Kacy K. Kim   *Editor*

# Celebrating America's Pastimes: Baseball, Hot Dogs, Apple Pie and Marketing?

Proceedings of the 2015 Academy of Marketing Science (AMS) Annual Conference

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Celebrating America's Pastimes:
Baseball, Hot Dogs, Apple Pie and Marketing?

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

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Editors

# Celebrating America's Pastimes: Baseball, Hot Dogs, Apple Pie and Marketing?

Proceedings of the 2015 Academy of Marketing Science (AMS) Annual Conference

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# Preface

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

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

1. Provide leadership in exploring the normative boundaries of marketing, while simultaneously seeking new ways of bringing theory and practice into practicable conjunction.
2. Further the science of marketing throughout the world by promoting the conduct of research and the dissemination of research results.
3. Provide a forum for the study and improvement of marketing as an economic, ethical, social, and political force and process.
4. Furnish, as appropriate and available, material and other resources for the solution of marketing problems, which confront particular firms and industries, on the one hand, and society at large on the other.
5. Provide publishing media and facilities for fellows of the Academy and reviewer assistance on the fellows' scholarly activities.
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7. Assist fellows in the better utilization of their professional marketing talents through redirection, reassignment, and relocation.
8. Provide educator fellows with insights and suck resources as may be available to aid them in the development of improved teaching methods, materials, devices, and directions.

9. Seek means for establishing student scholarships and professional university chairs in the field of marketing.
10. Offer Fellow of the Academy status to business and institutional executives and organizations.
11. Modify the Academy's purpose and direction as the influence of time and appropriate constructive forces may dictate.

Elon, NC                                                                        Kacy K. Kim

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# Session 1.1
# Luxury and Social Comparisons

# Is It Beneficial for Luxury Brands to Embrace CSR Practices?

**Sihem Dekhili and Mohamed Akli Achabou**

**Abstract**  Despite the strong "ethical ethos" that appears to govern business today, recent studies have questioned the usefulness of using the environmental argument in the luxury sector. Adopting a qualitative methodology involving 39 French consumers, our paper identifies five reasons why luxury managers may be reluctant to promote sustainable development, i.e., the perception of the low environmental impact of the luxury industry, socially related benefits, the gap between the universe of luxury products and that of sustainable development, a negative impact of ecological criteria when included in luxury items, and the many selection criteria that come into play when purchasing luxury products. We end our paper with some recommendations for responsible corporate communication.

**Keywords**  Consumers • Ecology • Luxury • Perceived quality • Sustainable development

## Introduction

The question of the compatibility between luxury and sustainable development has aroused the interest of numerous management scholars in the last 5 years (Achabou and Dekhili 2013; Carrigan et al. 2013; Cervellon and Shammas 2013; Kapferer 2010), largely due to the increasing number of socially responsible actions adopted by luxury brands. In fact, luxury brands began taking sustainability into account at the beginning of the twenty-first century but, given the culture of secrecy that has always been a feature of the luxury market (Carrigan et al. 2013), chose not to provide much information on the subject (Kapferer 2010). Today, the situation is changing to some extent as several luxury brands have decided to communicate their

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sustainable development policies more widely, notably in detailed reports (Kapferer and Michaut-Denizeau 2013). This has come in response to the many criticisms leveled against the luxury sector, accused of not embracing social and environmental challenges as key aspects of their strategy (Carrigan et al. 2013) and the fact that the sector is associated with the idea of wasting resources for the pleasure of a fleeting happiness (Kapferer 2010). The trend is also dictated by the wish to avoid potential harm to their reputation, something that is more of an issue for luxury firms than other sectors of activity (Bendell and Kleanthous 2007). In effect, several luxury brands have been the target of negative publicity campaigns in recent years, forcing them to react: Gucci was accused of mistreating its employees in its shops in Shenzhen, while the Prada and Dolce & Gabbana brands were accused of exploiting Chinese immigrants in their factories in Tuscany (Janssen et al. 2014). In addition, luxury brands can no longer rely simply on their brand name or on the quality and rarity of their products to meet the demands of consumers, as the latter is increasingly sensitive to environmental and social issues (Kim and Ko 2012). Indeed, luxury consumers now want more than just quality and demand greater environmental and social accountability (Lochard and Murat 2011). Sustainable development is thus a new imperative for luxury consumers, especially as the price allows them to be far more demanding than in other sectors (Achabou and Dekhili 2013).

However, some studies (Bendell and Kleanthous 2007) have argued that the direct impact of luxury on the environment is less important than in other sectors. Luxury appears to be criticized not so much for its considerable impact on the world's resources, but rather because of its high visibility, its strong symbolic value, and its enormous power, which is far greater than its real economic power (Kapferer 2010). In addition, findings from a recent study on recycling practices (Achabou and Dekhili 2013) lend support to the apparent mismatch between sustainable practices and luxury products, highlighting the contradiction between luxury and sustainable development.

There is, thus, a lack of consensus in the literature on the utility of adopting sustainable practices in the luxury industry, despite its importance for managers in the sector. Our study therefore proposes to determine in which manner CSR activities are beneficial (or not) to luxury brands. To gain clearer insights into the matter, the paper has been divided into three parts: (a) the first part examines the reasons that incite luxury brands to adopt a sustainable development position, exploring the potential incompatibility between luxury and sustainable development; (b) in the second part, we identify the inconvenient of CSR practices in the case of luxury; and (c) we then set out recommendations for managers to help them to better deploy the sustainable argument in the case of luxury products.

## The Sustainable Commitment of Luxury Brands: A Key Strategy

Despite the economic crisis that has affected the global economy in recent years the luxury sector has continued to boom (Carrigan et al. 2013). Its high profits and VIP and celebrity consumers have put it very much in the public eye (Kapferer 2010). In

particular, the behavior of luxury firms in terms of social and environmental responsibility (Carrigan et al. 2013) has been strongly criticized by sustainable development activists (Kapferer and Michaut-Denizeau 2013). One of the main criticisms concerns the use of animal-sourced products and cruelty to animals arising from industrial breeding practices. Luxury also encourages the development of illegal activities, such as the sale of ivory, for example (Bendell and Kleanthous 2007). Critics have also pointed to employees' working conditions, in particular, damage to their health as a result of unregulated pesticide use in cotton production, child labor, and polluting production methods in countries where the raw materials are extracted (Kapferer and Michaut-Denizeau 2013). Luxury brands are also accused of fostering social inequality between the rich and poor (Kleanthous 2011), the over-indebtedness of some consumers and digital manipulation of photos[1] (Carrigan et al. 2013).

In addition to these criticisms, luxury brands need to meet the requirements of an increasingly educated luxury consumer elite with greater sensitivity to environmental and social issues. Today, these consumers attach considerable importance to a brand's integrity (Brunel and Pouliquen 2009) and use luxury brands not only to signal their identity and their individual values, but also to reflect their concerns and aspirations for a better world (Bendell and Kleanthous 2007). Many consider that luxury brands should use some of their high profits to finance environmental and social projects (Cervellon and Shammas 2013).

In the face of these criticisms and to address the demands of their stakeholders, especially consumers, more and more luxury brands include CSR in their mission statements, aims, and strategies (Cervellon and Shammas 2013). Some have made sustainability their new business model (e.g., Stella McCartney, Katherine Hamnett), while others have incorporated it at different stages of their value chain (e.g., Porsche, LVMH), or have opted to contribute to humanitarian and/or environmental causes (e.g., Armani and Unicef, Vuitton, and the Climate project) (Cervellon 2013). Brands have increasingly adopted environmentally friendly policies, e.g., Tanneries de la Comète (LVMH) that use vegetable extracts in the leather tanning process, Kering/PPR products, such as Gucci or Sergio Rossi, that use packaging made from recycled materials, or Porsche that manufactures its cars with 85 % of wholly recycled materials. Subsequent to the number and scope of sustainable actions adopted by luxury brands, recent research (Achabou and Dekhili 2013) has explored the relevance of adopting certain responsible practices, particularly recycling, calling into question the compatibility of luxury and sustainable development.

## Issue of Compatibility between Luxury and Sustainable Development

Luxury seems to be associated with certain qualifiers (ostentation, superficiality, addiction) that are different from those linked to sustainable development (wisdom, ethics, and moderation) (Widloecher 2010). It is also identified with the irrational,

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[1] Brands often use very thin models, considered as "the norm" by some consumers and leading to public health issues (eating disorders among women).

superfluous, excess and social inequality (Cervellon 2013; Janssen et al. 2014; Kapferer 2010).

At the same time, some authors (Cervellon and Shammas 2013; Hennigs et al. 2013; Janssen et al. 2014) have highlighted specific aspects of luxury products that are inline with sustainable development principles. In effect, luxury brands are the antithesis of short-cycle fashion insofar as consumers display strong attachment to the products they buy (Carrigan et al. 2013). Their production in small series is less of a threat to the planet's resources than mass produced products (Kapferer 2010). In addition, the quality and attention to detail make the products more resistant, with the result that their financial value increases over time. Unlike the fashion industry which adopts a short-cycle strategy and programmed obsolescence, luxury adopts a long-term perspective and sustainability is one of its core values (Janssen et al. 2014; Kapferer 2010). Thus, the brands' after-sales service promotes product longevity. The Louis Vuitton brand, for example, has five centers in Japan to ensure that damaged products can be continued to be used. Luxury brands have also embraced recycling (Cervellon and Shammas 2013). Rarity is another attribute that links luxury and sustainable development. Their products' scarcity value suggests that luxury brands encourage more sustainable consumption, consequently contributing to the protection of natural resources (Hennigs et al. 2013; Janssen et al. 2014).

From a social perspective, some studies have shown the role of luxury in helping to preserve the cultural heritage of the countries of production (Carrigan et al. 2013). In effect, one of the basic principles of luxury is to produce locally with local employees who have taken years to acquire their specific skills.

While the above-mentioned attributes appear to reinforce the idea of possible compatibility between luxury and sustainable development, some recent trends have undermined these arguments. In effect, despite the promotion of specific skills, handmade production and tradition, several luxury brands (UK Factory, Prada, Polo Ralph Lauren) have now extended their operations to low-cost production (Kapferer and Michaut-Denizeau 2013). In France, many luxury brands have seen part of their production delocalized to other countries in the search for lower production costs and specific know-how[2] (Koromyslov et al. 2013). This strategy takes the luxury brands concerned closer to one of the basic principles of the fashion industry, namely, ephemerality (Kapferer and Michaut-Denizeau 2013). For Janssen et al. (2014), the widespread availability of luxury or more ephemeral products has triggered negative consumer perceptions with respect to the link with sustainable development. The literature also mentions the incompatibility of some sustainable practices with luxury, in particular recycling, as indicated by Achabou and Dekhili (2013).

Consequently, management scholars do not appear to draw firm conclusions regarding compatibility between luxury and sustainable development, despite its potential damage to businesses: so is it useful to promote commitment to sustainable development and ecological attributes? (Inset 1).

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[2] Some specific skills like knitwork have been moved from France to Italy (Koromyslov et al. 2013).

**Inset 1: Details of Our Field Study Methodology**

To identify the reasons that could dissuade luxury firms from adopting the ecological argument, 39 individual interviews were carried out with Parisian respondents. To gather as many ideas as possible on the perceived gap between the luxury industry and sustainable development, we questioned consumers from a range of age, gender, and socioprofessional categories. We also tried to use different profiles in terms of ecological product consumption.

Our study was based on an interview guide that primarily aimed to understand the environmental and social issues linked to luxury products, identify consumer views with regard to the sustainable practices adopted by luxury firms, and determine the importance that consumers gave to ecological criteria when purchasing a luxury product.

The approximately 30-min interviews were recorded and fully transcribed. A content analysis was then performed.

The consumers' discourse on the perception of environmental and social arguments in the case of luxury products enabled us to identify factors that could limit the benefices of using the ecological argument in the promotion of luxury products.

## Low Impact of Luxury on the Environment

The respondents do not see the luxury industry as an environmental risk, but consider it instead as a clean industry (Davies et al. 2012): "*I don't think that they're particularly polluting industries*" (Patrick, 34).

Three arguments emerged from our analysis to support the notion of the luxury industry's low environmental impact: the long product lifecycle, the limited production rate, and the firms' sustainable practices.

### *Luxury Products Have a Very Long Lifespan*

While the aim of sustainable development is to extend a product's lifecycle in order to reduce waste (Kirsi and Lotta 2011), luxury products appear to already meet this requirement and therefore do not need to make any extra effort in this area: "*if we can have a positive impact on the environment, we obviously support it, but it's paradoxical as luxury items are supposed to have a long lifespan and to last so they can be transmitted from generation to generation, whether it's jewelry, clothes, vintage cars or paintings*" (Nicolas, 42).

Luxury products have been designed and produced in such a way as to last over time: "*it's not something you throw away or else it must really be falling to bits, but they're products that aren't made any old how either, because they really look into the lifecycle of this type of product, there are loads of studies on that*" (Marie-Laure, 48). Thus, in terms of utilization, luxury products are not designed to be rapidly abandoned and their value stays the same virtually forever: "*I think you keep a luxury product for life, even 50 years later it still has value, even if you just use it as a disguise, I'm talking about clothes, but I think that all products like that have an almost infinite lifespan*" (Cédric, 28). The lifecycle of luxury products is also extended by being passed down through generations and inheritance: "*everything that's luxury is for the future generations, by definition these products have a long lifespan, so obviously it's part of the inheritance, so as far as sustainable development goes, it seems to me it's logical*" (Roseline, 62).

Finally, the after-sales service of luxury brands furthers product longevity. Thus, some brands consider the after-sales and repair service as a key aspect of their customer loyalty strategy (Carrigan et al. 2013). For instance, by offering very long guarantees, luxury brands ensure that the products stay in good condition: "*after, when we're speaking about luxury products, I'm not really convinced that you take your old jacket to be recycled… I think it's Vuitton that gives you a lifetime guarantee, you just have to take it back to them and they'll repair it*" (Hugo, 33).

### Limited Production

The respondents linked luxury products with a small production rate that has a negligible impact on the environment (Kapferer 2010): "*the environmental impact doesn't seem very significant since luxury only makes up a small quantity*" (Marion, 23).

The respondents also highlighted the craftsmanship aspect: "*normally luxury products should be handcrafted to some extent, top quality products are not made on a production line*" (Etienne, 44), and the rarity that gives luxury items their value as opposed to mass produced goods: "*If you take fur, for instance, we don't see millions of fur coats being sold every day*" (Patrick, 34). Thus, the consumers believe that luxury puts quality over quantity and know-how and rarity over mass production, with the underlying concept of "consume less but better" (Widloecher 2010).

For the respondents, the limited production means that the ecological issue is not really relevant in the case of luxury products. On the one hand, the interviewees appear to have little interest in ecology. In parallel, some consumers highlight the intuility of incorporating sustainable practices: "*luxury products, it's still a small luxury industry so if we recycle luxury items it won't change the way things are*" (François, 46).

### *An Industry That Promotes Protection of the Environment*

The luxury industry has made an effort to reduce its environmental impact: "*even with cars we see that brands are more and more careful*" (Charles, 44). This effort is facilitated by two factors: first, the luxury industry has huge financial resources that can be used for "green" investment: "*since they're products where, after all, there's plenty of money, luxury always works well, even when the economic context is not necessarily good… so I think they've invested the resources in that*" (Mathieu, 30). At the same time, the convictions of the managers or designers can influence the choices made "*I know that Stella MacCartney only uses imitation fur in fact, but because it's a mantra of the designer herself who's vegetarian and pro-PETA, and even for leather she uses imitation leather*" (Amandine, 43).

The environmental practices used mainly relate to the product design: "*for instance, Vuitton is now working to make its fabric monograms in biodegradable materials*" (Charles, 44) and packaging: "*I know that Clarins is currently reviewing its packaging to get a foothold in sustainable development*" (Marion, 23), the choice of raw materials, and the production processes: "*at Hermès the natural origin leather is tanned leather with just pre-tanning in fact, and all the natural tanning processes that are used in the luxury workshops*" (Charles, 44). Even more, in order to reinforce their "green" image, some luxury firms publicly defend the environmental protection cause: "*then there's PPR that made the film with Yann Arthus Bertrand, it's a luxury group, so after all we can say that they think about the environment, but then compared to other companies this size, I don't think that PPR is the most polluting*" (Patrick, 34).

## More Socially Related Benefits from the Luxury Industry

Respondents consider that the luxury industry presents social advantages as it is an industry that generates jobs nationally and offers fair working conditions: "*on a human level, luxury brands have the means to pay more attention*" (Amandine, 43).

### *A Source of Employment*

In a context of increasing delocalization, the respondents believe that the luxury industry is less inclined to adopt this strategic option as it tends to retain its local activities and helps to preserve and transmit ancestral craftsmanship (La Tribune 2011).

In the consumers' minds, firms make every effort to continue producing locally. Thus, the luxury industry creates jobs that enable many French people to earn a living:

"*so if a lot of people depend on it for their livelihood, it's a shame that it's seen as harmful, at least by a certain mindset, not by everyone*" (Martine, 59).

