been the core wholesale tactics, the implementation of structural bonds between wholesalers in the role of concept providers and selected customers has emerged as a rather new, innovative strategy over the last years. Structural bonds refer to ties at a corporate level which “link a buyer and a seller in an economic, strategic, and organizational sense, regardless of personal/emotional matters” (Rodríguez and Wilson 2002, p. 61), and therefore last beyond the relationships that grow between the interacting individuals (Gounaris 2005; Wilson and Mummalaneni 1986). It is widely accepted that structural customer bonds describe a second-order construct that consists of different dimensions; however, the conception of number and nature of these dimensions varies considerably in the literature (Buttle et al. 2002). Mattsson (1985) proclaims technical, knowledge-based, time-based, economic, legal and social bonds as links between the actors in a net. While social bonds refer to the level of person-to-person interaction, the other types describe various forms of structural ties. The aspect of adjustments to the partner in a technical sense which is subject to the technical bonds is also considered by Wilson and colleagues (Wilson and Mummalaneni 1986) who emphasize the relevance of non-retrievable investments as a main dimension of structural bonds. Furthermore, Smith (1998) stresses information exchange as another highly important aspect. Information disclosed by the partner can be a major challenge to provide for should a relationship end and therefore is one of the central dimensions of structural bonds (Gounaris 2005).

Drawing on these previous studies, in this research, structural customer bonds are being regarded as consisting of the dimensions “relationship-specific investments”, “operational linkages”, “contractual bonds” and “information exchange”. In accordance with TCE relationship-specific investments are defined as investments that are highly specific to a channel relationship (Palmatier et al. 2007). In a wholesaler-customer context, relationship-specific investments include financial resources invested in the promotion of the wholesaler’s concept, specialized hard- or software as well as in the installation of a concept-specific store format and branding (Vázquez et al. 2007). In line with Mattsson’s technical bonds (1985) operational linkages are defined as “the degree to which the systems, procedures, and routines of the buying and selling organizations have been linked to facilitate operations” (Cannon and Perreault 1999, p. 442). An example for downstream activities is close cooperation between wholesalers and their customers in terms of marketing to end-customers, while integrated information technologies to optimize ordering procedures and the supply chain are an example of supply-related operational linkages. Following Anderson and Narus (1990, p. 44) we define information exchange as “the formal as well as informal sharing of meaningful and timely information between firms”. We also include contractual bonds into our research which Cannon and Perreault (1999, p. 443) describe as “detailed and binding agreements that specify the obligations and roles of both channel parties in the relationship.” Relationship quality has been proven to have a significant influence on performance outcomes of the buyer as well as of the seller in a dyad and therefore is chosen as the dependent variable in this study. Drawing on the findings by Morgan and Hunt (1994) which have been replicated in various settings, we understand relationship quality as a composite measure of commitment and trust which were “posited to be associated with effective cooperation and required for relationship marketing success” (Morgan and Hunt 1994, p. 20).

HYPOTHESES

According to TCE, the introduction of structural bonds increases the switching costs customers experience when considering a change of supplier. Relationship-specific investments cannot be transferred to another exchange relationship and operational linkages increase the customer’s dependence on the partner due to the support provided on a daily basis (Cannon and Perreault 1999). This increases long-term commitment as customers know they would suffer severe difficulties in their business activities should the relationship come to an end (Buttle et al. 2002). The quasi-institutional nature of a structurally bonded relationship that can be intensified by contractual bonds also increases the level of trust in the partner, as customers conceive the structural ties initiated by the wholesaler as a trustworthy signal of supplier-commitment that can be reciprocated (Rodríguez and Wilson 2002). As a result of a closer insight into the wholesaler’s activities, motives, intentions and aims that is brought about by operational linkages as well as a two-way information exchange, customers learn to understand their exchange partner better and become to trust them (Gounaris 2005). We therefore suggest:

H(1): The stronger the structural bonds between wholesaler and customer, the higher the quality of the relationship.

While high relationship quality can be interpreted as a feasible target of wholesalers, we also include competitive advantage as a major target of the customers into our model. The resource-based view of the firm explains competitive advantages as resources or capabilities that enable a firm to compete more effectively in the marketplace (Jap 2001). Wholesalers and their customers jointly strive to gain superior competitive advantage by combining their respective capabilities through operational linkages as well as through information exchange. Structural bonds serve to reduce transaction costs and therefore competitive advantage is created when processes are aligned between the partners and relationship-specific investments as well as contractual agreements reduce the risk of opportunistic behaviour. The above considerations suggest the following hypothesis:

H(2): The stronger the structural bonds between wholesaler and customer, the higher the competitive advantage that customers gain from the relationship.

The essential purpose for a buyer to enter and maintain a closely bonded relationship with a wholesaler is to be able to better perform in the market. Several studies have therefore found strong ties between the value customers perceive to gain from a relationship and their intention to stay in the relationship (Doney et al. 2007). Companies willing to continue a relationship in the long-term show an increased commitment that is mainly based on their past experience with the supplier and the competitive advantage gained from cooperating with them. Doney et al. (2007) also empirically support the positive effect of perceived value on trust in a B2B setting. Applying a more specific, market-oriented perspective by use of the construct competitive advantage we suggest:

H(3a): The higher the competitive advantage that customers gain from the relationship the higher the quality of the relationship.

The positive confirmation they experience when this expectation is fulfilled again leads to an improvement of the relationship quality (Anderson and Narus 1990). The competitive advantage perceived due to the structural bonds with the wholesaler therefore accounts for a significant part of the positive effect of structural bonds on relationship quality. Concerning the effect of structural bonds on relationship quality we therefore expect a direct as well as an indirect effect mediated by competitive advantage of the customers. We propose:

H(3b): The competitive advantage that customers gain from the relationship mediates the effect of structural bonds on relationship quality.

METHODOLOGY

Using a standardized questionnaire we conducted a written survey of 1,200 wholesale customers. We chose the automotive aftermarket for our survey as an industry where wholesalers have developed a broad spectrum of different structural bonding measures and frequently offer customers the possibility to benefit from these within wholesaler-managed customer systems. We addressed repair shop owners belonging to one of four wholesaler-managed cooperative systems in Germany and by this included the customer relationships of over 150 different wholesale companies. 202 usable questionnaires were returned (return rate 17.2%). As early respondents and late respondents did not differ significantly in terms of demographics, such as number of employees or turnover, non-response bias should be negligible. Based on a literature review and managerial interviews, we developed measurement scales for the different dimensions of structural bonds, competitive advantage and relationship quality. Measure validation and model testing were conducted using SmartPLS (Partial Least Squares). We chose PLS because it allows representing both formative and reflective latent constructs and avoids the problem of underidentification that can occur in covariance-based analysis. Structural bonds were conceptualized as a four-dimensional construct. For all dimensions, respondents were asked to indicate the degree of bondedness to their primary wholesaler on 7-point Likert scales. We chose a reflective measurement approach for the dimensions of information exchange (10 indicators, coefficient $\alpha = .917$) and contractual bonds (3 indicators, coefficient $\alpha = .870$). Also, competitive advantage (5 indicators, coefficient $\alpha = .920$) as well as the two dimensions of relationship quality – trust (7 indicators, coefficient $\alpha = .937$) and commitment (6 indicators, coefficient $\alpha = .925$) – were operationalized as reflective constructs. The measurement model shows a high level of internal consistency with regard to AVEs (average variance extracted) greater than .5. As AVE for all constructs is greater than the squared correlation between that construct and any other construct, discriminant validity is confirmed (Fornell and Larcker 1981). Relationship-specific investments and operational linkages each reflect a composite of individual indicators across different, unique sources and therefore are operationalized in a formative rather than reflective way. Relationship-specific investments were characterized by 7 indicators mainly derived from past research and adapted – where necessary – for the wholesaling context. Operational linkages were operationalized using 7 indicators. In our study, none of the indicators revealed multicollinearity problems (none of the VIFs (variance inflation factors) exceeded 3). To test for external validity, we assessed nomological validity. We included dependence of the customer on the wholesaler as an additional construct to capture the effects of bondedness in a marketing channel in our survey. As structural bonds are conceptualized as creating value which is difficult for the customer to create himself or to provide through an alternative channel partner, we assume that structural bonds should show a positive relationship towards dependence on the wholesaler (see also Cannon and Perreault 1999). All bivariate correlations between the formative constructs and dependence were positive and significant (.44** and .63**). As the constructs behaved as expected with respect to the other construct to which they are theoretically related, we assume that nomological validity is satisfactory with respect to all the relevant variables.