Moreover, the luxury sector safeguards specific crafts and promotes expertise: "*there's Gucci, Hermès, Chanel that safeguard certain crafts and that consequently help to maintain a certain heritage, they keep the old laboratories, the old workshops and the old skills*" (Isabelle, 38).

## Fairer Working Conditions

The consumers believe that employment policies in the luxury sector are turned toward qualified workers and eschew insecure low-paid jobs: "*at Channel for example, they're not students, they're people with qualifications*" (Anne, 37). In addition, they mention the level of qualifications required: "*I think that luxury products require real craftsmanship, etc., which means that these people are relatively well paid*" (Claudine, 58) and the resources the industry has at its disposal: "*if the price is high, I think it must be reflected in the supply chain so every player has to be respected and paid at their true value*" (Etienne, 44), thereby promoting the level of fair wages.

Associated in the consumers' minds with French production and made-to-measure, they consider that the luxury industry provides its employees with good working conditions: "*At Vuitton, for instance, everything is made in France. So there's no problem with working conditions there. Afterwards, with the made-to-measure, it's the same, there are no problems with working conditions*" (Hugo, 33). Several of the respondents compared luxury products with mass production brands that are linked to delocalized production and social scandals.

In addition to the fair working conditions that the luxury industry offers its employees, it is generally perceived as being attentive to their well-being.

## An Industry Committed to Social Causes

Luxury firms consolidate their image as socially responsible companies by defending a certain number of humanitarian causes and donating to various humanitarian associations: "*there's Gucci that recently got involved in "Chime for education". In fact they're involved in lots of things: there's Bulgari and Unicef… A lot of brands do things. L'Oreal too had a program on education for women and access to science for women with Unesco, yes, there's been a lot of progress… It's normal, we give and we give again*" (Isabelle, 38).

In short, it would appear that the luxury industry's commitment to environmental and social issues is not simply the result of a deliberate choice, but rather because, given their high awareness, luxury firms are often very closely monitored (Carrigan et al. 2013) and therefore need to be squeaky clean: "*they're more in the spotlight*

*because, basically, they're already targets. So I think that they'd be even more so if a social issue cropped up, and that's why we don't hear much about it because they're quite careful about it*" (Isabelle, 38), and to take advantage of their position as pioneers that lead the way for other firms. It is clear that luxury firms are less inclined to risk damaging their image by adopting dubious social and/or environmental practices: "*I think that if leading brands were really messing about then we'd hear about it*" (Etienne, 44).

## A Luxury Universe at Odds with Sustainable Development

The study of the luxury universe on the one hand and that of sustainable development on the other gives us a better understanding of the dissonance between the two notions as perceived by consumers.

### *Frivolity and Self-Indulgence*

While sustainable development projects a strong altruistic dimension (concern for the planet, for future generations, the well-being of employees and animals, etc.), the luxury sector, on the other hand, is turned toward self and cupidity. It is associated with the idea of wasting resources for a fleeting pleasure (Kapferer 2010). Terms like "give yourself a treat," "self-indulgent," and "longing" were widely used in the respondents' discourse: "*Luxury products are designed to please the person who buys them and it's an act that we can say is pretty selfish, we don't think about the impact it can have on others*" (Marie-Laure, 48). The interviewees were quite open and without any sense of guilt, that satisfying their own pleasure took precedence over sustainable development and that the latter is not a priority compared to individual desires.

Even more important, satisfying one's desires can lead to excessiveness and can distance individuals from ecological behavior: "*with luxury we think of lots, large quantities and thoughtlessness, yes thoughtlessness fits well with luxury… and recycling is after all awareness of the object and the lifespan and the end of the object. So maybe there's a gap between these two notions*" (Viviane, 49).

Moreover, while concern for environmental and social issues is a rational process, the purchase of luxury products is irrational (Kapferer 2010) and impulsive. The participants indicated that, if they consider it at all, they generally think about the ecological impact of products after the purchase has been made: "*it's true that when I buy a luxury product, I buy it because I want it, because I find it beautiful… I don't think at the time, straightaway, yes, who's the poor person who made this thing, no, no, I think about it afterwards if I see a documentary on gold, how the jewelry is made, how the leather jackets are made*" (Tristan, 39).

## Strong Attachment to the Products That Limits the Potential for Reuse

Sustainable development issues lead to reflections on the products' end of life and their potential reuse through donations and exchange, for example, while luxury products appear to be ill-adapted to this system because of their emotional dimension. Consumers display affective attachment to the items they buy (Carrigan et al. 2013) and so, when respondents speak about luxury products, they conjure up positive emotions, associating the items with precious memories and strong symbolic value: "*if it's a fabric from something that has a history, that belonged to a star in a famous film for instance, it's better to keep it so as to keep the specific symbolic value for a family or a period*" (Nicolas, 42).

The respondents expressed very strong personal attachment to their products that they want to keep even when they no longer use them: "*I'm not sure that a woman wants to get rid of her handbag even if she doesn't use it anymore!*" (Muriel, 29). The consumers balk at the idea of having to get rid of their luxury items that are full of symbolic value for whatever reason and which they would consider as a loss and regrettable.

## The Ecological Factor: A Risk for the Luxury Industry

### Ecological Criteria Harms the Image of the Luxury Product and Firm

Recycling was one of the most commonly mentioned ecological criteria. Although the respondents consider this factor to be important in absolute terms, it is nonetheless considered incompatible with luxury products (Achabou and Dekhili 2013): "*Recycling/luxury, it doesn't work, I'm not sure that it goes together*" (Odile, 64).

More specifically, consumers recoil at the idea that luxury products might have been handled and used. Some of them accept recycling as long as it is limited to some secondary parts of the product: "*I think that it's a bad thing (recycling), or else in a very limited way for linings and things like that, but not for the whole product*" (Patrick, 34) or its packaging: "*for me at any rate, I wouldn't mind going to my local Sephora or Marionnaud and even getting my bottle of Chanel filled. On the contrary, if I can do a tiny bit for the environment, I'd rather do it*" (Muriel, 29). Others, on the other hand, mention the importance of packaging for luxury products and are against the idea of having to change it for ecological reasons. In their opinion, altering the packaging could harm the product's image: "*if the packaging is too light or too fragile it will project a bad image…We don't want to get the impression that the product is a toy!*" (Marion, 23).

More globally, incorporating ecological attributes into luxury products could also alter the product's image: "*is it because there's a fear that it distorts the prod-*

*uct's luxury image that we ask the question?*" (Viviane, 49) and destroy the positive associations linked to a luxury product. This deterioration of the image can even take away the item's luxury dimension: "*I think I'd tend to consider it as less of a luxury item if it was made from recycled products*" (Patrick, 34). Moreover, some interviewees believe that incorporating ecological attributes into luxury items would lead to a reduction in their value or even destroy their value completely. This reduction in the perceived value of a luxury product linked to the inclusion of an ecological attribute makes some consumers feel cheated and swindled.

The respondents considered that the integration of an ecological attribute could tarnish the image of the luxury product and could even call into question the image of the company. In particular, giving away such products could make them accessible to a more modest population that is somewhat removed from the VIP luxury brand customer: "*all these people who have old clothes, perhaps even with holes in them, will give them to charity and we'll have people who don't correspond at all to their target wearing their clothes*" (Etienne, 44).

## *Ecological Practices Reduce Perceived Quality of Luxury Items*

The respondents felt that ecological attributes had a negative impact on the perceived quality of luxury products. Recycled materials in particular were the target of criticism and were linked to inferior quality: "*It's horrible to say it, it really makes me look like a shrew, but for me recycling doesn't fit in with quality, which is what I look for in a luxury item*" (Anne, 37).

More specifically, the respondents highlighted the risk that ecological characteristics could have on the dimensions linked to quality such as comfort: "*as long as it's comfortable and we can wear it without any worries, why not*"(Sarah, 36), beauty: "*I know that fleece is made from recycled materials but for the moment it's clear that the fabrics made with it aren't very beautiful, so I'm not against the idea if they manage to make things that are interesting design-wise and quality-wise*" (Amandine, 43), and reliability: "*I'm wary, someone gave me a recycled scarf and I put it on over a T-shirt and it rained and the dye came out on my T-shirt, so as far as I'm concerned, it's not reliable*" (Danielle, 29). Even worse, some respondents thought that the poorer product quality could be detrimental to their health.

## *Ecological Practices May Aggravate the environmental Impact of Luxury Products*

Ecological practices adopted in the field of luxury are considered to have a negligible impact. As some respondents pointed out, the environmental and/or social damage that occurs before production is irremediable: "*for instance, a crocodile*

*that's been killed to make a bag, the damage is done whether you recycle or not*" (Nicolas, 42).

Furthermore, the respondents believe that some sustainable practices use a lot of resources: "*I tell myself that if, at the end of the day, just making a bag or something else, say it causes pollution, if we recycle it then we're going to use the products again to make it into something else, I'm not sure that it's the best thing to do*" (Sarah, 36). In other words, recycling can be a harmful source of pollution.

Overall, the interviewees called into question the expected benefits from ecological practices and pointed out that when such practices were adopted, the final outcome may be more negative than if they had not been adopted: "*I think that everything that's leather goods in particular, I'm not sure it's a very good idea, everything to do with tanneries and the rest, the dyes used… I wonder if it's not more harmful than anything else*" (Muriel, 29).

## Multiple Criteria for Choosing Luxury Products

When a luxury product is purchased, the sustainable criteria appear to be a secondary factor: "*a fashion victim isn't going to be more likely to buy a Chanel bag because organic farming methods were used, no way, it's two completely different things, it's not something that will appeal to potential buyers and that will generate a bigger purchase*" (Isabelle, 38). Other selection criteria appear to play a more decisive role in consumer decisions such as the brand's reputation that can reassure consumers and guarantee transparency regarding the social and environmental production conditions: "*generally speaking, I trust the brand and I tell myself that even if they don't say it, it doesn't do too much harm to the environment*" (Laurent, 40). At the same time, for some people, the brand's reputation can counter an adverse social and/or environmental image that may be associated with a luxury firm: "*the proof it's almost antisocial is the controversy about Abercrombie, you must have heard about it. We're in something that's the complete opposite, it's lack of respect for others, and it doesn't change anything, almost nothing regarding the brand's popularity*" (Etienne, 44).

Second, the respondents placed high value on the intrinsic quality of the product, the know-how: "*for instance, no Chanel cosmetic, no Dior cosmetic and no perfume has the AB label stuck on the packaging, no one cares…anyway, if we buy it, we're buying the expertise, we don't buy the organic (aspect). I'm not saying it's two completely different things, what I'm saying is that right now they don't overlap in the debate*" (Isabelle, 38), the beauty of the item and the exceptional and rarity factor: "*already, since it's virtually going beyond what we can afford to give ourselves, the somewhat exceptional aspect means that ecology is not a priority*" (Marion, 23). "*The rarity of the product means that at the end of the day, as far as I'm concerned, the environmental argument isn't going to sell more*" (Hugo, 33). In short, luxury consumers expect a luxury universe.

Taking ecological attributes and well-established selection criteria (brand, quality, know-how, etc.) into consideration complicates the decision-making process:

"*the first thing I look at is the quality, the brand,* etc.*, biodegradable, conditions,* etc., *that makes too many questions to ask when you buy,*" (Laurent, 40). It requires effort that luxury consumers are unwilling to make: "*I'll look if this information is there in front of me, I'm not going to go looking for it*" (Frédérique, 32). On the other hand, some consumers said they were not willing to buy if they discovered that dubious practices were involved and would go as far as to boycott the brand.

## Ways to Improve the Sustainable Argument in the Luxury Sector

From the results obtained, several measures have been identified to make sustainable strategies in luxury firms more effective.

### *Limit Engagement in Causes That Have Little to Do with the Firm's Activity*

Consumers view the luxury industry as one with a low environmental and social impact and that, in addition, makes an effort to promote sustainable development. In seeking to project a CSR image, luxury firms defend all kinds of causes, which can lead to a certain dissonance between the firm's core activities and the causes it defends. In view of this, some respondents expressed their incomprehension. Consequently, managers would do better to choose causes that are consistent with the essence of the brand and the firm's activities. To illustrate this, as the Ferrari brand is considered as polluting (air pollution, noise pollution), it would not be considered credible if it promoted causes linked to the environment. The company's DNA is built on firebrand issues and if this were tampered with, it could have a negative impact on the brand's value. However, Ferrari is right to promote the *Rouge* campaign that collects money to be used against the spread of AIDS, particularly through the bias of one of its marketing assets, the color red (Cervellon 2013).

### *Avoid Focusing on the Ecological Attribute*

At a time when all companies need to promote a greener image by adopting ecological practices, the luxury sector appears to be something of an exception and, in the consumer's eyes at least, does not need to use the ecological argument to sell.

Luxury is a special sector, where representations play an important role, in a similar way to wine which is considered "naturel,":, so the idea of "organic" is not going to be such a strong differentiation factor as it might be for another product category (Amine and Lacœuilhe 2007).

The secondary role given to the ecological argument may be explained by the choice of luxury firms not to make ecology a fundamental aspect of their strategy and the fact that they offer very little information on the subject. Thus, instead of directly promoting the ecological argument, luxury brand managers should think about other attributes that will help to preserve the luxury aspect of the products and also promote a better perception of the link between luxury and sustainable development. More specifically, rarity, resistance, inheritance, production excellence, national production and distribution may all be used in a multifaceted approach to align luxury with sustainability (Janssen et al. 2014). In effect, when luxury brands are associated with expertise, the use of rare materials and remaining rooted in their origins, such aspects can be considered as complementary to sustainability (Janssen et al. 2014). In practice, companies could promote the strength of their products by modifying the traditional marketing mix elements, including information provided in promotions and on packaging, for example (Luchs et al. 2010). As indicated by Peloza et al. (2013), we think that when a product has a tangible benefit over the competition on ethical attributes, it may be appropriate to avoid ethical appeals particularly when self-accountability is expected to be low. On the other hand, when the brand is perceived as making a "show" through abusive use of its logo or adopting mass production, consumers are wary of the legitimacy and genuine nature of its environmental claims (Cervellon and Shammas 2013).

### Ensure That the Level of Perceived Quality Remains High

To ensure that their customers do not lose faith in the perceived quality of luxury products following the inclusion of a sustainable attribute, luxury brands should take some precautions. Consumers are not necessarily opposed to recycled materials, for example, but they do not like the idea that they make up the whole product. As Kapferer (2010) argues, a move toward 100 % ecological/ethical cannot be envisaged by luxury products as it could be detrimental to the quality. Therefore, it is important to limit such materials to secondary aspects of the product and packaging. "Green" investment in luxury product packaging should also be adopted with caution if firms wish to avert being viewed negatively by luxury consumers, who prefer packaging that corresponds to the value of the products they buy. To project a quality image and enhance perceived scarcity, managers should maintain high prices and avoid the democratization of luxury brands (Dubois and Paternault 1995).

### Conclusion

The findings from this study can help us to understand the challenges of sustainable development issues in the case of the luxury sector and allowed us to identify several factors that may reduce the pertinence of using the ecological argument, i.e.,

perception of a low environmental impact of the luxury industry; social benefits, the gap between the universe of luxury items and that of sustainable development; the negative impact of including ecological criteria in luxury products; and the multitude of selection criteria for luxury products. These findings indicate that managers of luxury firms need to use the ecological argument with caution in their communication. While the present context implies that firms need to show that their commitment to sustainable development issues, they must also avoid falling into the trap of engaging in several environmental and social causes, or focusing on the ecological attribute to the detriment of the traditional attributes that characterize luxury, without ensuring that their products retain a high perceived level of quality.

To take our investigation about how CSR activities are beneficial to a luxury brand (and conversely, when they are not), future research could try to measure the impact of the ecological attribute on the perceived quality of luxury products. In this case, they would need to distinguish between different product categories and consider diverse sustainable practices (social, environmental). Luxury and CSR could work differently according to luxury industries. In the same way, the motivations for adopting CSR practices are different from one luxury brand to another. If some enterprises believe that CSR is a trend that they should participate in, others could try to answer to the consumers' expectations.

Another line of research could be to explore the issue of *greenwashing*: how can luxury firms inform consumers about the ecological argument without falling into the trap of *greenwashing* (Cervellon 2013)? Given the gap between luxury and sustainable development, could it be more interesting for luxury firms to adopt *greenbashing* campaigns instead, in other words, to adopt the art of making fun of the environmentalist trend, which has appeared as a new marketing practice for ecological brand advertising?

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# Need for Status as a Motive for the Conspicuous Consumption of Cause-Related Goods

**Catherine M. Johnson and Ayesha Tariq**

## Introduction

> "A man's Self is the sum of all he can call his own. Not only his body and psychic powers but also his clothes, his house, his wife and children, his ancestors and friends, his reputation and works, his lands and horses, his yacht and bank account."—William James (1890)

In other words, humans perceive their possessions to be a representation of their identity or self. Display in the form of possessions, attire, or actions represent a person's perceived or actual place in society, be it related to character traits, religious affiliations, professional associations, or even wealth and social standing. One of the recognized phenomenon of display as a representation is conspicuous consumption, defined as the intentional display of expensive goods by the nouveau-riche to indicate financial status (Veblen 1899). The concept has been inextricably linked with luxury goods, but conspicuous displays, whether of wealth or other affiliations, are a way of signaling belonging to any social group (Ashforth and Mael 1989) or possessing certain individual qualities (Connelly et al. 2011). Corporations and consumers are driven by a desire to be *seen* as responsible members of society and hope to thus command social respect. In essence, companies and consumers engaging in prosocial behavior may not be doing so for purely altruistic reasons (Basil and Weber 2006). It is possible that the purchase of visible luxury items and of items visibly associated with a social cause are both motivated by similar mechanisms of an attempt to be seen as belonging to a desirable social group.