RESULTS AND DISCUSSION

To test our hypotheses, we conducted PLS regression. For models like PLS that have the minimization of error (or, equivalently, the maximization of variance explained) in all endogenous constructs as their primary objective there exists no proper overall goodness of fit measures (Hulland 1999). However, the r^2 -values of competitive advantage ($r^2 = .497$) and relationship quality ($r^2 = .483$) as well as the Stone-Geisser-Criterion (competitive advantage: $Q^2 = .381$) indicate an adequate model specification. In H1 and 2, we proposed a positive effect of structural customer bonds on the quality of the wholesaler-customer-relationship as well as on the competitive advantage that customers gain through the relationship. Our results show highly significant positive effects both on relationship quality ($\beta = .422^{**}$) and on competitive advantage ($\beta = .705^{**}$), so that H1 and H2 are supported. Testing of H3a, where a positive effect of competitive advantage on relationship quality was postulated, also yielded a highly significant path coefficient ($\beta = .330^{**}$). Therefore H3a was confirmed as well. We conducted a Sobel-test to test for the mediating effect of competitive advantage on the relation between structural bonds and relationship quality (H3b). Sobel's z-value calculated on the basis of the path coefficients of H2 and H3a as well as the corresponding standard errors proved highly significant ($z = 4.239$, $p = .000^{**}$). Thus, competitive advantage can be

confirmed as a (partial) mediator of the relation between structural bonds and relationship quality and H3b can be supported. Further, calculation of the VAF (variance accounted for) shows that the mediation of competitive advantage accounts for 35.5% of the variance of relationship quality. These results explain that a remarkable part of the enhanced relationship quality than can be observed in closely bonded relationships is due to the competitive advantage that the customers attribute to the relationship. Still, the direct effect of structural bonds on relationship quality is strong. Apparently, the close, secure interaction between the partners taking place within closely bonded relationships results in an increase in trust and commitment to the relationship by itself or other mediators might interfere.

In order to gain more insights into the nature and effects of structural bonds in wholesaler-customer-relationships, in an explorative way, we further analyzed the four distinct dimensions of structural bonds included in the research. We conducted two multiple regression analyses with the dimensions of structural bonds as independent and relationship quality and competitive advantage respectively as dependent variables. These analyses yielded interesting results as it became obvious that only information exchange ($\beta = .506^{**}$) and relationship-specific investments ($\beta = .175^{**}$) had a significant direct effect on relationship quality. All four dimensions, however, showed a significant effect on competitive advantage (information exchange: $\beta = .375^{**}$, relationship-specific investments: $\beta = .133^{**}$, operational linkages: $\beta = .263^{**}$, contractual bonds: $\beta = .091^*$). Contractual bonds between a wholesaler and a customer hence seem to bring about a certain competitive advantage for the customers, although the effect is only significant on a 5%-level. While TCE and contract theory expect the reduction of risk by formal contracts to result in increased relationship quality, social scientists often postulate that as contracts are interpreted as a sign of distrust per se, they are considered to be detrimental for trust and commitment (Lyons and Mehta 1997). Since our research revealed no significant influence at all, we support the argument of Anderson and Weitz (1992, p. 27) that formal contracts do not play a focal role in most channel relationships: "rather, the set of understandings that have grown up over time (the "implicit contract") is more influential". The fact that operational linkages do have a highly significant effect on competitive advantage but not on relationship quality is particularly interesting. On the one hand, our expectation that the support customers experience through the operational links with their wholesaler would lead to competitive advantage was supported. On the other hand, the fact that operational linkages do not increase the quality of a relationship raises the question whether the joint activities of wholesalers and customers really live up to the customers' expectations. Irritations and every-day problems as they occur in operative cooperation and day-to-day business might impede the development of high-quality relationships between the two partners. These results show that the quality of a wholesaler-customer relationship mainly depends on relationship-specific investments and information exchange. By means of a t-test for differences in correlation coefficients, we found that information exchange has a significantly higher influence than relationship-specific investments ($p = .000^{**}$). This finding shows that although wholesalers have started binding their customers by requesting specific investments in the relationship, the stronger bonding effect still stems from the wholesalers' market knowledge and the information they can pass on to their customers.

CONCLUSION AND IMPLICATIONS FOR FUTURE RESEARCH

Our findings imply consequences for managerial practice as well as for future research. Wholesalers can be assured that it really is worth the effort to invest scarce resources into the development of structural bonding measures. The effect of these bonds on relationship quality makes a net of customers significantly more reliable and stable in an increasingly challenging competitive arena. While in this regard information exchange yields the highest results, the effects of operational linkages should not be neglected. As these activities increase the gain in competitive advantage considerably that customers attribute to the relationship but do not positively influence relationship quality there might still be a large potential for improvements. This study is among the first to empirically differentiate between different dimensions of structural bonds and their respective impact focusing on the net of customers from a wholesaler's point-of-view. While it could be supported that competitive advantage is an important mediator of the effect of structural bonds on relationship quality, other mediators, e.g. the interdependence between the partners, should be taken into consideration to further explain the relation. Besides structural customer bonds, other types of relational bonding, such as social or financial aspects, should also be considered to qualify the influence of structural bonds. Future research should also study the wholesaler's estimation of the effects of customer bonding measures and align the results with the buyers' view.

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SESSION 11.2: NEW DEVELOPMENTS IN E-MARKETING

Session Chair: Ed Petkus, Ramapo College of New Jersey,
USA

“Person Place Congruency in On-Line Shopping Context”

Spiros Gounaris, Athens University of Economics &
Business, Greece

Christos D. Koritos, Athens University of Economics &
Business, Greece

Giannis G. Kostopoulos, Athens University of Economics &
Business, Greece

*“Consequences of Interactivity and Social Presence for
Trust and Flow in On-Line Luxury Goods Sector”*

Kathleen Keeling, University of Manchester, UK

Laura Salciuviene, University of Manchester, UK

*“Generating Trust in E-Services Through Service Quality:
The Moderating Role of Technology Readiness”*

Keyoor Purani, Indian Institute of Mgt. Kozhikode, India

Sunil Sahadev, University of Sheffield, UK

*“Electronic Marketing in the Sustainable Tourism Industry:
Are Sustainability Criteria Reflected in Website Content”*

Ed Petkus, Ramapo College of New Jersey, USA

PERSON-PLACE CONGRUENCY IN ONLINE SHOPPING CONTEXTS

Spiros P. Gounaris, Athens University of Economics & Business, Greece
Christos D. Koritos, Athens University of Economics & Business, Greece
Giannis G. Kostopoulos, Athens University of Economics & Business, Greece

ABSTRACT

The present study examines whether consumer shopping orientation (utilitarian/ recreational) moderates the effects of online atmospheric qualities on consumer's e-shopping behavior. Results, suggest that the interactions effects are more important in explaining in-store behavior than direct effects, and extends findings from offline shopping contexts to online ones. Implications for researchers and e-store developers are discussed.

CONSEQUENCES OF INTERACTIVITY AND SOCIAL PRESENCE FOR TRUST AND FLOW IN THE ONLINE LUXURY GOODS SECTOR

Kathleen A Keeling, Manchester Business School, United Kingdom
Laura Salciuviene, Lancaster University Management School, United Kingdom
Pakkawadee Tiasuwan, Manchester Business School, United Kingdom

ABSTRACT

The study investigates website interactivity and social presence and the effects on patronage intentions in the luxury goods (jewellery) sector. As luxury goods, jewellery products are chosen for this study as they are a complex product more difficult to describe online, even with pictures, than those products where physical attributes dominate (Zeng and Reinartz 2003). Jahng et al. (2007) and Pavlou et al. (2007) suggest that buying a complex product on the Internet requires a higher social presence. Because of the inherent difficulties of accurately describing the attributes of jewellery products online, they possibly require higher levels of social presence and interactivity. The less perceived distance between buyers and sellers achieved through perceptions of social presence, the more the online exchange relationship can be similar to a traditional interpersonal relationship (Kumar and Benbasat, 2002).

A sample of 339 adults in the UK provided data for a study of effects of interactivity, social presence, enjoyment, involvement, trust and flow on patronage intentions for a jewellery website. The results of SEM analysis indicate the significant role of website interactivity and social presence, though indirect via trust and flow, on patronage intentions for complex products. Overall, our findings demonstrate that both interactivity and social presence have an indirect influence (through trust and flow) on patronage intentions via two routes. The first route is via the effects on trust and the second one is via the effects on flow leading to patronage intentions. The more browsing a website produces feelings of interactivity, especially in terms of two way communications, the higher the probability visitors will intend to shop online.

Similar to previous studies (e.g., Tung et al. 2006), our results suggest that both perceived enjoyment and involvement relate positively to flow. Therefore, the higher perceived enjoyment and involvement with the website individuals exhibit, the higher flow state they are likely to experience. In testing the relationships respectively between flow and patronage intentions and the relationship between trust and patronage intentions, the results were positive and significant. We observed that our results differ compared to previous studies (Eastlick et al. 2006; Gefen 2000). Our findings suggest that flow seems to play a greater role compared to trust on patronage intention, flow having almost double the measured effects of trust in the circumstances of this particular study.

To conclude, the results indicate the significant role of website interactivity and social presence, though indirect via trust and flow, on patronage intentions for complex products. Although using only a single website and a single country sample, the findings also suggest that in some circumstances, such as the purchase of luxury goods, trust in the website may not be the predominant factor in purchase intentions. Owners of websites selling complex products may benefit from strategies that provide higher levels of social presence and interactivity as, in addition to their influence on trust, they also contribute to engagement, enjoyment and flow that significantly impact patronage intentions.

As with any research study, some limitations should be noted. First, the sample is not a probability sample and respondents are only from the UK, which limits the generalization of the findings. However, probability samples are difficult to obtain on the Internet and many studies do not use such samples. This study used a well-screened panel maintained by a large Internet research company to minimize some of the problems of Internet sampling and data reliability. Second, there are more ways of interacting with customers on websites that should be further investigated, e.g., some online stores offer their customers 'live' assistance through email chat or phone back that can respond to inquiries directly, it would be interesting to include such advanced interactive tools in further research. Third, this study is limited to the jewellery sector and one website, so research in other parts of the luxury goods sector will help generalizing the findings, as will investigating different sized companies and well-known companies in the sector. Nevertheless, this study gives a flavor of how website features impact on patronage intention in the jewellery sector, confirms the potential of interactivity and social presence to affect flow as well as trust and raises a question about the primacy of trust in all retail sectors.

References are available upon request

GENERATING TRUST IN E-SERVICES THROUGH SERVICE QUALITY: THE MODERATING ROLE OF TECHNOLOGY READINESS

Keyoor Purani, Indian Institute of Management Kozhikode, India
Sunil Sahadev, School of Management, University of Sheffield, UK

ABSTRACT

Trust is considered as a crucial objective in e-commerce. However the antecedents of e-trust are still not very clearly understood. Several authors have considered e-service quality as an antecedent of e-trust. While the empirical relationship between e-service quality and e-trust has been established in many studies, we still don't know much about the possible moderators with regard to this relationship. Our paper looks at the moderating role of Technology Readiness in the relationship between the different dimensions of e-service quality and e-trust. Technology readiness is an important construct as this reflects the individual's ability and readiness to interact with technology. Since the internet is shown to induce some level of technology anxiety among its users, it is possible that people with high level of technology readiness will use the internet more and become more familiar with the technology. Since familiarity is often considered as a pre-condition to generate trust, it is therefore natural to assume that users with high levels of technology readiness will also have a stronger relationship between service quality and e-trust. Similarly users with low levels of technology readiness will be less familiar with the technology and consequently may have a less stronger relationship between the perceived level of e-service quality and e-trust. We focus on four different dimensions of e-service quality – efficiency, fulfillment, systems availability and privacy. The propositions are tested through an empirical study conducted among users of job-sites in India. About 350 responses were collected to test the hypotheses. In general the moderating effect of TRI was quite evident except in the case of the relationship between privacy and e-trust. Results show that technology readiness index does have a positive moderating role as proposed across all the four dimensions of e-service quality. The moderating role is not very significant in the case of the relationship between privacy and e-trust.

**ELECTRONIC MARKETING IN THE SUSTAINABLE TOURISM INDUSTRY:
ARE SUSTAINABILITY CREDENTIALS REFLECTED IN WEBSITE CONTENT?**

Ed Petkus, Jr., Ramapo College of New Jersey, USA

ABSTRACT

This research examines the nature and scope of electronic marketing practices in the sustainable tourism industry; specifically, the congruency of tourism organizations' sustainability credentials with their electronic marketing efforts as reflected in website content. Content analysis of the websites of a global sample of 72 sustainable tourism providers, compared with the providers' documented sustainability credentials, reveals a low average congruency between credentials and electronic marketing efforts. Breakdowns of the results by region and by specific sustainability dimension are also reported, and the primary implication—missed opportunities—is discussed.

SESSION 11.4: ENVIRONMENTAL ISSUES IN MARKETING

Session Chair: Klaus-Peter Wiedmann, Leibniz University of Hanover, Germany

*“Technology Management of Natural Gas Vehicles:
Exploring Customers’ Perceived Risk Factors”*

Klaus-Peter Wiedmann, Leibniz University of Hanover,
Germany

Martin Kassubek, Leibniz University of Hanover, Germany

Nadine Hennigs, Leibniz University of Hanover, Germany

Lars Pankalla, Leibniz University of Hanover, Germany

“An Evaluation of Trends in Environmental Advertising”

Leonidas C. Leonidou, University of Cyprus, Greece

Constantinos N. Leonidou, Leeds University, UK

“The Piracy Paradox Persists in Cyber Space”

Peggy E. Chaudhry, Villanova University, USA

TECHNOLOGY MANAGEMENT OF NATURAL GAS VEHICLES: EXPLORING CUSTOMERS' PERCEIVED RISK FACTORS

Klaus-Peter Wiedmann, Leibniz University of Hanover, Germany
Martin Kassubek, Leibniz University of Hanover, Germany
Nadine Hennigs, Leibniz University of Hanover, Germany
Lars Pankalla, Leibniz University of Hanover, Germany

ABSTRACT

Developing alternative fuels and engines in the automotive sector touch the scope of duties for a sustainable and environmental energy policy with reference to the ecological and economic importance of automobiles. Within the ongoing trend to economical passenger cars and the growing number of offered alternative engines and technologies by the worldwide leading car manufactures, compressed natural gas (CNG) is seen as a short call alternative for traditional combustion engines. Understanding how firms can effectively manage the development of structural and technological challenges of alternatives technologies has become an important topic to researchers and practitioners in recent years. Part of this interest stems from the target of car manufactures and power suppliers to participate in the development of sustainable traffic solutions. In spite of the development of technologies with lower carbon dioxide emissions, the question of why the registration numbers of natural gas vehicles (NGVs) are contemporary lower as petrol or diesel driven passenger cars has been largely neglected by academic research.

Against this background, the purpose of this paper is to provide a conceptual framework which especially elaborates the influence of different risk dimensions on customers' attitude towards purchasing a natural gas vehicle (NGV). Based upon empirically verified risk factors, different groups of private drivers are categorized with regard to the various dimensions underlying the perceived risks associated with the purchase of a NGV.

All measures used in the study were adapted from existing scales, especially from the study by Stone and Grønhaug (1993). The wording of the items was adapted to reflect perceived risk in case of purchasing a NGV. Items were rated on five-point Likert scales because they are more commonly used in Germany than the seven-point scales. To investigate the research model, an internet survey with a snowball sampling method was developed in Germany. It has been organized using an Internet form sent to addresses gathered by students from a national university. We contacted private costumers via personalized emails with the invitation to actively contribute to the online survey. A total amount of 177 valid questionnaires was received.