The first contribution of this study is the application of conspicuous consumption to the prosocial behavior context as a lens for examining purchases of visibly

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prosocial goods. In earlier literature conspicuous consumption has almost exclusively been associated with the acquisition of luxury goods, the public display of which serves to show wealth. This study will extend conspicuous consumption into prosocial behavior and cause-related goods. This application has been explored to a moderate extent in the fields of psychology, which has looked at conspicuous consumption in terms of visible donations to charities through signaling theory (Sundie et al. 2011) and economics (Glazer and Konrad 1996). However, even in these studies motives are linked with display of wealth. The second contribution of this study is to marketing literature concerning cause-related marketing and corporate social responsibility. Existing literature deals primarily with motivation for CRM from the perspective of firms which partner with charitable causes or engage in prosocial activities and seeks to examine firm benefits and strategies (Becker-Olsen et al. 2006). Little is known about the motivations behind consumers' choices to support CSR efforts and whether this support is driven by altruism, desire for recognition, or both. This study will make a contribution toward filling this gap in our knowledge of consumers' motives behind purchasing conspicuous cause-related products.

## Review of Literature

Today, much of the literature links CSR activities and CRM with consumer attitudes. Individuals high in traits such as concern for appearance or those motivated by values have been shown to engage in prosocial behavior through the purchase of goods linked to corporate philanthropy (Basil and Weber 2006). In addition, research shows that some people experience intrinsic benefits when engaging in prosocial behavior such as donating to charity (Glazer and Konrad 1996). Attitudes toward and participation in prosocial behavior may also be a function of the generational cohort to which a consumer belongs. Hyllegard et al. (2011) recently found that generation Y consumers are the most socially conscious of American generations.

Current conceptualizations of conspicuous consumption have not strayed from Veblen's (1899) combination of publicly displayed expensive goods and the seeking of social prestige. Bagwell and Bernheim (1996) use the term "Veblen effect" as being willing to pay a higher price for an object for the purpose of signaling wealth and or belonging to a higher status group. Recently, Han et al. (2010) developed a taxonomy that assigns consumers to one of the four groups based on wealth and need for status and which predicts a consumer's proclivity for signaling wealth through consumption based on the group into which he or she falls.

Social identity theory purports that people define themselves based on the groups within society to which they belong (Ashforth and Mael 1989). Social identification is a perception of oneness with a group of people and stems from the perceived prestige and distinction of the group. When a person identifies with a certain social group, he or she will engage in activities and behaviors congruent with this identity to signal this association (Ashforth and Mael 1989). Within the conspicuous consumption literature, signaling manifests itself when consumers purchase products

which can be publicly displayed to convey financial status (Han et al. 2010). We believe that consumers who are interested in portraying themselves as prosocial will buy CRM products which signal their prosocial inclination. In other words, we believe that a person who wears a pink ribbon bracelet does it for the same reasons that someone else wears a Rolex.

## Hypothesis Development

The nature of conspicuous products is that they are publicly displayed and serve to signal to others about the owner's position within society. A person's need for status has been shown to drive conspicuous consumption behaviors (Han et al. 2010) because it serves as a powerful motivation to appear prestigious to others. Consumers who wish for others to see them as prosocial will be similarly motivated to purchase goods which conspicuously convey this.

H1: Need for status will be positively related to the conspicuous consumption of cause-related goods.

Social identity theory tells us that once a person sees himself as a member of the socially conscious segment of society, he will engage in activities and behaviors that reinforce this self-concept. Therefore, a prosocial self-concept should lead to the purchase of more cause-related goods of all types. Specifically, those goods which are conspicuous in nature (such as bracelets, t-shirts, or tote bags) will appeal more to consumers who see themselves as prosocial.

H2: Prosocial self-concept will be positively related to the conspicuous consumption of cause-related goods.

The salience of the prosocial self-concept in relation to other self-concepts within a consumer will be an important boundary condition impacting his need for status. If a person is high in need for status, then he will engage in behaviors which serve to bolster his image in the eyes of others. Critical to this, though, is understanding *which* image they are concerned with portraying. The higher prominence that the prosocial self-concept has, the more important it will be for an individual that others see this.

H3: The salience of a person's prosocial self-concept will moderate the relationship between his need for status and the conspicuous consumption of goods such that the more salient his prosocial self-concept, the more positive the relationship will be.

Social identity theory maintains that a person has as many selves as groups to which he or she belongs. Therefore, an individual with prosocial self-identity will also have several other self-identities which compete against each other for salience. If the prosocial self ranks low in a person's hierarchy of selves, then it may be overridden by other selves which are also serving to dictate the consumer's behaviors. Subsequently, at the point when a purchasing decision regarding a cause-related

good is made, if the prosocial self is low (high) on salience, the purchase is less (more) likely to be made.

H4: The salience of a person's prosocial self-concept will moderate the relationship between that self-concept and the conspicuous consumption of goods such that the more salient his prosocial self-concept, the more positive the relationship will be.

Social identity is motivated by two processes, self-enhancement and uncertainty removal (Hogg 2006). A fear of negative evaluation or the degree to which someone experiences negative feelings like apprehension at the possibility of being thought of negatively by others (Leary 1983), should serve to magnify the impact of a person's need for status on the purchase of cause-related goods. A person who believes that status can be demonstrated through conspicuously consuming cause-related goods will be reinforced in this behavior if he also believes that this consumption will avoid negative evaluations from others.

H5: A person's fear of negative evaluation will moderate the relationship between his need for status and the conspicuous consumption of cause-related goods such that the higher his fear of negative evaluation, the more positive the relationship will be.

Similarly, fear of negative evaluation should interact with prosocial self-concept to create a stronger relationship with the consumption of cause-related goods. People who see prosocialness as part of their self-concept will have increased motivation to conspicuously show this if they have a fear that others will evaluate them negatively. Further, since those with a prosocial self-concept see this as a positive thing, they may project this attitude onto others and think that if others do not see them being prosocial, they will negatively evaluate them.

H6: A person's fear of negative evaluation will moderate the relationship between his prosocial self-concept and the conspicuous consumption of cause-related goods such that the higher his fear of negative evaluation, the more positive the relationship will be.

## Methods

Data were gathered from students enrolled in undergraduate level Marketing courses at a prominent university in the southeastern United States. After discarding 52 responses due to incomplete information we were left with 350 usable responses. Scales for all constructs were adapted from established scales. Need for Status was measured using Eastman, Goldsmith, and Flynn's (1999) Status Consumption Scale. Prosocial self-concept was measured using Webb, Green and Brashear's (2000) Attitude toward Helping Others scale. Items for measuring salience of prosocial self-concept were adapted from Callero's Blood Donor Salience scale (1985). Fear of negative evaluation was measured using Leary's brief FNE scale (1983). Conspicuous consumption of prosocial products was measured using Mano and Oliver's purchase intention scale (1993). The CFA measurement model had a

chi-square value of 460.46 with 220 degrees of freedom ($p$-value $< 0.000$). RMSEA was 0.056 which is below the maximum threshold of 0.08. The CFI value was 0.95, NFI was 0.90 and NNFI value was 0.94. All three values are above the threshold of 0.90 indicating that the model fit the data (Baumgartner and Homburg 1996).

To test the first two hypotheses we ran a linear effects model using SPSS 21.0 with the two independent variables (need for status and prosocial self-concept) and the two moderators (salience of prosocial self-concept and fear of negative evaluation) with the dependent variable (conspicuous consumption of cause-related products). Need for status had a coefficient of 0.15 ($p < 0.01$) and prosocial self-concept has a coefficient of 0.17 ($p < 0.001$). Both these significant positive relationships support H1 and H2. To test the remaining four hypotheses we conducted moderation analysis using PROCESS (Hayes 2012) in SPSS 21.0. Salience had a significant positive moderating effect on the relationship between prosocial self-concept and conspicuous consumption supporting H4. The coefficient for the interaction between role salience and prosocial self-concept was 0.101 ($p < 0.05$). The moderating effect of fear of negative evaluation was significant on the relationship between need for status and conspicuous consumption, supporting H5. The coefficient for the interaction term was 0.090 ($p = 0.056$). H3 and H6 were not supported.

## Discussion

The first finding (H1) supports this paper's position that the psychological mechanisms and motives behind the conspicuous consumption may be applicable outside of the luxury goods domain. It demonstrates that consumers with a high need for status see cause-related products as a means for demonstrating status. Furthermore, the effect of need for status on the conspicuous consumption of cause-related goods is positively moderated by a fear of negative evaluation. This demonstrates that for consumers who are concerned about status the desire to also avoid negative appraisals from others increases the likelihood that they will seek to visibly demonstrate prosocialness to others with their consumption. Results also found that while a person's prosocial self-concept is positively related to the conspicuous consumption of cause-related goods, it is positively moderated by the salience of this self-concept, demonstrating that the more important prosocial self-concept is to a person, the more that person will consume goods that will demonstrate this to others through the conspicuousness of the goods.

The findings of this study are relevant to managers in several contexts. First, nonprofit firms may encourage donations or other engagement from community members if they offer people the opportunity to receive conspicuous goods (such as t-shirts, mugs, tote bags, etc.) in return for volunteering or donating. Further, nonprofits, as well as companies offering cause-related goods, should appeal in advertising and other marketing messages not only to a sense of altruism in potential customers, but also appeal to those for whom status is important.

**References available upon request.**

# Purse Parties: The Social Implications of Fake Luxury Parties

**Natalie A. Mitchell, Angeline Close, and Dan Li**

## Introduction

When designer products become pervasive in the marketplace, sometimes the original products are compromised and sold as counterfeit goods. Consequently, the global counterfeit luxury industry has grown to be a lucrative market. Counterfeit goods are replicated inauthentic designer brands (e.g., Prada, Louis Vuitton) that are sold through various channels across the globe. Counterfeit goods generate nearly $200 billion annually in losses for global manufacturers (Chiu et al. 2009).

The purpose of this research is to examine counterfeit luxury brand consumption through face-to-face or experiential marketing channels, such as in-home "purse parties." Purse parties are the proliferation of Tupperware-like in home sales parties; however, the purses and related designer "brands" are counterfeit brands (Gosline 2009). There are two types of counterfeit market structures: anonymous street booths and socially embedded purse party networks (Gosline 2009; Balfour 2005; Betts 2004; Grayson 2000). For the purse parties, other goods aside from just purses are sold, including wallets, watches, luggage tags, sunglasses and more. In many cases, hosts provide snacks, alcoholic beverages, door prizes, music and great camaraderie that are not typically induced in the traditional channels of counterfeit consumption. Specifically, this study focuses on the socialization, logistics, and purchase intentions of guests who have some experience purchasing counterfeit designer brands and/or attending purse parties.

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# Background

Counterfeit luxury goods are defined as "any unauthorized manufacturing of goods whose special characteristics are protected as intellectual property rights" (Cordell et al. 1996). The use of counterfeit luxury is supported by the extended-self theory, which posits that consumers use possessions to express their identities (Belk 1988). Consumers purchase brands that are extensions of their inner desires, wants, and beliefs about themselves. Possessions and self-relationships shape consumer behavior. Material possessions not only represent consumers' identities, but also reveal their cultural upbringing, which is a predictor of future consumption (1988). Sometimes, consumers seek pleasure in conspicuous consumption. It allows them to display their accomplishments and indicate that they belong to exclusive reference groups (Belk 1988). A form of conspicuous consumption, counterfeit consumption of luxury products, reinforces the importance of being trendy and belonging to the in-group (Hogg 2006). Within shared groups, members evaluate each other based on identities that are expressed through consumption (2006).

# Methodology

## *Recruitment*

When the goal of research is to understand the meanings of behavior rather than to predict behavior, qualitative methods are often the most appropriate methodology (Braybooke 1965). Field based approaches such as in-depth interviews are especially useful when the researcher does not know what interpretation, code, norm, affect, or rule is guiding the behavior (Dexter 1970). Specifically, participants who have purchased one or more luxury counterfeit brands and/or attended or hosted a purse party were recruited through a convenience sample.

## *Sample*

The sample includes 13 female participants. Of those 13, four have attended a "purse party." They represent varying geographic and socioeconomic classes and are between the ages of 18 and 33. For privacy purposes, participants selected pseudonyms to use throughout the interviews.

## Procedure

Instead of "counterfeit designer brands," the more neutral term "informal designer brands," was used during the interview in an attempt to avoid introducing a social desirability bias. Participants were asked for their general views on personal style if they identified themselves as honest. Later specific questions regarding personal style were asked. Then further questions were asked to prompt participants to talk about the benefits, drawbacks, and justifications for purchasing and using designer and counterfeit products. Lastly, direct questions about their motivations and benefits of attending counterfeit purse parties, in addition to the psychological and logistical nature of the party, were asked too.

## Analysis

A thematic analysis approach was used to understand symbolic and social interactions of the participants and social implications of attending purse parties. This approach helped to identify, analyze, and report some of the common themes and experiences that participants encountered while attending the counterfeit purse parties (Braun and Clarke 2006). The thematic analysis began first by coding for intriguing behavior patterns that were found during the interviews and field notes. The initial codes include consumption views, counterfeit consumption views, personal ethics, brand loyalty/equity, apathy, and social desirability. A search for themes throughout the field notes were reviewed, defined, and renamed during the process. Afterward, participant narratives were developed for each interview to condense the data to key themes and valuable codes. From the narratives, three major themes were found: social engagement, obligatory attendance, and disregard of legalities of the consumption.

## Results

The purpose of this study was to explore the motivations and emotions women experience when attending counterfeit purse parties. One participant, Renee had a desire for potential purchases to getting a deal on a faux luxury product and status-seeking. In contrast, Kim noted that she only did personal shopping for fear of social embarrassment if she gifted someone with a fake product who would be offended. Overall, all the women reported a high need for social engagement. They explained that socialization was their primary motivator to attend the parties. Secondly, their conceptualization of purse parties was simply practical. They saw the purpose of the party was to offer perceived status to lower-income people who were willing to buy faux designer brands. The three major themes found in the study

include social engagement, obligatory attendance, and disregard of legalities of counterfeit consumption.

**Theme 1: Social Engagement**

Throughout the small sample, each participant spoke candidly about the social aspects of the purse parties. In some cases, social engagement was more salient among participants versus the actual display and selling of the counterfeit goods. Tina, a Midwesterner, casually reported she frequently receives invitations to "private purse parties." The high frequency of the parties provides a recreational opportunity outside of her busy academic life. Tina shares her personal motivations for attending the purse parties:

> I have attended a good 20 parties over the last maybe 10 years. I never buy anything. Generally, I go, you know… and check out the merchandise. See what's on trend. But I never buy. I really just go for the free food and drinks and to hang out with friends.
>      Professor, 34

Even more interesting, Tina also shared that the purse parties are piggy-backed onto children's birthday parties. In these instances, the social aspect of the purse parties has multiple purposes that are not directly connected to the purchase of counterfeit goods. The children birthday parties provide babysitters for mothers who wish to attend the parties. Further, they have opportunities to fellowship with new and old friends while enjoying refreshments.

Renee shared a similar experience with a purse party she attended in the southeast. While on a college holiday break, Renee attended what she thought was just a family gathering and later learned it was a counterfeit purse party. Aside from refreshments being served, the party host also played music to enhance the shopping ambiance. Many attendees, including Renee, began to dance amidst the display of counterfeit goods in the faux "showroom" of the host's living room. Renee described the party as "exclusive and fun."

> The host was very fun. She offered us drinks and good food. There were door prizes as well. She had a new product catalog that really enticed new clients like myself. The sociable aspects of the party made it more of a personal shopping experience with exclusivity that generally most of the women would not normally experience because of their financial status…I've also even heard of purse parties with adult male entertainers.
>      Lawyer, 31

Although Kim perceived the counterfeit purse parties as fun with great doses of fellowship, she also thought that the party guests were entertaining. "There were plenty of women there who could not pay their bills on time, but they could spend money on trivial, illegal products just to gain status… I thought that was very funny (laughs)."

**Theme 2: Obligatory Attendance**

Again, the sample in this study mentioned other factors that contributed to their attendance at purse parties. In some cases, guests attended parties out of obligation to party hosts. This was proven true for most of the participants. But specifically,

Karen's counterfeit purse party attendance offered an interesting dynamic that showed differences in socioeconomic classes.

Karen, a 21-year-old college student, has attended two parties that catered to different demographics. One party was hosted by a young adult and generally attracted lower-income guests. The second party was hosted by a middle-class, middle-age woman and was mainly attended by women of the same demographic. Karen said she attended both parties out of obligation to the host. "My sister's friend hosted a party…so you know we all had to go to support." Karen reported that the younger-oriented party did not have refreshments, had a very limited product selection and children were present. Overall, this purse party had more of a communal-feel that offered guests moral support because Karen reported only a select few of guests actually made purchases.

In contrast, the older audience at the other purse party was hosted by Karen's mothers' friend. She noticed guests held individual conversations about the products and did not talk openly with the entire group. Karen also reported that this party had a larger product selection, with refreshments. In either case, Karen did not purchase any products. Karen tagged along with both her mother and sister to both parties simply to provide moral support and expressed little to no interest in the products. Karen shared she does not like fake products because of the poor quality and fear of social embarrassment.

Both Renee and Kim reported similar obligatory experiences. Renee attended the parties because they were hosted by her aunt. She felt obligated to attend and show support even though she could not afford to make purchases. Similarly, Kim's godparents are NFL retirees who sell counterfeit goods among other products at a local flea market. Unsold products are then promoted at their home purse parties. Kim said she just attends the parties to show moral support. If she notices a high quality fake that has a nice design, she will purchase it. But the initial motivator to attend is to support her godparents.

**Theme 3: Disregard for Legalities of Counterfeit Consumption**
A reoccurring theme throughout the data is a disregard to the obvious legalities of counterfeit consumption. Although the participants reported that guests and hosts implicitly understood that the selling and buying of counterfeit products is illegal, those discussions were not explicitly mentioned by guests at the parties. Hence, the parties were promoted as private and exclusive to mitigate potential criminal prosecution. Tina, Karen, Kim, and Renee each reported that using word of mouth communication to promote the party was a good marketing ploy to manage the potential guest list. While hosts aimed to make high sales, Tina and Kim both indicated, hosts also wanted to manage the guest list to control who may attend. Aside from the hosts' implicit understandings of potential prosecution, none of the participants reported expressed concerns by guests. The participants described that the parties had approximately over $1500 of counterfeit goods that included an assortment of purses, watches, luggage tags and wallets from exclusive designer brands including Coach, Dooney and Bourke, DKNY, BEBE, Prada. Renee is now a practicing

attorney and is obviously aware of the legal dangers of purse parties. But at the time of her attendance, 10 years ago, the legalities were not her concern.

> I knew that it was probably illegal, but I along with the other guests, saw it as an exclusive opportunity to gain access to goods and a lifestyle that I normally would not be exposed to. If you could see the women beaming with joy when they made a purchase, you would understand. It was almost like Christmas for them. The women felt really good about them-selves. They even made plans on which products they would purchase with their next pay-check. Not one of them cared that it was illegal…it was fun and we felt good.
>     Lawyer, 31

## Discussion

The purpose of this paper was to examine the social aspects of counterfeit consumption through the nontraditional channels of in-home purse parties. It further contributes to the literature on counterfeit consumption because it extends past just discussions on the traditional channel—street vendors and flea markets. It is believed that the nontraditional channel demonstrates the value in understanding the social implications of shopping with friends in a private space. Purse parties have been recognized as introducing designer brands to customers who later purchase the authentic brand at traditional retail stores (Gosline 2009). The findings in this study are supported by theories and constructs proposed earlier. For example, both Kim and Renee's shared experiences at private purse parties show strong indicators of materialism, extended-self theory and self-presentation. It appears that regardless of the channel, status-seeking consumers generally share similar motivations to consume counterfeit products. However, purse parties are particularly more novel because of the party structure. The parties naturally encourage social engagement before, during, and after the purchases. Therefore, it is evident that purse party guests may be persuaded to consume more because they have an immediate audience with whom they may seek approval. Also, Kim shared the party host and made several suggestions for gifting ideas by organizing purse and wallet sets by designer name. While the suggestions were welcomed by many guests, Kim opposed because she did not want to offend her friends by gifting them with faux luxury brands. Kim's thought process is supported by the gifting theory because she realizes that her gift is a communication function that sends a message. She obviously is concerned with sending a wrong or offensive message to others. Lastly, it was also noted that most participants observed many guests whom could be classified as deal proneness. While sales promotions were not promoted by hosts through the form of coupons buy one, get one sales, the overall "deal" were lower-priced replicated luxury goods. Thus, lower-income consumers who are status-seeking on a budget are naturally suited consumers of counterfeit luxury products in private setting format.

## *Limitations*

This study included a small research sample, thus the findings are unrepresentative and fails to capture the breadth and depth of this phenomenon. Thus, the research sample is an obvious limitation that will be resolved in future research. This limitation may partly be based on participants' social desirability and expected self-imposed biases because of the controversial nature of counterfeit consumption. Therefore, it is believed that controversy associated with this consumption has also impacted recruitment.

## *Implications and Future Research*

It is difficult to gage the full context of potential marketing implications. But based on Gosline's (2009) prior research, it is suggested that luxury retailers are recommended to capitalize on the purse party market to lure potential consumers to the real brand after consumers learn counterfeits are such poor substitutes. Also, perhaps further compensation will be considered to attract participants because of the challenges faced with recruitment. Targeting participants in larger metropolitan cities where counterfeit consumption is more common and socially-acceptable is another suggestion to manage this limitation.

**References available upon request.**

# Session 1.3
# Food/Health

# Does a Spoonful of Sugar-Free Make Food Look Healthier? Healthy Implicit Associations for Sugar-Free and Alternative Products: A Structured Abstract

**Patricia Rossi, Marianela Fornerino, and Caroline Cuny**

## Abstract

Consumers' interest in healthy eating is increasing for a variety of reasons. As a result, several sugar-free and alternative products that use substitute ingredients for sugar are becoming pervasive in supermarket shelves. We investigate consumers' implicit associations between these products and healthiness perception. Drawing on regulatory focus theory, we demonstrate that unhealthy products (e.g., chocolate bar) are associated with healthiness when they rely on labels that highlight the absence (vs. the presence) of a particular ingredient, like *sugar-free* (vs. *milk chocolate*). In contrast, healthy products (i.e., orange juice) are associated with healthiness when their labels emphasize the presence (vs. the absence) of a particular ingredient, which is the case of a product *with natural juice* (vs. *sugar-free*). We suggest that prevention and promotion focus can explain these effects.

**References available upon request.**

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# The Effects of Perceived Ambient Temperature on Food Choices and Consumption Behavior

**Sarah Lefebvre and Dipayan Biswas**

**Abstract**  While eating at restaurants, retail outlets, or at home, ambient temperature is an omnipresent feature. In this research, we examine whether varying ambient temperature in restaurant, retail, or home environments might influence food choices and consumption behavior.

When experiencing cold temperatures, the body will induce internal functions with the outcomes of giving off thermal energy. In contrast, in warm temperatures, the body will work to cool itself by attenuating unessential functions. In response to the associated change in energy expenditure, the body also alters its food consumption behavior, whereby an increase in consumption is expected in cold temperatures and a decrease in appetite should be expected in warm temperatures. We propose to examine how the difference in perceived temperature might influence food choices and consumption volume. Prior research from physiology supports the influence of ambient temperature on food consumption behaviors (Daly 2014). We extend this stream and show that the effects of perceived ambient temperature rather than actual temperature can also have effects on food choices and consumption behaviors (Johnson et al. 2011).

We conducted two studies to test our hypotheses. Study 1 examined if perceived ambient temperature influences choices between healthy and unhealthy options. A binary logistic regression revealed a marginally significant model (Wald = 2.92, $p < 0.09$). Follow-up tests showed that participants who rated the ambient temperature as warmer were more likely to choose the healthy option. The results of this study showed that consistent with our expectations, a higher perceived ambient temperature led to higher preference for the healthier option.

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Study 2 examined the moderating effect of food vs. beverage. The ambient temperature was either cool or warm and participants were provided with either a snack food or beverage. Participants consumed more food when the perceived ambient temperature was cool (vs. warm). The effect was reversed for participants' beverage consumption, whereby participants consumed more of the beverage when temperature was perceived as warm compared to when cool.

The results of our research demonstrate that perceived ambient temperature can influence food choices and consumption volume. The findings of our research have strong conceptual and practical implications for managers, regulators, and consumers.

**References available upon request.**

# The Impact of Retrieval Difficulty on Satiation

**Huaman-Ramirez Richard and Maaninou Nada**

**Abstract** Satiation plays an important role in consumption. Over the time, an individual will eventually get fed up by product with which he or she has been satisfied before. Our work has a psychological view of satiation, which is based on the premise that satiation is not determined by past consumptions but is constructed. Our work focuses on the cognitive process of preferences construction including the inferences about fluency of retrieval. We showed that in this case of difficulty of retrieval, the consumer can effectively infer that he or she has not consumed a particular product a lot. This perception of reduced past consumptions will consequently make the consumer have less feeling of satiation. We conducted an empirical study among 166 students who had responded to our online survey regarding different soft drinks in Peru. Participants who remembered the last three times they have consumed their favorite drink expressed more desire to consume the drink again than those who only remembered their last consumption. Moreover, individuals who were informed that the recall task is difficult had no relevant effect on their desire.

**Keyword** Satiation • Ease of retrieval • Recall • Inference

## Introduction

Satiation refers to the decrease in pleasure provided by an emotionally relevant stimulus (Frederick and Loewenstein 1999). The phenomenon of satiation is often cited as the main obstacle to lasting happiness in society, reason being that regardless of the degree of satisfaction an individual may get by following a stimulus, the satisfaction tends to decrease with repetition (Redden 2008). Satiation is one of the reasons why consumers are always seeking variety (Kahn 1995). Since there is a dependency between the feeling of satiation and the perception of past consumptions

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(Helson 1964), the recall of such consumptions plays an important role in the satiation process. The consumer relies on his memory while retrieving information of his or her past purchase.

When an individual is in a buying decision process for a hedonic product (i.e., cookies, drinks, chocolates, etc.), he or she is influenced by an unavoidable satiation phenomenon. However, consumers do not always make the effort to remember and evaluate their past consumptions, especially because such consumptions are often irregular and difficult to describe (Bettman et al. 1998). In these conditions of difficult recall, an individual is more likely to be influenced by the fluency of retrieval of past experiences using inferences (Schwarz et al. 1991). The use of inferences is explained by the fact that people need to perform consistent actions and for that they use a wide variety of implicit theories (personal and social) to form a bond, "if–then," that combines the objective information to logical conclusions [see Kardes et al. (2008)]. In this way, the fluency of retrieval could have an effect on satiation, in particular during the buying decision process.

Previous research has focused on satiation reduction by categorizing stimulus (Redden 2008), the decrease in perceived frequency (or recency) of past consumptions, or the interruption in consumption experience. However, researchers rarely cited satiation as a psychological construct, especially in consumer decision making process. Among the pioneering research on satiation construction, the seminal work of Wansink and his colleagues (2005) is noteworthy. Wansink et al. (2005) demonstrated that the perception of past consumptions can be influenced by contextual factors. Moreover, in the consumer behavior research, Galak et al. (2009) showed that satiation also depends on the amount of recalled variety. In their study, when participants were asked to focus on other products they have consumed, they felt gradual satiation. However, in order to study the bias that may exist while recalling past experiences, the only study by Redden and Galak (2013) has analyzed the use of inferences in satiation construction. These researchers showed that using metacognitive inferences the consumer can build satiation through easy recall of past consumptions. In other words, the more an individual recalls easily his or her past consumption of a particular product, the more he or she will follow metacognitive process and deduce that he or she has consumed such product a lot. Thus, his or her satiation feeling will be depicted by a decrease in the pleasure pertaining to the usage of that product.

Besides large body of researches regarding satiation, certain issues still persists in the domain, such as, in this case we are concerned that how a consumer advances in a buying decision making situation. For instance, contrary to our literature, stated that it is unlikely, though, that ease of retrieval effects satiation in a decision making context, as it is difficult to evaluate abstractly a single product among its alternatives without considering the context. Furthermore, he also stated that in a relatively fast decision making contexts, metacognitive based theoretical explanation remains irrelevant. In this sense, in a situation of buying decision some questions stand still unclear.

For this reason, research question that arises hitherto is: what is the effect of recall difficulty of past consumptions on the feeling of satiation during a buying decision making context of a hedonistic product? Moreover, the previous studies

have demonstrated that the ease of retrieval expectations affects the inferential process, on the similar lines we present the following question: how expected difficulty in recall affects the relationship of difficulty in recall and feeling of satiation in a buying decision making context?

Based on the theoretical framework of simple accessibility (Menon and Raghubir 2003) and the divergence–attribution theory (Whittlesea and Williams 2000), we suggest a different explanation of the satiation building process. We believe that when there is fluency of retrieval, a consumer can automatically use inferences without experiencing a metacognitive process. In this way, the fluency of retrieval impacts the perception of past consumptions and therefore the feeling of satiation. The fluency of retrieval is defined as the ease with which some information can be retrieved from memory (Schwarz 2004). This inference is related to the idea that if there is more information about past experiences it would be easy to retrieve from memory and the consumer will think that he or she has lived such past experiences more frequently or recently. In other words, "if it is fluid, then it must be old/known" (Jacoby and Dallas 1981; Schwarz et al. 1991; Tversky and Kahneman 1973). Contrary to fluency of retrieval, in this paper we are concerned about the difficulty of retrieval in a decision making context. We argue that if a consumer is supposed to remember his or her last time consumption of a particular product, he or she will not use an inference because the ease of recall is expected; however, if a consumer has to remember his or her past consumptions several times, then he or she will experience a difficulty in inference which would be unexpected.

The theoretical contribution of this research is to demonstrate that difficulty of recall of past consumptions plays a role in the feeling of satiation within a buying decision-making context. Our research also extends the previous research as it expands the horizon of the factors that could influence satiation. Furthermore, since research on fluency of retrieval focused mainly on the attribute based evaluation of a product, we are focusing on the memory-based evaluation of a product. At the managerial level, understanding that satiation is not directly determined by past consumptions, rather built in the present, will provide practitioners an opportunity to take advantage of the context. By encouraging difficulty of recall among consumers in order to create a perception that one has consumed a hedonic product less may reduce the effects of satiation. Thereby reducing consumer's feeling of satiation by contextual paths will enable practitioners to invest less in product variety strategies.

## Theoretical Framework

### *Satiation Construction Process*

The adaptation level theory stipulates that the satisfaction or dissatisfaction of a particular experience is not absolute; rather it is derived by comparing the current experience with the past experiences (Helson 1964). Helson's model specifically demonstrates the effect of past stimuli on the subjective experience of a current

stimulus. This model captures the essence of the adaptation, i.e., persistent negative elements gradually become less unpleasant whereas persistent positive elements progressively become less pleasant. The evaluation of a repeated past consumption depends on how its repetition is perceived and the perception of past consumptions from contextual factors will build satiation.

The psychological construction notion has become important in this field of social sciences. Under this perspective, individuals can construct their preferences (Lichtenstein and Slovic 2006), choices (Bettman et al. 1998), or their social judgments by integrating the amount of available information (such as feelings, concepts, procedures, or episodic experiences). The need to build judgments generally occurs when they are insufficient to solve an evaluation issue. Such difficult evaluation situations have the following characteristics: (1) some elements of an evaluation are unfamiliar; (2) evaluation may present a conflict of interest or perception; and (3) it is difficult to translate our positive and negative feelings (Lichtenstein and Slovic 2006). In this paper, we are interested in the second characteristic where the consumer is in a "trade-off," i.e., when he or she must quickly evaluate his past consumptions and the recall is difficult, which is often the case.

Moreover, it is crucial to add that even in a situation when judgments seem to be determined, contextual factors may impact a product evaluation. In other words, for building satiation, memory or past consumptions recall is not entirely the factor; rather the context also plays a role (Whittlesea 1997). As mentioned earlier, Wansink et al. (2005) demonstrated that the individuals who took the soup from the self-refilling soup bowls (the biased visual cue), consumed more than those who took it in normal soup bowls. In this case, consumers were influenced by the contextual factors such as the bowl size and the perceptual effect of seeing that they do not eat much. This concept is compatible with the work of Galak et al. (2009) which shows that the satiation also depends on the recalled consumer environment. These authors showed that consumers feel satiation more slowly when asked to remember the context in which they consumed this product. In their study, participants were asked to focus on other products that they have consumed. The conclusion seemed to be that the fact of noticing and remembering the consumption is crucial for satiation, probably because satiation is a function of the past consumption amount which people remember. Thus, the feeling of satiation can be cognitively constructed from the perception of the product past consumptions to which the consumer is exposed.

When the consumer evaluates a product based on past consumptions which are difficult to describe, it will not be based on the objective information of those consumptions, rather automatic inference that will influence the product evaluation.

## The Ease of Recall as Information

Consumers do not often analyze the frequency or recency of their past consumption to make a buying decision. They use heuristics, especially when the task of calculating their past consumptions is difficult (Bettman et al. 1998). In this section, we proceed with the explanation of the heuristic, in said situation.