Within the data analysis, we first uncovered the various dimensions underlying the perceived risks in case of purchasing a NGV by a factor analysis using the principal component method with varimax rotation. Then, the factor scores for each respondent were saved and consequently used in stage two for clustering them into market segments. The results strongly suggested the presence of four clusters: Cluster 1 is referred to as the NGV-interested urbanites, members of Cluster 2 are referred to as the ecology-minded traditionalists, Cluster 3 is referred to as the service-oriented individualist, and members of Cluster 4 are called the security-oriented conventionalists.

The cluster analysis results revealing four types of consumers based upon their risk perception might enable marketing researchers and managers to understand the multifaceted phenomenon of consumer hesitation and the gap between consumer pro-environmental attitudes and the intention to purchase a NGV.

References are available upon request

AN EVALUATION OF TRENDS IN ENVIRONMENTAL ADVERTISING

Leonidas C. Leonidou, University of Cyprus, Cyprus

Constantinos N. Leonidou, University of Leeds, UK

ABSTRACT

Recent evidence has shown that green advertising has grown exponentially in the last two decades (Futerra 2008), becoming the driving force behind increasing public awareness of ecological issues and skyrocketing demand for eco-friendly goods (Easterling et al. 1996; Polonsky et al. 1997). However, green advertising activity has recently run into major problems. The advertising industry, being quick to grasp changes in consumer tastes and moods, has noticed that many people are becoming increasingly sceptical about the credibility of environmental advertisements (Pfanner 2008). This is because of the increasing popularity and usage of environmental advertising among organizations, the growing number of consumer complaints regarding the misleadingness of these claims, and their serious concerns over their presentation. This urges for an evaluation of the practices and trends in the field. In light of the above, this study provides a thorough assessment of and establishes trends in international green advertising practices. Specifically, our study sought to assess international advertisements with regards to their: (a) key features; (b) message aspects; (c) copy characteristics; and (d) situation points.

The study was confined to international advertisements that had an environmental/green focus. These were identified from *The Economist*, a reputable international business magazine with a worldwide circulation. The study covered the period from 1988-2007 (representing altogether 944 magazine issues), a sufficiently large period to establish trends on the evolution of green advertising in this international communication medium. Out of the 33,349 advertisements scanned, a final sample that comprised 473 different green advertisements was derived. These were divided into three periods: 1988-1994 (220 advertisements), 1995-2001 (68 advertisements), and 2002-2007 (186 advertisements). Content analysis with the use of a coding frame was employed to extract the information from these advertisements. The coding task was undertaken by two research assistants under the close supervision of a principal investigator.

The analysis revealed that: an increasing number of international firms, particularly developed-country based manufacturers, use green advertisements extensively; most of the goods advertised are from environmentally high polluting industries and focus mainly on consumer rather than business buyers; green advertisements are increasingly focusing on consumption- rather than production-related issues, and are constantly becoming more detailed with regard to environmental matters; most of the green advertising claims are product-oriented, which are increasingly becoming more specific, stronger, and less-ambiguous, although some misleading elements still remain; copy-related dimensions are very distinct, predominated by declarative and informative headlines, as well as descriptive and rational body copies; and situation points illustrated mainly environmental scenes, sometimes accompanied by human beings and animals, while identification marks were virtually absent.

These results indicate that green advertising has an important role to play in communicating to various parties the firm's environmentally-friendly practices. This is specifically true for international organizations with a long and successful presence in the market wishing to build a pro-environmental image. It is, however, important to adopt a systematic, proactive, and well-planned approach to green advertising, rather than merely reacting to internal crisis situations, ecological disasters, or environmental public criticisms. At the same time, advertisers need to provide specific, detailed, and truthful environmental claims in order for these to be communicated effectively. Finally, as green advertising trends are constantly evolving in relation to changes in the firm's internal and external forces, it is important for managers to carefully monitor such trends in the market.

References are available upon request

THE PIRACY PARADOX PERSISTS IN CYBER SPACE

Peggy E. Chaudhry, Villanova School of Business, USA
Stephen A. Stumpf, Villanova School of Business, USA

ABSTRACT

Business managers need to monitor several trends relating to the protection of a firm's intellectual property on the internet. On the one hand, the internet has presented many companies with the opportunity to explore markets, gather information, and sell through the web. On the other hand, this virtual marketplace has been a way for unscrupulous players in an intricate game of cyber crime to renounce a company's intellectual property rights and channel illicit goods by way of the internet piracy pyramid. The overall positive growth in global technology, such as internet penetration rates, has paradoxically created a lucrative distribution channel for the counterfeit trade. The Business Software Alliance forecasts that the increased use of the internet, the proliferation of peer-to-peer networks, and the growth of broadband access will increase software piracy rates, especially in emerging markets such as China, India and Russia. A recent study conducted for the Business Software Alliance by Harris Interactive, involving 1,644 youth, found that young people clearly viewed downloading music (60%), software (56%), and games (54%) without payment less harmful than stealing from a store (92%). In 2005, the Motion Picture Association (MPA), in their study on the cost of movie piracy, found that the typical consumer of fake goods was aged 16-24, male, and lived in an urban environment. Although this demographic profile does not yield detailed segmentation, it does show the bias of the younger generation, the so-called Generation Me, as a 'willing player' in the internet piracy game.

The augmentation of legislation designed to curb internet piracy, such as the Digital Millennium Copyright Act (DCMA) in the USA, has ignited controversy surrounding its enforcement, especially the 'safe harbor' provisions. The recent divergent outcomes of the litigation filed against EBay for selling counterfeit goods at its internet auction site by both Tiffany's in the USA and Louis Vuitton in France is testimony to the legal dilemma facing firms that products are sold in global markets by way of the internet. In July 2008, after 4 years in the U.S. court system, a U.S. judge declined the liability of EBay regarding counterfeit jewelry sold at its site. However, in June 2008, a French court awarded Louis Vuitton €38 million for failure to block the sale of this luxury goods manufacturers items on EBay. One can question how much enforcement is required to seriously demotivate the main actors in this virtual piracy, such as the Warez groups to stop supplying the internet piracy pyramid. Overall, these groups are releasing the illicit products on the web as a matter of pride in an elaborate art of cracking the code and subsequently engaging in a "digital war" with copyright holders.

This paper presents an overview of the growth of internet piracy in the international marketplace. The ethical perceptions (or lack of) of the younger generation is addressed, in terms of their willingness to consume counterfeit goods on the web. Firms face the task of educating the consumer that downloading music, software, movies and the like, without compensation, is *unethical*. This awareness is critical for decreasing the demand for counterfeit goods in the virtual marketplace, where a consumer can exhibit a rogue behavior with a limited fear of prosecution. We address the internet piracy pyramid, which encompasses sophisticated suppliers/facilitators such as the Warez group. Recent government-led sting operations, such as *Operation Buccaneer*, are also depicted to highlight successful tactical maneuvers of enforcement agencies. An overview of the Digital Millennium Copyright Act, the No Electronic Theft Act, and the College Opportunity and Affordability Act is included to debate the controversy surrounding this legislation. It can be concluded that firms face a battle that is really just beginning; one which is to be fought in a virtual war zone and thus requires awareness of measurable implications and managerial talent that understands the key players.