The availability heuristic (Tversky and Kahneman 1973) is based on the fact that people tend to estimate the frequency of an event based on the availability of this information in their memory. For example, if the information related to a specific incident is not available in the memory of people, they will think that this incident happens very often within the population. In contrary, the less accessible the information of incidents is, the people are more likely to think that few people were affected. Tversky and Kahneman (1973) suggested that in some situations when individuals cannot remember the occurrences of an event, they use different methods to estimate the frequency or recency of that event. For example, in an experiment, individuals though that there were more English words that begin with the letter K in the first position than in the third one, when in fact it is the opposite (Tversky and Kahneman 1973 experiment 3). This result explains that the evaluation of the amount of words beginning with the letter K in the first position is influenced by its degree of availability in the memory. Therefore, words beginning with the letter K would be evaluated as more frequent. Despite the large impact of this research in social sciences, the result of this study is ambiguous as it is difficult to know if people thought that because they made more words that started with letter K or because it was really the availability of words in memory. In the next section we detail the contribution of Schwarz et al. (1991) in the ease of retrieval.

In order to unravel the ambivalence in the use of availability heuristic, Schwarz et al. (1991) manipulated the conditions of ease of retrieval. The ease, availability or accessibility of retrieval, are interchangeable terms, they are defined as the ease with which examples or experiences come to mind. Schwarz et al. (1991) suggested a difference in the content of the information that people remember and the subjective experience of ease that can accompany such retrieval. Schwarz and his colleagues, however, were interested in the informational function of the subjective experience of ease. By manipulating the conditions in the ease of retrieval, they showed (experiment 1) that the participants who recalled six examples of assertive behaviors categorized themselves as more assertive than those who recalled 12 examples. Those who remembered six examples have indicated ease of retrieval than those who provided twelve examples.

In agreement with Tversky and Kahneman (1973), Schwarz et al. (1991) explained this phenomenon that in ease of retrieval, people refers to number of experiences more than they have actually engaged in or experienced. This leads to a question: can a person attribute the ease of retrieval with another cause? For example, the ease of retrieval can be attributed to the fact that the task is easy, or that the individual is motivated to do the recall effort. Schwarz et al. (1991) used the misattribution of feelings to remove the impact of the ease of recall on the evaluation of people assertiveness, by attributing the ease of retrieval to the situational stimuli (i.e. music). They demonstrated (experiment 3) that when people expect the recall task to be easy, the ease of retrieval has no effect on the evaluation of people assertiveness. Participants recalling six examples of assertive behaviors were assessed as less assertive than those who recalled twelve examples. People attributed the ease of recall to music and not to the fact of experiencing more assertive behavior. Similarly, when people expect the recall task to be difficult, the recall problem had no effect on the assessment of people assertiveness. Empirical results demonstrate that the

expectation of subjective experience influence the impact of the fluency of retrieval on the evaluation of the amount of behaviors engaged. Similarly, studies have shown the attribution of inferences on the behavior evaluation. Such attributions depend on individual and situational factors. In the next section we present the theory that explains more precisely these results.

## *Divergence-Attribution Theory*

There are many types of information processing fluency (subjective experiences with which individuals easily process information) that impact the judgment of individuals among a wide range of social dimensions (Alter and Oppenheimer 2009). However, the variables that determine the allocation of inferences are applied to all types of information processing fluency (Schwarz 2004). Schwarz et al. (1991) showed that fluency of processing influences the judgment regardless of the content accompanying the subjective experience of fluency. In this sense, what influences the consideration of fluency recognition of an individual is applicable to the concept of fluency of retrieval.

The recognition of a stimulus by an individual depends on the trace of it in his or her memory; a trace that was left after he or she encountered that stimulus. Proximity with the stimulus will activate its trace in memory; the recognition of a stimulus will be the conscious perception of the resonance of this activated trace. In this sense, the possession of an event's trace in the memory is a necessary and sufficient cause to recognize an object. Despite this logical notion of recognition, showed that one can recognize an object or a person even without having previous encounter. This phenomenon of feeling of familiarity is explained by the fluency of information processing. The researchers showed that people used fluency heuristics in recognition. People can judge that an object has been seen or met by assigning fluency of information processing to past experiences with that object. This attribution act is considered unconscious, but the perception of familiarity is felt consciously (Whittlesea and Williams 1998).

Similar to the availability of heuristic by Tversky and Kahneman (1973) and the fluency of retrieval by Schwarz et al. (1991), there are many evidences regarding the fluency of information processing such as perceptual fluency (Novemsky et al 2007), cognitive fluency or linguistic fluency. Despite the empirical validity of this evidence in other areas, the idea that we unconsciously assign a heuristic only from a simple information processing fluency further suggests several questions. For example, Whittlesea and Williams (1998) have questioned the fact that there is not a feeling of familiarity when we meet someone known. They wonder why in some cases, even if there is a fluency of processing, assigning a heuristic does not occur.

Whittlesea and Williams (1998) have shown that to experience a feeling of familiarity, we must be surprised by our fluency of processing. If the stimulus information is processed fluently in an expected context, this exposure to the stimulus will not produce a feeling of familiarity. In their experiment, individuals were presented by

three types of words: the well-known words (i.e. TABLE), nonwords difficult to pronounce (i.e. LICTPUB) and nonwords easy to pronounce which were created from real words by changing one or more letters (i.e. HENSION). Then, each type of stimulus was studied within a recognition test. During the test, the individuals first pronounced each word (to measure the fluency of processing) and made a recognition decision to see whether the stimulus is considered new or old for them. Natural words (i.e. TABLE) were treated very easily (827 ms), but were not associated with old words. In the opposite, the quasi-homophones words (i.e. HENSION), even if they have been treated with less fluency than normal words (988 ms), produced more false alarms because they were considered as old words (37 % vs. 16 %).

Whittlesea and Williams (1998) explained this phenomenon as that when individuals easily pronounced the nonwords, they were surprised and the unknown source was falsely attributed to the past. For example, when people read "HENSION", they were expecting a significant word, but it was a nonword. Such surprise was associated with the incompatibility between the expectations and the results that guided this feeling of familiarity. That is, the word "HENSION" was treated in a more fluent way than what is expected for a nonword which created a perception of divergence, followed by an unconscious allocation of the processing fluency heuristic, and finally leading to feeling of familiarity. In marketing, these results were replicated by Menon and Raghubir (2003) using the ease of retrieval in brand evaluations.

## Ease of Recall Automaticity

In this section, we explain how ease of recall heuristics is automatically used. The automaticity is a characteristic of the information processing heuristic approach (Chaiken 1980). Automatic information processing occurs unconsciously, without control by the individual, without necessary attention, without any cognitive effort and is involuntarily (Bargh 1989). Several empirical studies highlighted automatic processes in the consumer decision-making field. For example, examined the unconscious use of product information by individuals when aware of the information presence and examined the use of product information when people were unaware of the information presence. Similarly, research has shown the prevalence of one or more automaticity criteria in the effects of consumers impulsivity, the monetary value judgments (Raghubir and Srivastava 2002), the distance perception, and phonetic effects of brand names on consumer judgments.

Taking into account the conditions proposed by Bargh (1989) to accomplish the automatic information processing, Menon and Raghubir (2003) showed the ease of retrieval automaticity through several experiments. First, they demonstrated that the use of the ease of retrieval inference is uncontrollable. For example, individuals in one of their experiment evaluated a brand of computer less favorable because of the difficulty in restoring its positive properties, even when they were informed initially that the other participants had found this recall task difficult. This phenomenon is

explained by two possible reasons: people are not aware of the ease of retrieval used as an information source to make judgments, or even if people are aware of it, they are unable to control its use. These two reasons are related to automatic processing (Bargh 1989). Furthermore, Menon and Raghubir (2003) showed that the ease of retrieval inference is used without efforts. When individuals were imposed to a cognitive load before the experience of recall, the ease of retrieval had an impact on the evaluation of the same brand even when they were informed that the other participants found the task of recall easy or difficult. In another experiment, when individuals were informed that the other participants found the task of recall easy or difficult, the ease of recall had an impact on the evaluation of the brand only when cognitive load was imposed on individuals. These two experiments performed by Menon and Raghubir (2003) showed that the ease of recall can be applied without considerable effort. In summary, the ease of recall as an inference is automatically used: without any control or efforts by the individual.

As we have noted earlier, satiation can be constructed from the perception of past consumptions. The more we perceive that we have consumed a product, the more we will feel satiation. The feeling of satiation of an individual toward a product is an assessment based on memory. In this context, when an individual is exposed to a product, he or she does not evaluate the product's attributes, but its past consumptions. Furthermore, while evaluating its product's past consumptions, the he or she is not only influenced by the content of the past consumptions, but also by the ease of retrieval of the stored information in memory.

## Hypothesis

When the consumer is making a hedonic product buying decision, the assessment may be based on the information from the memory (Menon, Raghubir, and Schwarz 1995). People often evaluate their past consumptions to make choices. Lack of access to information from the memory, specifically in recalling past experiences, can generate cognitive inferences that individuals use (Schwarz et al. 1991). The individual unconsciously assign the difficulty of retrieval to the fact they have not experienced that behavior a lot. This assignment will be automatic. Consumers would use inference "if it is fluency, then it is old" (Jacoby and Dallas 1982; Schwarz et al. 1991; Tversky and Kahneman 1973) to estimate their past consumptions. In the case of a purchase decision making, the difficulty of retrieval of past consumptions could negatively affect these consumptions' perception. Given that the feeling of satiation is built on past consumptions perception (Galak et al. 2009; Redden and Galak 2013; Wansink et al 2005), the difficulty of retrieval could therefore influence the feeling of satiation. The difficulty of retrieval of past experiences plays an important role in the increase of the desire felt toward the consumption of a product. Based on this argument, we hypothesize:

*H1: The difficulty of retrieval will have a negative effect on the feeling of satiation*

The important condition for an individual to use the inference "if it is fluency, then it is old" is related to the idea that there must be a difference between the actual fluency of information processing and the expected one (Whittlesea and Williams 1998, 2000). To have the possibility of using inferences, there must be a dissonance between our experiences, expectations, and what we are actually experimenting. If a consumer already knows that finding 10 positive attributes of a product is difficult, then he or she will not attribute this difficulty to the fact that the product does not have a lot of positive attributes. Thus, the product will always be considered as of good quality whenever this inference is not applied [study 2, Menon and Raghubir (2003)]. Similarly, if a consumer is facing a difficult choice (price and quality) among three alternatives, he or she will not use inference regarding the fact of choosing the medium choice (the compromise effect) if he already knows that this choice was also difficult for other consumers [study 4, Novemsky et al. (2007)]. Based on this argument, we propose:

*H2: The expected difficulty of retrieval will have a negative moderating effect on the relationship between the difficulty of retrieval and the feeling of satiation.*

## Method

One hundred and sixty-six university students participated in this experiment (80 % males, 20 % females; aged between 18 and 35 years old). We used an online survey method for data collection. The administration of the questionnaire was carried out using the Sphinx online software (www.sphinxdeclic.com). We used a food product with predominantly hedonic characteristics and repeated use. We choose refreshing drinks. The list of drinks presented to respondents contained the most popular soft drink in Peru, including Coca Cola, Pepsi Cola and local brands.

### Procedure

We used three conditions: ease of retrieval, difficulty of retrieval, and difficulty of retrieval with attribution (Schwarz et al. 1991). To manipulate the difficulty of recall, we asked the first experiment group: "*Remember the last time you have consumed this drink*", the second group was asked to: *"Remember the three (3) last times you have consumed this drink"*. Finally, for the third group, we used misattribution feelings (Schwarz et al. 1991) that showed the expected difficulty effect. We added, for this group, the following sentence under difficulty condition and asked participants: "*You know, remember the three (3) last times you had this drink can be a quite difficult task*" for that we assigned the difficulty to the task but not to the fact that they have not consumed the drink much. In order to avoid the influence of emotionally charged past experiences on inferences, we added one question for

first group: "*When was the last time that you have consumed this drink?*" and three questions for the second and third group: "*When was the (penultimate, pre-penultimate, last) time that you have consumed this drink?*" Here, the recall of past consumptions is focused by individuals on peripheral information rather than content information (Schwarz 2004). With regard to the manipulation of difficulty of retrieval, we created three questionnaires each one with different conditions. Participants were asked to choose from a list of drinks that they love most to provide a similar hedonic state. Then, we measured the participants' satiation feeling by asking them about their desire to consume the drink again. Finally, we asked questions about the degree of difficulty of retrieval and the use of inference of difficulty of retrieval.

## *Measures*

For the feeling of satiation, as satiation is one of the consumer's hedonic states, it was measured by the desire to consume the product. In line with the first study of Redden and Galak (2013), we used the following question: "*How much you would like to consume this drink now?*" on an 11-points scale (0 = *very little*; 10 = *very much*). To ensure that difficulty of retrieval has a significant difference, participants assessed the task difficulty with three statements: "*You found this difficult task reminder*"; "*It took a lot of effort*"; "*This has forced you to think a lot*", adapted from Menon et al. (1995), and using 11-points likert scale (0 = *not at all agree*; 10 = *strongly agree*). To verify that the recall difficulty inference is used, we asked the following question: "*Have you succeeded recalled the (three) last time(s) you have consumed this drink?*". This procedure is similar to one used by Whittlesea and Williams (2000, experiment 2) to differentiate individuals who have used their memory from those who used an inference.

## Results

We first segregated individuals with a consumption frequency greater than 1 per month because the control condition of this experiment is to have respondents with a relatively high consumption frequency. Finally, we have 44 respondents for the ease of retrieval condition, 43 for the difficulty of retrieval, and 48 for the difficulty of retrieval with attribution. A second control variable in this experiment is that consumers must like the chosen drink. Indeed, there is a significant consumer preference for drinks, $M1 = 7.23$ for the first group and $M2 = 6.88$ for the second. We also tested the manipulated variable, the difficulty of retrieval scale had a significant Cronbach alpha coefficient (0.892), which allows us to say that the difficulty of retrieval has been well measured and the scale is reliable. Next, we analyzed the differential on recall difficulty between the first two samples to test whether

manipulations succeeded. Respondents under the ease of retrieval manipulation found effectively the task less difficult than those with difficult recall manipulation ($M1 = 2.42$ vs. $M2 = 3.52$, Table 1), $t(87) = 3.46$, $p < 0.05$. Regarding the recall difficulty inference (Whittlesea and Williams 2000), respondents with the condition of difficult recall remembered less about their past consumptions than respondents of easy recall ($M1 = 5.59$ vs. $M2 = 4.16$, Table 1), $t(87) = 4.31$; $p < 0.05$. Finally, to test our hypothesis 1 about the effect of difficulty of retrieval on the satiation feeling, we obtained that the more it is difficult to recall past consumptions, the more the individual would like to consume the product again ($M1 = 2.77$ vs. $M2 = 4.14$, Table 2), $t(87) = 2.07$, $p = 0.041 < 0.05$.

Regarding the condition of difficulty of retrieval with attribution, individuals also liked the chosen drink ($M3 = 6.33$). To test the hypothesis 2 within the attribution effect, we compared two conditions: difficulty of retrieval without attribution and difficulty of retrieval with attribution ($M2 = 4.14$ vs. $M3 = 2.96$, Table 2), $t(89) = 1.72$, $p = 0.089 < 0.10$. Indeed, there was a difference between the two conditions, which allows us to say that the attribution of having a difficulty affects feeling of satiation.

## Conclusion and Discussion

The effects of difficulty of retrieval on the feeling of satiation occurred as hypothesized. Furthermore, the conditions were being successfully manipulated to test the effect of the difficulty of retrieval. The reasoning used by consumers, "If I do not remember, then I did not consume very much" has been activated under the inferential process.

Satiation plays an important role in consumption. Over the time, an individual will eventually get fed up by a product with which he or she has been satisfied before, especially for hedonic products. Research in consumer behavior considers satiation as one of the causes of variety-seeking behavior (Kahn 1995). From an economic approach, satiation has been seen as the result of past consumptions sum.

**Table 1** Task recall and difficulty (easy vs. difficult recall)

| Condition | Task difficulty M (SE) | Task recall M (SE) |
| --- | --- | --- |
| Ease of recall | 2.42 (1.3) | 5.59 (1.49) |
| Difficulty of recall | 3.52 (1.64) | 4.16 (1.58) |

**Table 2** The desire to consumer under the different conditions

| Condition | Desire to consume immediately M (SD) |
| --- | --- |
| Easy of recall | 2.77 (2.91) |
| Difficult of recall | 4.14 (3.23) |
| Difficult of recall with attribution | 2.96 (3.31) |

From a psychological approach, satiation is rather seen as the overall perception of past consumption accumulation (Helson 1964). Our work has a more psychological perspective of satiation, which is based on the premise that satiation is not determined by past consumptions rather built. The theory stating that preferences and decisions are constructed in the moment is already accepted in the consumer behavior explanation. Decisions or preferences construction is a cognitive–affective process. Our work focuses on the cognitive process of preferences construction including the inferences use.

We showed that in the case of difficulty of retrieval, the consumer can effectively infer that he or she has not consumed a particular product a lot. This reduced perception of past consumptions and will consequently make the consumer have less feeling of satiation. Under the first two conditions, in our experiment, individuals who had to remember the last three times they consumed their favorite drink expressed more desire to consume the drink again than those who had just to remember the last time. We also demonstrated that this inference used by the consumer is moderated if the recall difficulty is expected. Under the third condition, individuals who have been informed that the recall task is difficult did not use this inference and therefore their desire was not affected.

Regarding the feeling of satiation in a decision-making situation, we believe that the consumer chose the preferred product first and then evaluated quickly or unconsciously his past consumptions. If that product has been consumed a lot earlier, then he or she feel satisfied and thus preferred to choose another product and so on. If all the products seem to satiate the consumer, then he or she will dare to try a new product especially when the perceived risk is not high. We can also notice that there is a correlation between individuals' conscious recall about their past consumptions and the used inference effect. In the same way as Whittlesea and Williams (2000, experiment 2) found.

Future research should focus on the study of different types of products or experiences. A product recall can be easier than recalling an experience; it will help explain why we feel less satiation for an experience than with a product. Consumers can easily locate a tangible product than an experience without a reference object. In addition, it would be interesting to analyze the relevant conditions under which the use of the studied inference might actually have an effect. In the same way as Chaiken (1980), we can find conditions that are appropriate in a purchase situation, such as time or even involvement may impact the use of inference.

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# An Investigative Model to Explain Unhealthy Food and Beverage Purchase Intentions

**Jeremy J. Sierra, Anna M. Turri, and Harry A. Taute**

## Abstract

The competitive food marketing industry is fueled by demands of consumer constituencies to include *processed* or, alternatively, *organic* foods and beverages in their diet. Portrayals in the media further distinguish these two views. Linked to the *processed* food and beverage adherent and particular to our research, corn-fed beef and soft drinks made with artificial sugar offer consumers paltry health benefits. As both corn-fed beef and soft drinks are copiously offered in the food and beverage industry, we use these unhealthy food and beverage options as outcome variables in our proposed model.

Although the existing research on food and beverage consumption offers meaningful insight, our understanding of this exchange is far from complete (e.g., Hughner et al. 2007). To help fill this research fissure, we offer a sequential choice process model of nutrition information usage (USAGE), organic food brand tribalism (TRIBE), self-esteem (ESTEEM), and feelings about shopping smart for healthy food (SMART) on intention to purchase soft drinks made with artificial sugar (PISOFT), and intention to purchase meat in which the cattle were raised on a corn diet (PIMEAT).

Regarding fast food consumption, research suggests negligible differences between student and nonstudent samples (Fryar and Ervin 2013). Also, students and adults have comparable sweetener preferences (Stokols et al. 2006). Thus, students [$N = 268$ (mean age = 22.62, SD = 3.04), gender split evenly, Whites (72 %), Hispanics (17 %), Blacks (6 %), and Asians (4 %)] at a southwest US business school were solicited as respondents during regularly scheduled classes.

Estimation of the measurement model, with the 30 items comprising the six scales, confirms convergent and discriminant validity. The relationships were tested using SEM with LISREL 8.72. A COV matrix and MLE were used to estimate

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model parameters. Model estimation produced the following GOF statistics: $\chi^2(400\mathrm{df}) = 1250.04$ ($P = 0.00$, CFI $= 0.94$, NNFI $= 0.93$, and RMSEA $= 0.089$). The statistical power associated with the RMSEA statistic nears 1.0, so the GOF statistics are assumed conservative (McQuitty 2004). The $t$-statistic for each coefficient is significant at the $P < 0.01$ level [i.e., USAGE relates positively to TRIBE (H1; $t = 8.06$), TRIBE relates positively to ESTEEM (H2; $t = 6.33$), and ESTEEM relates positively to SMART (H3; $t = 7.10$); SMART then relates inversely to both PISOFT (H4; $t = -4.12$) and PIMEAT (H5; $t = -3.12$)].

We used a sequential-based model to elucidate corn-fed beef and soft drink purchase intentions. From the producer, product, and marketplace vendor, our model provides acumen to consumers' responses to supply chain members pertaining to processed food and soft drink consumption; such understanding benefits both food marketers and policy makers.

**References available upon request.**

# Session 1.4
# Website Design Strategies for the E-Servicescape

# Web Atmospherics Effect on Intention to Purchase: A Case of Online Apparel Stores

**Lineta Ramonienė, Eglė Petrulytė, and Neringa Ivanauskienė**

**Abstract**  The main objective of the present study was to determine the effect of website atmospheric variables on emotional states (pleasure and arousal) of the consumer, which consequently would influence consumer's behavioral response (intention to purchase) in Lithuanian online apparel stores. Three atmospheric variables were chosen for the research: color, layout, and graphics. The study implemented the experimental design where consumers had a simulated shopping online experience. The experiment was designed to have eight different treatments; thus eight different online stores were designed with varying types of atmospheric variables. Three above mentioned atmospheric variables were tested to determine whether they have a significant influence on consumer's pleasure and arousal. Atmospheric variables' effect on emotional states was identified, thus giving practical examples of which types of separate atmospherics are advantageous to one another. Lastly, the effect of consumers' emotional states on their intention to purchase was researched, which also distinguished the presence of significant relationship. Findings of the present study are giving useful implications for future studies, regarding atmospheric variables as influencers for consumer's intention to purchase in apparel shopping activities online. Moreover, the present study proposes the necessity for the marketers to develop user friendly and esthetically attractive web stores.

**Keywords**  Web atmospherics • Emotional states • Intention to purchase • Apparel industry

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## Introduction

According to Kotler (1973), the environment or in other words the atmosphere can be more influential than the product itself. Kotler was the first to term the qualities and attributes of the store as "atmospherics." This research is goaled to determine web atmospheric variables and their influence on customer's intention to purchase within small size online apparel stores in Lithuania. It is especially important for small marketers to understand and use purposefully specific web attributes for customer attraction or clear competitive edge because they usually cannot rely on a strong brand or quality image.

## *Web Atmospherics*

In existing studies web atmospherics is assessed and defined in many different ways. Richard et al. (2010) characterized web atmospherics as structure, effectiveness, informativeness and entertainment, while Manganari et al. distinguished atmospherics as a part of whole online store environment together with virtual layout and design, virtual theatrics, and virtual social presence (2009).

Defining web atmospherics varies by different researchers, but its effect on consumers' emotions, behaviors, and intentions is empirically undeniable. Correspondingly to Kotler's (1973) definition, Dailey (2004) adapted the term atmospherics to an online environment and described it as "conscious designing of web environments to create positive effects in users in order to increase favorable consumer responses" (p. 796). This definition of web atmospherics is applied in this research. The most suitable web atmospherics stimuli taxonomy for present study is presented in Table 1.

However, the last variable category *music* is rejected from this study, as investigation of this particular characteristic requires software and equipment that not every respondent in the research would be able to possess.

**Table 1** Atmospheric variable taxonomy

| Atmospheric attribute | Sources |
| --- | --- |
| Layout and structure | Eroglu et al. (2001), Richard et al. (2010), Richard (2004), and Kluge et al. (2013) |
| Graphics | Eroglu et al. (2001), Hopkins and Alford (2001), and Kluge et al. (2013) |
| Colors | Manganari et al. (2009) and Eroglu et al. (2001) |
| Music | Eroglu et al. (2001) and Kim et al. (2009) |

*Note*: Created by authors

## Intention to Purchase

The concept of purchase intent is considered as anticipated shopping behavior of the individual in short-term buying decisions. Moreover, the intention of purchase could be described as future projection of consumer behavior or a reflection of one's action and short-term behavior in a specific setting of the research (Flavian et al. 2006). Whitlark et al. (1993) described intention to purchase as a probability or likelihood that the individual will actually purchase the product or service. Fishbein and Ajzen (1975) defined purchase intent as an antecedent for actual behavior and is soundly related to actual consumer behavior. Understanding the intention to purchase and the variables that have the most significant impact on it can help policy makers to decide upon choice of atmospheric cues, their usage, emphasis, and development in an electronic shopping environment.

## Linking Web Atmospherics and Intention to Purchase through S-O-R Framework

Couple of decades ago, psychology environmentalists Mehrabian and Russell (1974) introduced Stimuli-Organism-Response (S-O-R) framework which tests the effects of environment on individuals decision making. Later on the model of emotion was adapted specifically for the retail context by Donovan and Rossiter (1982). The feelings that the individual is feeling when exposed to a particular environment in the S-O-R model are described as pleasure, arousal, and dominance. Pleasure is associated with feeling good, happy or satisfied in the research setting, when arousal refers to stimulation, activism and being alert in the particular situation (Mehrabian and Russell 1974). Dominance emotional state could be described as a feeling of being in control of or the freedom to behave in a particular manner in the situation (Donovan et al. 1982). However, recent researches that were applying this S-O-R model dropped the dimension of dominance, because only pleasure and arousal are correlated with each other and thus the lack of independence for the emotional state of dominance and the necessary results could be bound with using only two dimensions—pleasure and arousal (Russell and Ward 1982).

The S-O-R concept has been adapted in a number of studies researching the impact of store environment and particular atmospheric variables in the environment. Such atmospheric cues as music (Smith and Curnow 1966; Milliman 1984; Yalch and Spangenberg 1993; Kim et al 2009), color (Bellizzi and Hite 1992), lighting (Spies et al. 1997), and scent (Spangenberg et al 1996; Mattila and Wirtz 2001) have been researched in a setting of traditional retailing. The studies reviewed are supporting that atmospheric factors are empirically significant.

The adapted S-O-R framework for this study is considering web store atmospheric attributes as the stimuli in the environment. Color, layout, and graphics were chosen as influential stimuli. Consumer's emotional states during the shopping experience
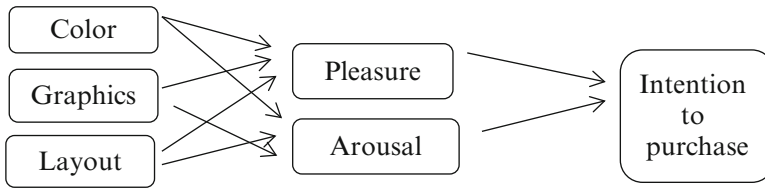
**Figure 1**  Theoretical framework for the study

(pleasure and arousal) are considered as an organism, which is exposed to the environment and can be positively or negatively affected by the attributes of the particular setting. The behavioral outcomes of the respondent influenced by the emotional states experienced will show the response of an individual, which in this case is consumer purchase intent. The framework for this study is visually presented in Figure 1.

Several hypotheses were raised.

To summarize, many studies have confirmed the impact of atmospheric attributes on consumer's intention to purchase in both conventional (Turley and Milliman 2000; Moye and Giddings 2002; Parsons 2010; Grewal et al. 2009; Mueller and Mack 2011) and electronic (Eroglu et al. 2001, 2003; McKinney 2004; Manganari et al. 2009; Richard et al. 2010) retail environment. However, in Lithuanian retail settings this topic has been ignored and even more the implementation of the theory lacks research.

## Research Methodology

### Research Method

Experiment approach was chosen for this study, because the goal of the research is to measure how changes in web retail environment affect consumer's intention to purchase. In order to establish comprehensive cause-and-effect relationships a field experiment was selected as an instrument for the survey.

The research used convenient choice for respondent assignment with basic criteria, of having had a shopping experience in the electronic store during last year. The design of the experiment and treatments are shown in Table 2. The experiment used a 2×2×2, between-subject, factorial design, thus overall eight treatments were designed to proceed with the research (Table 3).

In order for the experiment and its separate treatments to have valid and reliable results a number of 30 respondents were assigned to each of 8 treatments. Thus, the total sample was defined as 240 respondents in the study. Moreover, the range of the respondents was from 16 years, because this is the age limit from which the person is legally allowed to own a debit or credit card and is permitted to shop individually without adult supervision. To add to that, the only criteria that the respondents had to meet in order to proceed with the research was an online shopping experience in the last 12 months.

**Table 2** Research hypotheses

|  | Hypothesis |
|---|---|
| H1 | Respondents who are exposed to websites with warm background colors will have higher level of arousal than those who are exposed to websites with cool background color |
| H2 | Respondents who are exposed to websites with cool background colors will have higher level of pleasure than those who are exposed to websites with warm background color |
| H3 | Respondents exposed to the environment with image-based information and thematic storefront design will have higher level of pleasure than exposed to text-based information and non-thematic storefront design. |
| H4 | Respondents exposed to the environment with image-based information and thematic storefront design will have higher level of arousal than exposed to text-based information and non-thematic storefront design. |
| H5 | Respondents exposed to Tree website layout will have a higher level of pleasure than exposed to Racetrack website layout. |
| H6 | Respondents exposed to Racetrack website layout will have a higher level of arousal than exposed to Tree website layout. |
| H7 | Level of the arousal experienced by the respondent will be positively correlated with his/her intention to purchase |
| H8 | Level of the pleasure experienced by the respondent will be positively correlated with his/her intention to purchase |

**Table 3** Matrix of the varying variables and treatments

| Treatment | Color | Layout | Graphics |
|---|---|---|---|
| 1 | Red | Tree | Image-based and thematic storefront design |
| 2 | Red | Tree | Text-base and nonthematic storefront design |
| 3 | Red | Racetrack | Image-based and thematic storefront design |
| 4 | Red | Racetrack | Text-base and nonthematic storefront design |
| 5 | Blue | Racetrack | Image-based and thematic storefront design |
| 6 | Blue | Tree | Image-based and thematic storefront design |
| 7 | Blue | Tree | Text-base and nonthematic storefront design |
| 8 | Blue | Racetrack | Text-base and nonthematic storefront design |

## Data Collection Process

The number of eight separate web stores was designed with varying types of atmospheric variables corresponding the treatments created for the study. This was done in order to simulate the whole shopping experience for the participant. During the experiment, the participant was able to engage in browsing the pages and subpages of the web store, exploit the functionalities, review the whole environment and product portfolios offered. However, the whole cycle of shopping experience was not included, because the ability to physically buy the product was not granted. In the front page of the website the respondents were introduced with the request, rules, and steps for the participation. After the simulated shopping experience the participants were asked to fill out the questionnaire.

**Table 4** Demographics and frequencies of all treatments

| Variable | | Frequency | Percent |
|---|---|---|---|
| Sex | Male | 74 | 30.8 |
| | Female | 166 | 69.2 |
| Age | 16–25 | 109 | 45.4 |
| | 26–35 | 91 | 37.9 |
| | 36–50 | 27 | 11.3 |
| | More than 50 | 13 | 5.4 |
| Education | Secondary | 4 | 1.7 |
| | High-school | 37 | 15.4 |
| | College | 20 | 8.3 |
| | Bachelor, Master, Doctoral | 179 | 74.6 |

**Table 5** Validity of measurement scales

| Variable | Cronbach's Alpha | Number of items |
|---|---|---|
| Color | 0.880 | 4 |
| Graphics | 0.841 | 4 |
| Layout | 0.904 | 4 |
| Pleasure | 0.912 | 4 |
| Arousal | 0.850 | 4 |
| Intention | 0.942 | 4 |

## Empirical Research Results

The distribution among demographic groups of the participants in all eight experimental treatments is as follows (Table 4).

The questionnaire included several multidimensional items: color, graphics, layout, pleasure, arousal, and intention to purchase. For checking internal consistency, Cronbach's Alpha was performed revealing strong consistency (Table 5).

Spearman's correlation coefficient showed that the relationship exists between all the atmospheric variables and both emotional states of pleasure and arousal (Table 6).

Later the independent *t*-test was used due to experimental conditions being exposed to different participants and each one of them assigned to only one condition. The same number of respondents was (120 in each) assigned to treatments with differing operational variables. Each operating variable had the same number of respondents (Table 7).

The results regarding raised hypotheses were the following—hypotheses 1, 3, and 4 were rejected and hypotheses 2, 5, 6, 7, and 8 were accepted.

Means and significance of differences between the means of emotional states and all atmospheric operational variables showed that different atmospheric variables affect not only the whole constructs of emotional state. Statistic measures showed that variations of atmospheric variables influence different emotional feelings that are later on summated into emotional states of pleasure and arousal.

**Table 6**  Spearman's correlation coefficients between atmospheric variables and emotional states

|  |  |  | Pleasure | Arousal |
|---|---|---|---|---|
| Spearman's rho | Color | Correlation coefficient | 0.500** | 0.489** |
|  |  | Sig. (2-tailed) | 0 | 0 |
|  |  | N | 240 | 240 |
|  | Layout | Correlation coefficient | 0.303** | 0.301** |
|  |  | Sig. (2-tailed) | 0 | 0 |
|  |  | N | 240 | 240 |
|  | Graphics | Correlation coefficient | 0.549** | 0.519** |
|  |  | Sig. (2-tailed) | 0 | 0 |
|  |  | N | 240 | 240 |

*Note*: **Correlation is significant at the 0.01 level (2-tailed)

**Table 7**  Independent sample test

| Variable | Operational variable | Pleasure | *t*-Test for equality of means Sig. (2-tailed) | Arousal | *t*-Test for equality of means Sig. (2-tailed) |
|---|---|---|---|---|---|
| Color | Blue | 5.4813 | 0.009 | 4.9813 | 0.017 |
|  | Red | 5.0458 |  | 4.6000 |  |
| Graphics | Image | 5.4688 | 0.013 | 4.9854 | 0.015 |
|  | No image | 5.0583 |  | 4.5958 |  |
| Layout | Tree | 5.1292 | 0.107 | 4.6500 | 0.079 |
|  | Racetrack | 5.3979 |  | 4.9313 |  |

## *ANOVA Analysis*

In order to more thoroughly determine the effect of web atmospherics on emotional states of the respondent the relationship between the evaluation of each atmospheric attribute and emotional states was tested by using one-way ANOVA test. Each independent variable was divided into three groups regarding the evaluation value that they received:

- Group 1—color evaluations from 1 to 2.74;
- Group 3—color evaluations from 2.75 to 3.25;
- Group 5—color evaluations from 3.26 to 5.