References are available upon request

SESSION 11.5: ENTREPRENEURSHIP AND STRATEGY

Session Chair: B. Ramaseshan, Curtin University, Australia

“Italian Small and Medium Enterprises Abroad: Current Situation and Future Perspectives”

Elena Cedrola, University of Macerata, Italy

Loretta Battaglia, Catholic University, Italy

Alessandra Tzannis, Catholic University, Italy

“Factors Influencing Loyalty to Rewards in Small Business”

B. Ramaseshan, Curtin University, Australia

Andrew Guilfoyle, Curtin University, Australia

“Implementing Service Excellence to Become a Winning Organization”

Hina Khan, Newcastle Business School, UK

Katie Hedley, Newcastle Business School, UK

“The Development of Internal Trust in Service Branding: A Comparison of Large Organizations and SMEs”

Barbara Caemmerer, Univ. of Strathclyde, Scotland, UK

Edgar Centeno, Univ. of Strathclyde, Scotland, UK

Michael Marck, Univ. of Strathclyde, Scotland, UK

ITALIAN SMALL AND MEDIUM ENTREPRISES ABROAD: CURRENT SITUATION AND FUTURE PERSPECTIVES

Elena Cedrola, University of Macerata, Italy
Loretta Battaglia, Catholic University of Milan, Italy
Alessandra Tzannis, Catholic University of Milan, Italy

ABSTRACT

This paper explores the internationalization process of the Italian SMEs (small and medium enterprises), and aims to investigate their behaviour in the international contexts to ultimately outline general models able to optimize their peculiarities. The empirical study firstly examines 546 SMEs along their internationalization. The internationalization process is examined through its phases: decisions, marketing strategy, achievements and future perspectives. A second aim is to define sustainable paths for SMEs willing to expand successfully over the Country borders. It also proposes issues and managerial implications to be considered in the international development of Italian SMEs.

INTRODUCTION

Globalization is an expression of a rapidly growing and changing economy that has driven both large firms and small to medium sized ones to the same competitive arena (Fraser and Oppenheim, 1997). As a consequence it is very difficult for SMEs to operate in their traditional and protected markets (Etemad, 1999; Levitt, 1983). Despite their size and limits in structure, resources, organization, culture, etc, SMEs are forced to compete or collaborate with larger companies. As a matter of fact, internationalization has become a mass phenomenon, covering all businesses and all activities (Grandinetti and Rullani, 1996). To answer to the new scenario and the new competitive arena, SMEs have to face more changes than their larger counterparts. On one hand they must develop the basic conditions to achieve the requirement of competitiveness (Fahy, 2002; Grant, 1991; Mathew, 2003) starting from a disadvantageous position (Bell and Murray and Madden, 1991; Bonaccorsi, 1992; Etemad, 1999; McNaughton and Bell, 2000; Miesenbock, 1988). On the other hand, they have to face the lack of adequate theories and guidelines for an effective and efficient international growth.

Even if a literature review on marketing and international business outlines an unexpected vitality within small and medium enterprises in the international arena (Kohn, 1997; Hutchinson and Quinn and Alexander, 2005), theory has offered few contributions on their internationalization process (Etemad, 2004). Some researches has given interesting contributions on the achieved and forecasted benefits (Battaglia and Tzannis, 2007; Battaglia and Corsaro and Tzannis, 2006) and other scholars have focused on the analysis of the reasons why firms do internationalize (Cedrola, 2005). So far both theory and research have not adequately answered to the specific needs of SMEs when operating in international context.

The purpose of this paper is to identify the behaviour of Italian SMEs in international markets in order to catch the strategy adopted by these firms (reactive, active or proactive strategy) (Cedrola, 2005). Furthermore another aim is to outline paths of sustainable development for SMEs wishing to engage themselves across borders continuously.

OBJECTIVES AND RESEARCH METHOD

This research is born as a deepening of the companies' internationalization processes and aims to identify the behaviour of Italian SMEs on international markets. It also wants to define the paths and models of internationalization for small companies, taking into account the Italian peculiarities of sectors and districts, the international marketing policies and the instruments used in foreign markets. To achieve the objectives above mentioned, a two steps research has been defined: a quantitative research to gather general information on the internationalization phenomenon, and a qualitative research to deepen the most innovative or significant issues emerged in the quantitative step. The qualitative research also aims to support the definition of sustainable internationalization patterns that could absorb operational, organizational and cultural peculiarities of the companies we considered. The first part of the research required the definition of a questionnaire structured in two macro-sections: in the first one the main areas of companies' decision-making on international markets have been analysed. The issues we considered relate to the decision to operate abroad, the selected operational ways, the results achieved over time and the perspectives of further development. The second section of the research aims to understand the reasons why some small and medium enterprises do not have commercial or productive activities abroad, the motivations and the main difficulties encountered by managers. The questionnaire was submitted via e-mail (by fax in case of no e-mail reporting) first to a pilot sample of companies, then to a wider sample randomly selected by the databases of the Chamber of

Commerce and some trade associations (data collected from the third quarter 2006 to the third quarter 2007). The resulting sample consists of 5000 Italian SMEs belonging to different industries. The respondents were 546.

RESULTS AND FUTURE PERSPECTIVES

The opening up of markets has made more difficult, if not practically impossible for SMEs, to seek refuge in their own 'protected' traditional markets. In particular, the difficulties encountered by companies abroad are divided into two macro categories: those regarding the economy of Countries (customs, instability...), and those related to their characteristics (culture, trust, ...). Among these topics, the protective barriers in some extra UE Countries, are an obstacle for 44% of the respondents. Such a result echoes the data previously noted regarding the motivations for which companies expand abroad, and confirms how cultural differences can preclude this expansion, as pointed out by 25% of respondents. Furthermore, 31% of them pointed out difficulties regarding the lack of trust against counterparts, fearing that their products might be counterfeit. Despite all those difficulties, even Italian SMEs of different sectors succeed abroad.

As far as the performance of the analyzed companies, the existence of an active or passive position towards internationalization was first of all considered. Only 15% of the companies declared to operate only on demand, while 11% on their own initiative and 74% in both ways. This is quite different from theoretical writings, where the international activities of the SMEs are largely concentrated on participation at trade fairs, followed by a waiting for orders. In terms of average number of foreign customers, 61% of companies declared to have a foreign portfolio of over 20 customers, 13%, between 10 and 20 and 17% between 4 and 10 foreign customers. In terms of product destination countries, there is a substantial number of companies operating in many countries. In the textile and footwear industries 15% of the enterprises export in 1 to 3 countries, while the mechanic industry tends to be present in many countries simultaneously (5% in 9 countries, 1% in 10).

In view of this decisively active position, our research also identified a change in course from an organizational/managerial point of view. The difficulties on foreign markets are often attributed to a lack of specialized resources, as well as organizational skills, since all the decisions would be made by the entrepreneur. Indeed 57% of the sample developed new company skills: in 30% of the cases a foreign office has been established to look after staff training, while specialized personnel have been hired in 25% of the companies.

Collaboration among companies and the accomplishment of international networks is one of the strong elements on which SMEs can and must invest in order to facilitate and make their penetration on foreign markets more profitable. Furthermore other factors are exploited and developed by the companies. The most cited in literature (Cedrola, 2005; Moini, 1995; Namiki, 1988) are product quality, price, ability to adapt to the variations and specifications of the different clients, innovation, design and service level connected with the offer. On average, companies declare to have largely invested on product quality (57%) followed at a distance by innovation and the other factors. The importance attributed to flexibility is surprising medium level, despite flexibility is known as a specific characteristics of Italian SMEs management. It is interesting then to explore the different entrepreneurial approaches in the various industries. The data show how some sectors 'vivaciously' invest in the factors they consider their strong points for internationalization (quality, design and product innovation for footwear and textile-clothing sectors, quality for the food as well as for the mechanic and chemistry sectors), while the policies of others are less strong (furniture, trade, construction, services). It is also interesting to note how some sectors invest very little on service level and production flexibility, such as, paradoxically, trade and service sectors. The price lever, on the other hand, is considered of little importance, in particular by the trade, construction and footwear sectors, while it is still relatively important for the other sectors. The declarations of the entrepreneurs confirm the importance given to design by the footwear, textile and furnishing sectors. The country of origin factor is considered a strength only by 27% of the companies, while 61% consider it as quite an important factor, and the remaining 12% do not consider it a strong point.

With regard to the production flexibility, 75% of the companies have made no changes in order to penetrate foreign markets, and 78% have not developed different services from the domestic market ones. Product modifications, besides technical adaptations to different standards or regulations, also include changes related to the final user, while service localization indicates various elements, from language to information and manuals, to assistance and web services. As for distribution, the analysis does not only consider the export form and the entry channels, but also investigates all the procedures for entering foreign markets. The results clearly express the preference for export, which is deeply rooted in a typical ethnocentric approach. Only 17% out of 72% of companies choosing export, opted for a direct way with an export manager and sales offices. The majority use almost exclusively agents, representatives and distributors in the markets of interest. In some way

ensuring a certain proximity to the customer. Both direct investments and collaborations abroad are small, even if they should contribute to improve the international performance of the SMEs, especially of smaller ones.

As far as promotional activities abroad are concerned, the data show that communication has an important role in the process of internationalization. Indeed, 82% of the sample are active promoters of their business and it is not surprising that new technologies are the dominating instrument; for 75%, in fact, the company website is the quickest showcase to promote the firm and its products. Although 43% of the companies publish advertisements in specialized magazines, direct contact remains the Italian entrepreneurs favourite tool. In fact trustworthy relationships are created and consolidated through face-to-face contact, during which a viewpoints exchange and adaptations can be more easily managed.

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

In order to adapt a company and its products to Country's needs, values and expectations, it is necessary to realize a process of internationalization that involves all company's decision making, management, organizational and marketing procedures, and the people who operate directly or indirectly abroad. This research presents the main empirical data resulting from the questionnaire and from the first interviews with the more proactive companies of the sample. Although a weak managerial approach was proved, some original considerations emerged on companies' behaviour. These can be summed up according to two interpretative lines: one referred to operations and the other referred to strategies. Here below we give a rough representation of the aspects that characterize the two trends.

In the *operational domain* two themes related to both the operational management as to the marketing choices have come up. Italian small and medium enterprises are consolidated and widespread on the international market in terms of a lengthy presence abroad, in terms of number and type of customers and of percentage of foreign turnover. They have been operating abroad for over ten years and are both micro and larger companies, and operating in a large number of Countries simultaneously, independently of geographic closeness and reduced cultural distance. Moreover Italian SMEs show an entrepreneurial behaviour in all operative phases of the internationalization process, contact and attention to certain customers, specialization of product or service, attention to quality or to elements which are focus factors of the business. In synthesis firms show a punctual reaction to the extreme competitiveness. Almost all of the companies have promotional activities abroad. Companies that operate on niche markets prefer specialized press and fairs, other companies concentrate on fairs and websites and adopt a general approach. They tend to 'non-localize' the product, favouring quality and design rather than flexibility of the production process and product modification. This is due to excess of production capacity, niche specialization and to a limited knowledge of the cultural differences of Countries. Finally, they dedicate little attention to service, limiting themselves to supply formulas that are mainly requested by indirect channels.

As for *strategies*, Italian SMEs show a predominantly reactive behaviour, and operate abroad more for necessity than for strategic vision. They typically look for 'new markets' and 'respond to requests coming from abroad'. This means a lack of a long term vision and entrepreneurial management. Companies think that collaboration and alliances are not much significant because they do not foster the business expansion. Suspicion and lack of trust limit and prevent innovation and working together. SMEs consider not so relevant the fact of being Italian. The 'country of origin factor' seems to be less important than quality, thus showing a mistrust both in collective actions to support the brand, as in relation to public/private institutions and bodies whose mission is to promote the "made in Italy" and related products and companies. They use traditional distribution channels and do not employ more efficient and effective developed ones, such as joint ventures and franchising. This probably because they do not understand their potentiality and mistrust what they scarcely know (for example control procedures, contractsetc.). These elements further underline the scarce knowledge of cultural differences and distances. Italian SMEs look for information about new and potential markets in a discontinuous and unstructured way; they search, and only occasionally use external service agencies to find ad hoc information. Finally, they scarcely invest in service, although they are aware they cannot avoid a direct and continuous contact with the market, whether they operate in a niche market or not.

The above considerations, even though they do not include all the outcomes of the research, encourage us to propose an interpretative model that can be useful both to sketch the present situation, and to lay out an evolutionary pathway for those companies which intend to play an active role on the international markets. The importance of product and process innovation is confirmed, but this is not the only focus of small and medium firms that want to survive and consolidate their position on international markets. In many cases an enterprise alone has not enough financial resources and expertise to afford the innovation. And the focus on process or product does not guarantee markets alignment. Working together with key clients or distributors and exploiting the existing "good relationships" could provide new perspectives and growth

opportunities. We highlighted as elements of the ‘evolutionary’ pathway, on one hand companies’ behaviour on international markets, and on the other hand companies’ strategic orientation. The ‘evolutionary’ pathway is shown in figure 1. The behavioural development of Companies, represented on the vertical axis, shows the importance of a move from an individualistic approach to a cooperative and inter-territorial network one, passing through an intermediate stage where local/regional/national collaborations predominate. In other words we state how crucial alliances and collaborations are, particularly the vertical ones. But to collaborate or to realize alliances trust development is a must.

The abscissa, illustrates the strategic development of internationalization: it goes from very passive entrepreneurial interpretations, excessive production capacities, waiting for orders from abroad, to the localization of the strategy and the marketing mix. Also in this case, we notice intermediate levels of offer that is customized and specialized for transnational niche markets. In this case we underline the importance, for Italian SMEs, to realize a real customer orientation. Customers orientation implies the understanding of customers and markets, where the understanding of culture is crucial.

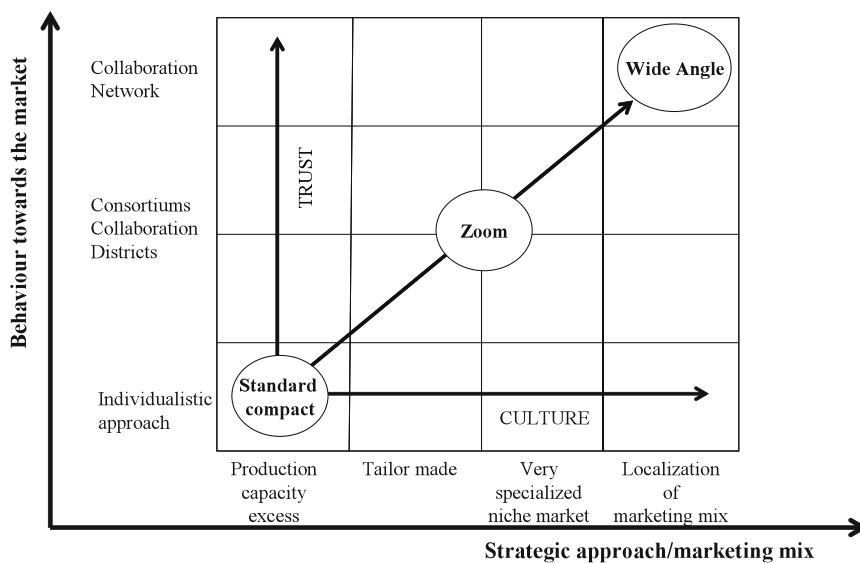
The development line of the two combined dimensions leads the companies to grow along the diagonal of the graph. To express it in photographic terms, companies move from a ‘standard/compact’ situation to a ‘wide-angle’ one, stimulating innovation in process/product and in market approach, and using relations, information and knowledge as prior requirements. In this case, information and knowledge must be diffused, shared and distributed within the company, its relational partners and its networks. Culture and trust are critical factors for the development of the firm.

From a managerial point of view the study and the acknowledgement of cultural distances, make way for a clear comprehension of potential markets, an understanding of trading partners and relationships, and a better definition of both strategic and tactical approaches. Trust is the true obstacle for Italian SMEs, as it implies an effective sharing of expertise and knowledge without which a small or medium sized company cannot put into practice durable growth and internationalization policies.

The best practices analyzed show unbalanced approaches to be exploited in depth: some firms stress their attention on marketing, other ones on alliances, others on innovation. It is difficult to find out behaviours that are a good mix of the three ways. This is the real challenge for Italian SMEs in next future.