Table 8 indicates the distribution of respondents between the evaluation groups for all independent variables. Also, the table presents the means of emotional states for all evaluation groups.

All means were distributed in a satisfactory order. This indicated that the higher the evaluation of the color the higher pleasure degree was experienced during the experiment. However, these measures were not sufficient enough to support or reject the hypothesis. Thorough analysis of ANOVA was performed subsequently.

**Table 8** Frequency table for independent variable's evaluation groups and their means

| Group | Color evaluations | | | Graphic evaluations | | | Layout evaluations | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Mean | | | Mean | | | Mean | |
| | F | Pleasure | Arousal | F | Pleasure | Arousal | F | Pleasure | Arousal |
| 1 | 39 | 4.2179 | 3.9872 | 29 | 4.2241 | 3.7672 | 18 | 3.7083 | 3.4861 |
| 3 | 30 | 4.8583 | 4.2833 | 31 | 4.3145 | 4.0645 | 19 | 4.7105 | 4.2763 |
| 5 | 171 | 5.5731 | 5.0629 | 180 | 5.5944 | 5.0806 | 203 | 5.4532 | 4.9544 |
| | **120** | **5.2635** | **4.7096** | **120** | **5.2636** | **4.7906** | **120** | **5.2635** | **4.7906** |

**Table 9** ANOVA for groups of evaluations of atmospheric variables and emotional states

| | Pleasure | | | Arousal | | |
|---|---|---|---|---|---|---|
| | Mean Square | F | Sig. | Mean Square | F | Sig. |
| Color evaluations | 31.975 | 22.692 | 0.0 | 22.785 | 16.720 | 0.0 |
| Layout evaluations | 28.324 | 19.672 | 0.0 | 20.552 | 14.876 | 0.0 |
| Graphic evaluations | 39.480 | 29.338 | 0.0 | 30.924 | 23.896 | 0.0 |

In order to proceed with the ANOVA testing assumption of homogeneity of variance had to be met. This was done by looking into the significance value of the Levene statistic. Null hypothesis for this test is that the variances between the groups are equal. In most of the cases this test received a statistic which lead to rejecting the null hypothesis, thus the variances between the groups were different. However, theory indicates that one of the assumptions of ANOVA is that the variances of the groups are equal. However, if violations of the assumption of homogeneity of variance occurs, ANOVA is still fairly robust in terms of the error rate when sample sizes are equal (Hair et al. 2009).

When analyzing the results of ANOVA analysis, it can be concluded that there was a significant effect of the color, layout, and graphic evaluations between the groups on the degree of pleasure. Moreover, emotional state of arousal was also determined to be influenced by color, layout, and graphics, because all the ANOVA tests indicated Alpha values smaller than 0.05 ($p<0.05$). Furthermore, significant difference was encountered within the groups of evaluations of atmospherics (Table 9).

ANOVA test showed that evaluations of color, graphics, and layout atmospherics were significantly important when determining the value of emotional states, which means that the higher evaluation these atmospheric variables accounted, the higher degree of pleasure and/or arousal were experienced by the respondents.

Multiple comparison of all the variables and mean differences of pleasure accounted among different groups of variable evaluations of each variable was performed. The differences between means were considered as significant if the Alpha value was smaller than 0.05. In this case, color and graphics accounted a nonsignificant difference only among groups 1 and 3, which indicated that respondents did not perceive a different degree of pleasure if their evaluations for color and graphics atmospheric variables were varying between 1 and 3.25. All the rest of mean differences proved to be significantly different between each other.

**Table 10**  Multiple comparisons for variable evaluation groups for means of pleasure and arousal

| Color | | | | Layout | | | | Graphics | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Between groups | | Mean difference | Sig. | Between groups | | Mean difference | Sig. | Between groups | | Mean difference | Sig. |
| *Pleasure* | | | | | | | | | | | |
| 1 | 3 | −0.64038 | 0.070 | 1 | 3 | −1.00219* | 0.031 | 1 | 3 | −0.09038 | 0.951 |
| 1 | 5 | −1.35515* | 0.000 | 1 | 5 | −1.74487* | 0.000 | 1 | 5 | −1.37031* | 0.000 |
| 3 | 5 | −0.71477* | 0.007 | 3 | 5 | −0.74268* | 0.028 | 3 | 5 | −1.27993* | 0.000 |
| *Arousal* | | | | | | | | | | | |
| 1 | 3 | −0.29615 | 0.549 | 1 | 3 | −0.79020 | 0.104 | 1 | 3 | −0.29727 | 0.570 |
| 1 | 5 | −1.07569* | 0.000 | 1 | 5 | −1.46832* | 0.000 | 1 | 5 | −1.31331* | 0.000 |
| 3 | 5 | −0.77953* | 0.002 | 3 | 5 | −0.67812* | 0.045 | 3 | 5 | −1.01604* | 0.000 |

*is significant at the 0.05 level

The opposite was observed with the arousal. In this case, respondents did not perceive a significantly higher degree of arousal if their color, layout, and graphic evaluations were varying between 1 and 3.25 ($p < 0.05$). On the other hand, all the other mean differences among groups that evaluated variables from 1 to 5 and from 2.36 to 5 accounted having a significant difference among each other (Table 10).

ANOVA test showed that evaluations of color, graphics, and layout atmospherics were significantly important when determining the value of emotional states, which means that the higher evaluation these atmospheric variables accounted, the higher degree of pleasure and/or arousal were experienced by the respondents.

To conclude, firstly, empirical research results showed the significant relationship between atmospheric variables and emotional states of pleasure and arousal. Correlation coefficients showed a strong and moderate strength of each relationship. Secondly, linear relationship was determined between the evaluations of the atmospheric variables and emotional states. Lastly, emotional states were identified as predictors for consumer's intention to purchase.

## Conclusion

The present study explored influences regarding two aspects. First of all, the influence of atmospheric variables on the emotional states of the consumer during the shopping experiences was measured. The results of the study proved the significant influence of all three variables. These results comply with the findings of previous studies regarding this relationship (Mehrabian et al. 1974; Baker et al. 1994; Bellizzi and Hite 1992; Biers and Richards 2005; Kluge et al. 2013). Moreover, in order to observe the relationship between atmospherics and consumer's emotions, operational variables were chosen for all atmospheric attributes. Colors were distributed into cool and warm color types that were studied to be contrastingly different (Mehrabian et al. 1974; Biers and Richards 2005). The results regarding the relationship of colors and emotional state of pleasure complied with the results of Mehrabian and Russell, which proved that cool color was more pleasurable for the respondents

than warm color. However, the contrasting results were shown with the color influence of the arousal, where the present study showed the advantage of warm color rather than cool. These results contravene with the findings of Biers (2005). When talking about the layout of the website, in the present study Racetrack layout type showed to be more arousing and pleasurable than Tree website layout type. These findings contradict the results of previous studies (Griffith 2005; Vrechopoulos and Atherinos 2009). Lastly, the effect of graphics as an atmospheric variable was observed. The study tested whether image-based information and thematic storefront design was more emotionally appealing to the participants than the website without images and thematic storefront. The study produced the same results as Oh et al. (2007) which indicated that customers respond more positively to websites with images and thematic storefront.

Lastly, the intention to purchase of the consumer and whether it is influenced by the emotional states of the consumer was proved in the previous studies (Donovan et al. 1982, 1994; Machleit and Eroglu 2000). The present study also tested the relationship between emotional states of pleasure and arousal and consumer's purchase intent. Statistical results of the present study prove that the influence is significant and that emotions really affect the consequent behavioral responses of the consumer.

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# The Influence of Online Customers' Regulatory Fit on Their Attitude and Purchase Intention

**Abdul Ashraf, Narongsak Thongpapanl, and Mohammed Razzaque**

## Abstract

At the same time that global internet usage has increased significantly in the past few decades, the number of online shoppers has also risen rapidly as internet adoption and penetration level increase. In addition to the slow acceptance of e-commerce around the world, e-retailers also must face the challenges associated with selling in a competitive marketplace: online shoppers can switch from one website to another effortlessly (Deng and Poole 2010) and so increased web traffic does not necessarily and automatically translate into sales (Doherty and Ellis-Chadwick 2009). Hence, it is crucial for e-retailers facing ever increasing global and domestic customer demands and competition to develop a deeper comprehension of the driving forces that not only attract online customers to a website but also motivate them to take a desired action and/or make a purchase.

Previous studies have disproportionately focused on tangible products with little focus, both theoretically and practically, on how consumers use websites to make purchasing decisions. Our view is that in the online context it is not merely the product that plays a vital role in the decision-making process, but the type of shopping experience may also contribute significantly toward the selection of an e-retailer and the subsequent actualization of the purchase decision (Babin et al. 1994; Rust and Lemon 2001). In the context of online businesses, website homepages are arguably the "first contact" point between firms and their potential customers (Wang et al. 2011) and they offer varying levels of pivotal shopping experiences through their functionality and appeal (Van der Heijden 2004). The type of online shopping experience, whether it is hedonic (esthetically appealing, experimental, and enjoyment-related) or utilitarian (instrumental, practical, and functional), is not only important for customers while making decisions, but also helps shape initial impressions of a

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e-retailer and determine whether customers will respond to the website and explore it further (Udo et al. 2010).

Drawing on prior research, we extend the goal compatibility principal (Chernev 2004) by linking consumers' regulatory goals with the hedonic and utilitarian nature of a website. Specifically, our study examines the moderating effect of consumer's regulatory focus on the relationships between hedonic versus utilitarian shopping experience with shoppers' attitude and purchase intention. Additionally, as a response to Lee and Aaker's (2004) research, our study also explores the degree to which and the manner in which the interactive effect of regulatory focus and shopping experience (or the regulatory fit effect) differ across different countries.

**References available upon request.**

# The Impact of Website Stimuli on Product Returns in Online Retailing: A Structured Abstract

**Niklas J. Hellemann and Malte Brettel**

## Introduction

Product returns are a phenomenon that seems to be closely interconnected with the rise of online retailing in the last decades. However, key questions in this area still remain unanswered. What specific factors drive customers to return merchandise purchased online? How does their cognition and behavior during the purchase process affect returns? Can online retailers adjust their websites to impact return behavior? The current research attempts to develop a better understanding of the association of the purchase decision process and product return intentions, while evaluating the utilization of website characteristics to decrease product returns. In order to do so, the paper presents the results of an experiment designed to test the impact of certain cues, such as the level of product information, on an online shopping website on the intention to return merchandise.

## Background

In the last decade, online retailing has experienced unrivaled growth in terms of revenues (U.S. Department of Commerce 2013). Yet, at the same time online retailers are facing substantial cutbacks in terms of profitability due to high return rates (Petersen and Kumar 2009).

While certain retailers have attempted to mitigate these cutbacks by sanctioning customers for product returns through stricter policies, it has been noted that there

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are certain risks associated with less lenient return policies (Petersen and Kumar 2009). Many retailers, thus, attempt to decrease product returns in more subtle ways, e.g., by direct communication on the shopping website or by means of website characteristics. Occurring in the prepurchase phase, these measures all aim at influencing the purchase decision process, for instance through messages that indicate the environmental effects of unnecessary product returns or providing additional product information to optimize the purchase decision and minimize disconfirmation upon delivery.

Interestingly, only very few research efforts can be identified even in the general areas of product returns and shopping website characteristics. Especially, the intersection of both areas has received only little attention by the scientific community. While there have been some investigations of effects of website characteristics on other customer behaviors (Mandel and Johnson 2002), there have been no efforts to understand the influence of prepurchase processes on return behavior in the environment of shopping websites. In their seminal article, however, Bechwati and Siegal (2005) provide an initial avenue for research by investigating the impact of cognition during the purchase decision on product returns. The authors demonstrate that increased levels of cognitive responses in favor of a chosen brand can in fact decrease the likelihood of product returns. They argue that, under certain circumstances, these thoughts can act as retrievable counter-arguments after being confronted with disconfirming information. In order to manipulate the amount of cognitive responses, the authors employ the inoculation paradigm by McGuire and Papageorgis (1961), which basically confronts participants with mild attacks on their chosen brand. The authors find that a higher level of elaboration, elicited by this procedure, can in fact lead to a higher number of stable arguments in favor of the chosen product and to a decrease in the intention to return it. When considering a purchase decision as a specific form of judgment, these findings are in line with well-established principles from persuasion theory, stating that increased levels of elaboration lead to more stable judgments when confronted with arguments (Petty and Cacioppo 1986). While the inoculation paradigm, however, might not be easily implemented in a realistic shopping context or be simply adopted by retailers, a direct induction of elaboration (e.g., by an unobtrusive message on the website) could be a feasible way of engaging customers in higher levels of elaboration during their purchase decision.

Customers utilize information search when making a purchase decision, based on both internal (memory) and external sources (e.g., the shopping website) (Blackwell et al. 2001). In an online shopping environment, however, customers face a high degree of uncertainty during purchase decisions. They cannot fully experience all aspects of a specific product until it is delivered to their homes with a certain time lag. Thus, the presented product information is of specific importance during the purchase decision process in an online environment (Park and Stoel 2005). A critical level of product information needs to be available in order to generate more or less stable arguments in favor of a chosen product, which can be retrieved during the postpurchase situation.

Persuasion theory (Petty and Cacioppo 1986), in addition, states a certain interaction between elaboration level and the tendency to leverage information. More specifically, individuals exhibiting a higher elaboration during a persuasion attempt demand more complex levels of information to develop their judgment.

We, thus, propose that higher levels of elaboration during the purchase decision might lead to a decrease in product returns. In addition, we argue that in fact a sufficient level of product information has to be presented on a shopping website in order to lower the intention to return a chosen product. Furthermore, we suggest that customers who demonstrate higher levels of elaboration during the purchase decision will be most convinced of their product choice and subsequently return less, only if they have the right amount of product information at their disposal.

With the current work we aim at expanding knowledge in product return research in two ways. First, we seek to broaden the understanding of the link of purchase decision processes (specifically information processing) and product returns. Second, we are—to the best of our knowledge—the first to investigate the influence of shopping website characteristics on product returns.

## Research Methods

We employed an experimental design with a convenience sample of students, which was acquired through an existing experimental panel database. The final sample consisted of 167 participants after three participants were excluded from the analyses (one due to obvious inabilities to understand the instructions and two due to a clear lack of willingness to give serious answers).

The laboratory experiment followed a 2 (low vs. high elaboration)×2 (low vs. high product information level) design. All participants in a specific experimental group worked on the task simultaneously. The allocation to the different experimental trials occurred randomly. Participants received a fixed compensation.

Upon arrival in the laboratory all participants were randomly seated. They were presented a neutral shopping website that asked them to make a decision between three products (blue jeans) that were described through a picture and two attributes (six attributes in the high information condition). Product attributes were identified during a pretest, as being those attributes with the most important ones for a product choice in that category. The high elaboration group was presented an additional message at this point, asking them to make a very elaborate and conscious decision. After the product choice task the participants were asked to list all thoughts they had during the decision process, after which they were asked to answer several questions with a different focus. After a while they were presented a "delivery screen" that stated the arrival of their product in connection with additional information about the fitting and quality characteristics of the blue jeans. The product characteristics and fitting picture were independent from their chosen product and identical for all participants. After this screen the participants had to state whether they intended to return the delivered blue jeans. An additional behavioral return task was

omitted, as Bechwati and Schneier Siegal (2005) could not identify any significant difference between the intentional and behavioral operationalization of product returns. In contrast to Bechwati and Schneier Siegal (2005), however, the item was designed using a 7 pt Likert-Scale (Not likely to return at all — Very likely to return). At the end of the experiment several control variables (age, gender, education level, monthly income, years of active online shopping, and online shopping budget) were assessed as well. As manipulation checks, the thought listing task after the purchase decision was employed. In order to check for the level of elaboration, the number of generated words was assessed. For the information condition a hidden timer variable was utilized in order to account for the higher amount of time necessary for additional information processing.

## Results and Discussion

The treatment groups do not differ significantly in regard to most of the control variables. However, there were some statistically significant differences in years of active online shopping [$F(3,163) = 2.743$, $p < 0.05$]. A post-hoc Dunnett's-T3-test suggests a mean difference between the low elaboration, high information condition and the high elaboration, high information group. Considering, however, that the mean in the latter group is still at around 3 years of online shopping experience (on the utilized categorical scale), it can be assumed that this difference has no substantial impact on the remaining results.

Manipulation check analyses reveal expected results, as participants in the high elaboration conditions generated significantly more words in the thought listing task than those in the low elaboration groups [$M$Elab, Elab + Info = 20.23(15.746), $M$C, Info = 13.76(11.558), $F(1,165) = 9.277$, $p < 0.01$] and participants in the high information groups exhibit a longer processing time than in the low information groups [$M$Info, Elab + Info = 30.327(12.526), $M$C, Elab = 22.678(13.078), $F(1,165) = 14.339$, $p < 0.001$].