FIGURES

Figure 1: Interpretative model



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FACTORS INFLUENCING LOYALTY TO REWARDS SCHEMES IN SMALL BUSINESSES

B. Ramaseshan, Curtin University of Technology, Australia
Andrew Guilfoyle, Curtin University of Technology, Australia

ABSTRACT

This research is concerned with determining the potential antecedents of program loyalty in the context of small businesses. There are several component attitudes of high order constructs that determine loyalty towards a rewards scheme. These include program satisfaction, program perceived value, program affect and program trust. A multiple regression analysis indicated that the four predictor variables together explain 69.9 per cent of the variance (R-Square) in program loyalty. Program trust has the most influence in predicting program loyalty. This is followed by program affect, program perceived value and program satisfaction respectively. The implications for managers of small businesses are discussed.

INTRODUCTION

The widespread uptake of loyalty programs began in the 1980's (Shugan, 2005; Sharp and Sharp, 1997; O'Brien and Jones, 1995) and "exploded" in the late 1990's (Kumar and Reinartz, 2006, p.169). While previous studies have examined the benefits and limitations of loyalty programs, empirical examinations of the determinants of program loyalty are scarce (Yi and Jeon, 2003) particularly in the context of small businesses. The only antecedent variable of program loyalty that has been investigated is the perceived value of a rewards program (Yi and Jeon, 2003). This research aims to identifying constructs that can be adapted from the existing customer and brand loyalty literature to the loyalty program context as component attitude predictor variables particularly in the context of small businesses. Identification of antecedents of program loyalty will add to the understanding of this concept and allow managers to tailor their loyalty programs to reflect the relative importance of these determinants.

LITERATURE

There are a wide variety of loyalty programs existing throughout the economies of the world (Shugan, 2005; Sharp and Sharp, 1997). These programs range from simple punch-card systems to very complex card-based systems which collect and analyse huge amounts of data on every customers' purchasing behaviour (Loveman, 2003). A review of the literature regarding the concept of loyalty revealed that this concept may exhibited towards companies, brands, services, stores, product categories, activities (Uncles, Dowling and Hammond, 2003) or, most recently, loyalty programs (Yi and Jeon, 2003). Rothschild and Gaidis (1981) were one of the first authors to discuss the concept of program loyalty. Those authors used behavioural learning theory to propose that the type of incentives that many customer loyalty scheme offer may induce loyalty to the program (deal loyalty) rather than to the core product or service (brand loyalty). Yi and Jeon (2003, p.232) saw program loyalty as similar to Yim and Kannan's (1999) reinforcing loyalty, viewed program loyalty as loyalty towards incentives, and defined program loyalty as "having a high relative attitude leaning toward the loyalty program."

Yi and Jeon (2003, p.232) argued that as customers can have loyalty towards more than one alternative (Yim and Kannan, 1999) it is "possible to distinguish between program loyalty and brand/retailer loyalty in the conceptualisation of customer loyalty by examining whether customers' repurchasing tendency is due to a product or loyalty program." Figure 2.12 illustrates the conceptualisation of the loyalty framework (Dick and Basu, 1994) modified by Yi and Jeon (2003) to include target and attitude and program loyalty.

FRAMEWORK

The framework conceptualises the role of program loyalty based on Morgan and Hunt's (1994) 'Commitment-Trust Theory of Relationship Marketing', Chaudhuri and Holbrook's (2001) examination of trust and affect in loyalty, De Wulf, Odekerken-Schroder and Iacobucci's (2001) investigation of relationship marketing tactics on relationship quality, Yi and Jeon's (2003) examination of program loyalty, component attitude research (Garbarino and Johnson, 1999; Rust, Zahorik and Keiningham, 1995; Czepiel, Rosenberg, and Akerele, 1974), and Garbarino and Johnson's (1999) research into the mediating variables of customer relationships. The proposed theoretical model is presented in [Figure 1](#).

The antecedents that will be hypothesised to act as independent or predictor variables to program loyalty in this research are: (1) program satisfaction, (2) program perceived value, (3) program affect and (4) program trust. These variables were

selected from an extensive evaluation of all potential antecedents of customer loyalty identified in the literature and adapted to the loyalty program context. Based on the extensive literature the following hypotheses are formulated:

- H1: Program satisfaction has a positive impact on program loyalty.
- H2: Program value perception has a positive effect on program loyalty.
- H3: Program affect has a positive effect on program loyalty.
- H4: Program trust has a positive impact on program loyalty.

METHOD

The population for the study consisted of loyalty program members from a small businesses retail pharmacy. This company was chosen due to the suitability of the loyalty program they have in operation which was considered to be 'standard' and representative of those adopted by many small independent retailers. The total sample frame for the retail pharmacy was 500. Of this sample frame, 238 usable responses were obtained, resulting in a response rate of 47%. A total of 26 responses were discarded due to either large amount of non-responses or a lack of cognitive thinking when filling the survey (i.e. same numbers consistently circled even for reverse coded questions). Incentives were offered to the members of the retail pharmacy in an effort to improve response rates.

Program Loyalty has been operationalised by Yi and Jeon (2003) as a high relative attitude towards the loyalty program. The measure is a three-item scale using 7-point rating scales anchored with strongly disagree / strongly agree. The scale by Cronin, Brady and Hult (2000) and subsequently utilised by Harris and Goode (2004) was adapted to measure satisfaction with the loyalty program specifically. The scale by Yi and Jeon (2003) was used to measure value perception of a loyalty program across five items: cash value, relevance, aspirational value, redemption choice and convenience. Brand affect was measured by Chaudhuri and Holbrook (2001) as a three-item index based on seven point ratings of agreement (1 = strongly disagree, 7 = strongly agree). This research adapts the brand affect concept specifically to the loyalty program and defines program affect as a loyalty program's potential to elicit a positive emotional response in the average consumer as a result of its use. Brand trust was measured by Chaudhuri and Holbrook (2001) as a four-item index based on seven point ratings of agreement (1 = strongly disagree, 7 = strongly agree). This research adapts the brand trust concept specifically to the loyalty program and defines program affect as the willingness of the average consumer to rely on the ability of the loyalty program to perform its stated function.

RESULTS

The reliability coefficient Cronbach alpha for each of the scales program loyalty, program satisfaction, program perceived value, program affect and program trust were .741, .715, .736, .865 and .826 respectively suggesting acceptable reliability. A multiple regression analysis indicated that the four predictor variables together explain 69.9 per cent of the variance (R-Square) in program loyalty, which is highly significant as indicated by the F-value of 135.005. The ANOVA table also indicates that the overall regression model is significant at 0.0001 indicating that the estimated model does exist and is statistically significant.

An examination of the T-values indicates that all four predictor variables (program satisfaction, program perceived value, program affect and program trust) contribute to the prediction of customer loyalty. The Beta values demonstrate which variable has the most influence on the overall model. Of the independent variables, program trust has the most influence in predicting program loyalty, indicated by the highest standardised Beta score of 0.315, significant at the 0.000 level. The results are presented in [Table 1](#).

The results presented in [Table 1](#) indicate that the four predictor variables are significant and contribute to the prediction of program loyalty. Support to H1, H2, H3 and H4 suggests that (i) program satisfaction does have a positive impact on program loyalty, (ii) the program perceived value does have a positive impact on program loyalty, (iii) program affect does have a positive impact on program loyalty, and (iv) program trust does have a positive impact on program loyalty respectively.

DISCUSSION AND CONCLUSION

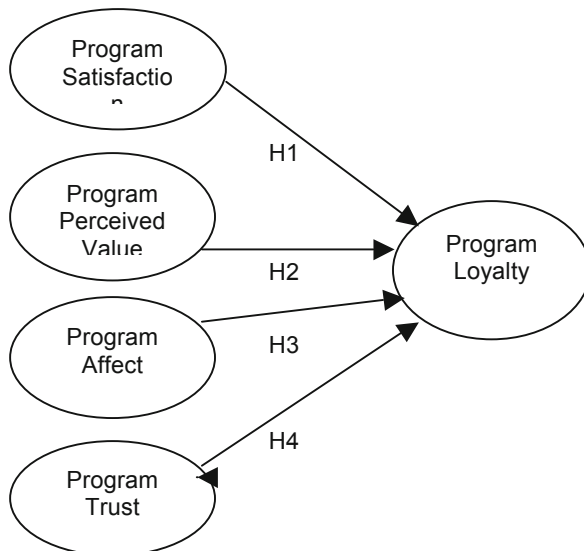
The study found that the four predictor variables together explain 69.9% of the variance in program loyalty. All variables were significant with program trust having the highest Beta (0.315) and therefore the greatest influence on program loyalty.

The relatively high level of variance explained by the four predictor variables indicates that these four variables explain program loyalty reasonably well. The finding that program perceived value has a positive impact on program loyalty is consistent with existing program loyalty literature (Yi and Jeon, 2003). The findings that program trust and program affect have a positive impact on program loyalty is consistent with the existing brand loyalty literature (Chuahduri and Holbrook, 2001) in a program loyalty context. The finding that program satisfaction has a positive impact on program loyalty is consistent with the literature that satisfaction is an enduring determinant of loyalty (Harris and Goode, 2004). Overall, these findings expand and contribute to the program loyalty literature.

The results of the research have several important implications for managers of small business independent retailers operating, or considering the implementation of, a loyalty program. The relative influence of the antecedents of program loyalty indicates that loyalty program members place high importance on the trust and affect of a loyalty program. Trust leads to loyalty because it creates exchange relationships that are highly valued. Affect creates loyalty because it makes consumers feel 'happy', 'joyful' or 'affectionate' and leads to affectionate attachment. The results of this research indicate that if managers focus on creating trust and affect towards their loyalty programs, they are more likely to have customers loyal to their program. This can be achieved by making the program seem as trustworthy as possible, and tailoring the program to inspire positive feelings of affect in members.

FIGURES

Figure 1: Antecedents to Program Loyalty



TABLES

Table 1: Results from Antecedents of Program Loyalty Regression

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.108	.250		-.432	.666
ProgramSatisfaction	.157	.034	.198	4.570	.000
ProgramPV	.234	.072	.205	3.254	.001
ProgramAffect	.247	.061	.265	4.066	.000
ProgramTrust	.344	.059	.315	5.788	.000

Predictors: (Constant), ProgramTrust, ProgramSatisfaction, ProgramPV, ProgramAffect
 Dependent Variable: ProgramLoyalty

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IMPLEMENTING SERVICE EXCELLENCE TO BECOME A WINING ORGANISATION

Hina Khan, Northumbria University, United Kingdom
Katie Hedley, Northumbria University, United Kingdom

ABSTRACT

The importance of service quality in service firms is paramount and has led to increased awareness of the significance of internal marketing to employees. This paper investigates the implementation of service excellence within an SME with emphasis on how organisations should treat their employees as customers in order to motivate them and in turn provide clients with outstanding service. It identifies the practices that organisations should be implementing in order to achieve organisation goal.

The study further investigates how SMEs are making the changes within their organisational culture. It explores ideas on how service excellence can differentiate an organisation from its competitors and identifies key factors. Thus, the paper bridges the gap by presenting a refine definition and a model of service excellence from the findings. The study also identifies that service excellence is seen as an ever evolving journey that the best practice in this area may become outdated due to the ever changing competitive service industry, and therefore recommends the continuous benchmarking of such internal activities.

THE DEVELOPMENT OF INTERNAL TRUST IN SERVICE BRANDING – A COMPARISON OF LARGE ORGANIZATIONS AND SMES

Barbara Caemmerer, University of Strathclyde, UK
Edgar Centeno, University of Strathclyde, UK
Michael Marck, University of Strathclyde, UK

ABSTRACT

As resources for businesses become increasingly rare, awareness of responsible marketing management practices is growing. Accordingly, relationship marketing strategies have gained importance over the last two decades. While a lot of research has been conducted in large organizations, little is known about how SMEs are implementing such strategies. In particular, little is known how the development of internal trust is used in developing service brands in SMEs. This paper addresses this gap by comparing the development of internal trust in service branding strategies between large organizations and SMEs. Semi-structured interviews with managers of large organizations and owners of SMEs were conducted. The qualitative findings suggest that while there are similarities in the importance placed on the development of internal trust, there are also important differences such as the management practices used to develop trust as well as the motivations behind it.

The paper contributes to existing knowledge by providing first empirical evidence that across organizations studied, regardless of size or service industry, the establishment of internal trust is seen as a critical element in service branding. Secondly, the data reveal that across organizations management appears to link the establishment of internal trust with the development of a consistent service brand which is reinforced throughout all organizational activities. Thirdly, the empirical evidence presented suggests that many management practices used to establish internal trust are similar across organizations of different sizes and service industries, such as the introduction of brand values, internal communications tactics, hiring and training. However, there are also important differences. For example, with regard to internal communications, SMEs tend to focus on informal communication initiatives, such as informal conversations with particular members when encountering client service problems, or social events which would lead to job related conversations while large organizations seem to mainly rely on organization-wide formal communication efforts. These include internal newsletters, the intranet and formal staff briefings. However, in the large organizations studied here, also increasingly attention is paid to the inclusion of more informal communication elements at a branch or team level. In particular, the re-introduction of more interactive and personal communications initiatives to engage employees in the development of service improvement strategies is seen as useful. It is believed that this type of empowerment also enhances employee trust in the organization. Fourthly, the data revealed that there are differences in emphasis on the establishment of internal mutual trust: Owners of SMEs are engaging in personal conversations to constantly reassess the trustworthiness of their employees. This may be due to the fact that in many cases SMEs cannot afford formal and structured control mechanisms, such as performance measurement and related reward schemes. In contrast, large organizations use structured performance review processes to assess employees. It is possible that managers of large organizations have to rely on such mechanisms as they cannot establish mutual trust on a personal level with each employee due to the size of their organizations. Finally, large organizations perceive a greater threat that employees may lose trust in the organization due to a variety of internal and external factors, such as workflow problems between teams, organizational restructuring and negative media coverage. Therefore, the management practices discussed above are used to constantly reassure employees of the organization's brand, its mission, values, strategies and service objectives, as well as to assess their performance. While owners of SMEs also feel that it is important for employees to trust the organization, they do not perceive a strong threat of losing employees' trust. Instead, they are more concerned with trusting their employees. For example, many feel threatened that newly hired employees may not fit in with the organizational service brand values, as this may cause problems with their integration into existing teams, as well as with their service performance due to factors such as higher numbers of absent or sick days. The data suggest that such employees may disrupt the internal service brand, which in turn could have a negative impact on employees' trust in the service brand of the organization.

References are available upon request

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LIST OF CONFERENCE PARTICIPANTS

- A**
Abrate, Graziano 5.5
Ahmed, Zafer U. 6.2
Alam, Intekhab 1.2
Albaum, Gerald 6.1
Albrecht, Carmen-Maria 5.6; 10.3
Alessandra, Tzannis 1.3
Andersson, Svante 2.4
Andras, Trina Larsen 8.6; 11.3
Ashley, Christy 5.4; 8.4
Auh, Seigyoung 8.5
Awuah, Gabiel 2.4
- B**
Baalerud, Heidi 6.5
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Bell, Simon J. 8.5
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Bian, Xuemei 6.3
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Borges, Adilson 8.4
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Bowden, Jana 9.3
Bozbay, Zehra 10.3
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Brown, James R. 8.4
Bruce, Margaret 6.4; 8.2; 9.6
Brunso, Karen 1.5
- C**
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Callaghan, Michael 10.5
Campbell, Colin 8.5
Capriello, Antonella 5.5
Carrigan, Marylyn 7.3
Cassia, Fabio 7.6
Cedrola, Elena 11.5
Centeno, Edgar 11.5
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Chaniotakis, Ioannis E. 3.2
Charavitsidou, Petroula 9.5
Chaudhuri, Arjun 5.4
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Chen, Yi-Min 3.6
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Cismaru, Magdalena 10.2
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Crespy, Charles 2.1
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- E**
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Efrat, Kalanit 4.2
Eggert, Andreas 1.5
Eiting, Alexander 4.5
- El-Ansary, Adel 3.1; 11.3**
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Hansen, Jared M. 6.1
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 Wood, Greg 10.5
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Yee, Esther Li Ling 4.5

Yip, Christine 7.4

Yusuf, Farhat 1.2

Z

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Zhang, David Di 5.2