A multifactor ANOVA results in a significant main effect of information level on return intention [$F(1,163) = 6.336$, $p < 0.02$]. The main effect for elaboration during the product choice task is not statistically significant, as is the elaboration information interaction. As expected, direct group comparisons reveal a highly significant difference between the control group (low elaboration, low information) [$M$C = 4.43(2.419)] and the high elaboration, high information condition [$M$Elab + Info = 3.07(2.037), $t(62.229) = 2.568$, $p < 0.02$]. Furthermore, the control group shows no significant difference to the low elaboration, high information group [$M$Info = 3.74(2.131), $t(86) = 1.428$, $p > 0.05$] and the high elaboration, low information group [$M$Elab = 4.21(2.396), $t(96) = 0.458$, $p > 0.05$]. **Error! Reference source not found** shows the means of the remaining experimental groups.

However, when elaboration is high, participants who had been presented a higher level of product information report significantly lower return intentions [$M$Elab = 4.21(2.396), $M$Elab + Info = 3.07(2.037), $t(60.780) = 2.214$, $p < 0.05$].

Our current findings suggest that the level of product information presented on a website indeed plays an important role in influencing the intention to return in customers. Product description pages that contain more information seem to provide a better basis to assist customers in making better purchase decisions leading to lower return intentions. Furthermore, our results imply that directly engaging customers to make a more elaborate purchase decision can be a rather dangerous measure. It seems that there is much less to gain than to lose for retailers, as elaboration elicited this way does not per se lead to a reduced intention to return, while it could in fact hinder impulse buying and thus impact sales. Hence, the long-lasting standard principle of maintaining a mode of impulse buying across the customer journey seems to be still the best option for retailers who want to optimize both sales and profitability (Dawson and Kim 2009). While a clear interaction effect between elaboration and information could not be identified, our findings suggest that there seems to be some additive interrelation between cognitive processing and information level.

In this context it would also be worth investigating the underlying processes of product information, for instance whether disconfirmation and product satisfaction are somehow affected by a higher level of information. Further analyses are currently underway to assess specifically this aspect. Additional analyses of remaining experiments are also currently under work in order to investigate the effects of further website characteristics and communication measures (such as a direct appeal not to return or highlighted sales tags to stimulate perceived value) on product return behavior.

**References available upon request.**

# Investigating E-Servicescape, Trust, E-WOM, and Customer Loyalty

**Gina A. Tran and David Strutton**

## Introduction

Old Spice cleverly used a handsome actor to play the Old Spice Man character for a Super Bowl commercial in 2010. After the game, this Old Spice commercial was viewed more than 13 million times on YouTube, a social media video-sharing site. This viral marketing campaign, also known as electronic word-of-mouth (E-WOM), propelled the Old Spice brand into the forefront of consumers' minds, increased brand awareness, and inspired people to share the video links with their family, friends, and coworkers.

## Background

The rapid growth of E-WOM is an indication of consumers' increased willingness to convey marketing messages to others. However, despite this development, marketing academics and practitioners do not fully understand this powerful form of marketing. This study enriches our understanding of E-WOM and how e-servicescape may lead to E-WOM. To that end, Stimulus-Organism-Response Theory (Mehrabian and Russell 1974) and the Network Co-Production Model of E-WOM (Kozinets et al. 2010) are applied to investigate the relationships between e-servicescape,

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trust, E-WOM intentions, customer loyalty, and purchase intentions. Two forms of E-WOM were examined, namely emails and social network postings. E-servicescape is defined as the online environmental factors of a marketer's website (Harris and Goode 2010). E-servicescape is composed of three main dimensions, including esthetic appeal, financial security, and layout and functionality.

## Methodology

This study used cross-sectional customer data from a single e-tailer to test the following hypotheses.

H1 (a–g): E-servicescape is positively related to the website's (a) visual appeal, (b) entertainment value, (c) customer reviews, (d) interactivity, (e) relevance of information, (f) ease of payment, and (g) perceived security.
H2: E-servicescape is positively related to consumer trust in the website.
H3: Trust is positively related to the likelihood of engaging in E-WOM behavior.
H4: Trust is positively related to customer loyalty.

Precedence has been established for the use of single-firm data in prior research studies (Harris 1990; Mahajan et al. 1984; Newman et al. 2010). The majority of the company's sales are realized via its website, making this e-tailer an appropriate firm for testing the hypothesized relationships. Since the company does not have many brick-and-mortar stores, there is little chance of customers' confounding the physical store servicescape with the e-servicescape.

The data were collected through a nationwide survey offered online through Qualtrics. For 2 weeks, customers of the e-tailer were invited to complete the survey in exchange for a 20 % discount off their next purchase. The company offered access to the survey questionnaire link via both email and Facebook posting. The questionnaire was identical for both groups of respondents, with the exception of E-WOM scale items adapted for the particular form of communication (i.e., email or Facebook posting).

Structural equation modeling was used to analyze the responses. Scale items were adopted and adapted from the literature. Customer reviews were added as an additional subdimension of e-servicescape. The findings suggest that e-servicescape positively impacts trust, which in turn positively influences E-WOM and customer loyalty.

## Results and Discussion

After the EFA iterations, CFA iterations, and removal of reverse-coded and poorly worded items, e-servicescape had 24 measurements items. Trust, loyalty, and E-WOM had 11 items total. Hypotheses were tested using structural equations

modeling. The structural model provided a good overall fit to the study data: $\chi^2 = 1724$, $df = 550$, RMSEA = 0.049, SRMR = 0.052, NNFI = 0.98, CFI = 0.96, and IFI = 0.97 (Hu and Bentler 1999). H1a to H1g were evaluated by examining the path coefficients between each subdimension of e-servicescape (i.e., visual appeal, entertainment value, ease of payment, etc.) and e-servicescape, where e-servicescape serves as a second-order construct. H2 was evaluated for e-servicescape toward trust. H3 and H4 were evaluated by examining the path estimates for trust toward E-WOM and loyalty, respectively.

Both H1a and H1b predicted that e-servicescape would be positively associated with visual appeal and entertainment value, which are both subdimensions of esthetic appeal. These hypotheses were supported (completely standardized path estimate = 0.549, $t$-value = 13.34, $p$-value < 0.05; completely standardized path estimate = 0.683, $t$-value = 16.15, $p$-value < 0.05). For the layout and functionality dimension, H1c, H1d, and H1e predicted e-servicescape would be positively correlated with customer reviews, interactivity, and relevance of information. These three hypotheses were also supported (completely standardized path estimate = 0.235, $t$-value = 4.86, $p$-value < 0.05; completely standardized path estimate = 0.474, $t$-value = 13.99, $p$-value < 0.05; completely standardized path estimate = 0.619, $t$-value = 20.58, $p$-value < 0.05). H1f and H1g predicted e-servicescape would be positively related to the ease of payment and perceived security; both of these are part of the financial security dimension of e-servicescape. Both of these hypotheses were supported (completely standardized path estimate = 0.423, $t$-value = 14.90, $p$-value < 0.05; completely standardized path estimate = 0.482, $t$-value = 17.11, $p$-value < 0.05).

H2 posited that e-servicescape would be positively related to trust. This hypothesis was supported (completely standardized path estimate = 0.923, $t$-value = 22.74, $p$-value < 0.05). The $R^2$ value of 0.852 for trust was high, which indicates that these e-servicescape subdimensions are robust predictors of trust in online retailers. H3 predicted that trust would be positively associated with E-WOM behavioral intentions. H3 was supported (completely standardized path estimate = 0.340, $t$-value = 8.00, $p$-value < 0.05). The $R^2$ value of 0.116 for E-WOM intentions was not as robust. This low $R^2$ value indicates that other important variables may help better explain E-WOM behaviors. Finally, H4 posited that trust would be positively correlated with customer loyalty, which was supported (completely standardized path estimate = 0.695, $t$-value = 15.63, $p$-value < 0.05). The $R^2$ value 0.483 for loyalty was also high, which suggests that trust accounts for a large portion of customer loyalty. Trust is a significant and robust predictor of consumers' patronage behaviors.

# Contributions

The present research was aimed at addressing two main research questions pertaining to e-servicescape, trust, E-WOM, customer loyalty, and purchase intentions. The role of customer reviews in e-servicescape was investigated. The relationships between

e-servicescape and trust, trust and E-WOM, and trust and customer loyalty were examined in an integrated research model. To answer the first question, customer reviews, as a subdimension in the layout and functionality dimension, were significantly related to e-servicescape. While the path estimate for customer reviews in relation to e-servicescape was lower than other subdimensions, this finding is still important. The low path estimate may be an artifact of the research design, with a particular e-tailer in a specific product category. Also, the target market for the e-tailer consists of Baby Boomers, which may diminish the value of customer reviews in their online purchase decisions involving apparel and accessories.

The second research objective was to test an integrated research model with e-servicescape, trust, E-WOM intentions, and purchase intentions. The results of this study supported the comprehensive model tested. E-servicescape was positively related to trust, which is consistent with previous research (Harris and Goode 2010; Tran et al. 2012). Trust has been recognized as a key mediator in the relationship between website quality (Everard and Galleta 2006), website design (Kim et al. 2009), and e-servicescape (Harris and Goode 2010) with purchase intentions and customer loyalty (Srinivasan et al. 2002). The findings provide additional support for trust as a mediator variable, which explains the associated behaviors of E-WOM intentions and customer loyalty.

Moreover, the research findings provide a better understanding of the potential multidirectional flow of information. In the Network Co-Production Model of E-WOM, Kozinets et al. (2010) illustrate how a marketer's seeded message is sent directly to the first consumer and he or she then embeds meaning into the message and forward the communication to other consumers. The other consumers may respond directly to the shared E-WOM communication and this is one way in which the multidirectional flow of information may happen. Another possibility for the multidirectional flow of information includes customer reviews. The online reviews are provided by other consumers, who originally read marketer-generated information in the process of making their purchase decisions. In this study, the multidirectional flow of E-WOM information shown in the Network Co-Production Model is captured with the customer reviews as a subdimension of e-servicescape. The results suggest that customer reviews are significant in users' perceptions of e-tailers' websites.

As competition for online businesses continues to grow, e-tailers must consider how to use their resources effectively. These resources may be used to add additional features to boost website design, improve website quality to enhance the customer experience, and promote the offerings in efforts to acquire new customers and engage existing customers. The e-servicescape of an e-tailer has much power in determining consumers' level of trust in the e-tailer. Toward the goal of maximizing trust, organizations should carefully design elements of their websites to convey trustworthiness, dependability, and credibility. Online purchases are generally associated with higher levels of perceived risk (Urban et al. 2000), which makes trust-building a crucial part of the online transaction process. Other researchers have also found that users' perceptions of website design and quality are associated with trust (Kim et al. 2009). Trust is a potential deal-breaker for converting online browsers to

online purchasers and companies must pay attention to factors of their website that highly influence consumers' trust (Harris and Goode 2004). Engendering online trust involves decreasing consumers' perceptions of risk as it pertains to the website quality and attributes (Forsythe and Shi 2003).

Previously, the conceptualization of e-servicescape did not include customer reviews. As consumers' expectations of websites continue to grow, customer reviews are a crucial element of the environmental factors of an e-tailer's website. For shoppers of exclusively e-commerce businesses, the problem of not being able to touch, smell, or try on the merchandise is particularly tricky in the decision-making process. Offering customer reviews helps e-tailers to overcome these disadvantages. This consumer-created information influences online sales (Chen and Xie 2005), with 78 % of American consumers agreeing that online reviews impact their purchase decisions (Purchase Decisions 2013). The findings support customer reviews as a subdimension of e-servicescape. This discovery provides statistically rigorous evidence that customer review is an essential part of e-servicescape. E-businesses should focus on providing valuable information through online reviews to help customers make their purchase decisions. Customer reviews play an increasingly important role in the overall e-servicescape of an e-commerce business.

These findings contribute to the marketing research on E-WOM theory and electronic commerce shopping behavior. This study yields practical implications for marketers in understanding consumers' perceptions of websites and how to better design sites. In addition, these findings add to knowledge on how to engender consumers' trust and customer loyalty online. Finally, this research provides suggestions for firms wanting to create marketing campaigns that will lead to E-WOM.

**References available upon request.**

# Session 1.5
# Branding Strategy

# A Capability-Based View of Brand Management

**Pramod Iyer, Arezoo Davari, and Abdullah Alhidari**

**Abstract**  Brands are assets that are intangible in nature. This provides companies with the potential to extract higher rents or prices from customers (Keller and Lehmann 2006). Key to building strong brands lies in the way firms manage their brands. This capability called brand management includes all the activities that firms undertake to develop and maintain brands (Low and Fullerton 1994). Brand managers are the ones who manage brands and hence become an important resource in developing brands. Brand management capability has developed from being an administrative function to a more strategic function (Rust et al. 2004; Low and Fullerton 1994). Merz et al. (2009) trace the development of brand management originating from individual goods-focus (Copeland 1923; Low and Fullerton 1994) to value-focus (Park et al. 1986), relationship-focus (Aaker 1992; Keller 1993), and finally toward stakeholder-focus. Relying on the knowledge or capability-based perspective (Barreto 2010; Cohen and Levinthal 1990; Helfat and Petraf 2009; Kogut 1988; Levinthal and March 1993), we argue that for effective brand management firms need to have certain capabilities and knowledge. The brand management capability of an organization is an operant resource (Vargo and Lusch 2004, 2008), which enables an organization to achieve competitive advantage (Grant 1996; Hunt and Morgan 1995; Challagalla et al. 2014) by creating strong brands. This capability and knowledge is an idiosyncratic and unique resource which is hard to imitate (Barney 1991) since it is a combination of several organizational and personnel characteristics. However, despite its importance, few studies have explored the antecedents of brand management capability within an organization. Using Complex Adaptive System Perspective (Grant 2003; Arikan 2010; Paswan and Tran 2012), we argue that brand management capability is developed through the interactions between the senior management, other internal managers, external stakeholders such as advertising agency and channel personnel, external environmental factors, and brand managers. The importance of this study is highlighted by the fact that marketing function, especially brand management, has come under a lot of criticism for the lack of objective financial measures to determine its value (Nath and Mahajan 2011; Srivastava et al. 1998). With increasing importance of brands and brand

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management (Keller and Lehmann 2006; De Chernatony and Cottam 2009, Cui et al. 2014), it is imperative to identify factors that facilitate the creation and management of strong brands. Finally, this study contributes to the increasing calls to view brand management function as an application of knowledge, contributing to the viewpoint of marketing resources being dynamic capabilities (Day 2014; Kozlenkova et al. 2014). The proposed framework will help firms that are lagging in one or more of the dimensions of brand management capability (i.e., organizational, human, or relational).

**References available upon request.**

# Session 1.7
# Innovation in Course Development and Delivery

# Integrating ERP and CRM into the University Curriculum with Microsoft Dynamics AX and CRM

**Kenneth D. Hall and Hayden W. Wimmer**

**Abstract**  The authors are currently developing integrated ERP and CRM courses based on the Microsoft Dynamics platform (chosen in part because the authors' institution has a pre-existing membership in the Dynamics Academic Alliance). Students will co-register in both ERP and CRM with projects, assessments, and instructors flowing between courses to provide truly integrated content. Both employers and scholars call for greater curricular integration in business. Students will benefit from the integrated CRM/ERP courses by using multiple framing to address business issues, a practice shown to have positive impact on learning outcomes. Extant literature suggests that discipline-specific, content-centric learning outcomes from integrated curricula are as good as or better than those of conventionally delivered content. Measures of selected learning outcomes will compare students in the team-taught, integrated courses to student performance on equivalent measures in other upper-division business courses.

**Keywords**  Curriculum integration • ERP • CRM • Experiential learning • Curriculum mapping • Collaboration

## Introduction

Enterprise Resource Planning (ERP) systems are core sets of integrated software that coordinate business operation functions within a business firm (Wagner and Monk 2008). ERP systems are vital to enterprise as they integrate dispersed business operations such as manufacturing and finance, while providing flawless transaction support (Framinan et al. 2003). Similarly, Customer Relationship Management (CRM)

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combines people, process, and technology to help firms better understand, serve, retain, and grow their customers (Chen and Popovich 2003). Understanding the process of managing customer relationships is an important topic and has been linked to firm performance (Reinartz et al. 2004).

Higher education continues to adapt ERP into the curriculum process (Bedell et al. 2007) and CRM has been adopted in marketing courses such as internet marketing (Parker 2014) or in dedicated CRM courses. While ERP and CRM are represented on an increasing basis in the curriculum, they still tend to do so separately. A significant opportunity for integrating the aforementioned topics exists, yet the literature to date yields relatively little. The present research is an attempt to address that gap.

CRM is typically addressed in a limited, ad hoc fashion, despite the fact that marketing scholars increasingly characterize the present era as the "CRM era of marketing" (Kerin et al. 2013) and the need to measure profitability at the customer level as much as, or even in preference to, the product level (Capon and Hulbert 2007; Peppers and Rogers 2004). ERP implementations in the curriculum and in textbooks overwhelmingly are based on the SAP system. New advances in technology and investment from Microsoft have spawned the emergence of Dynamics AX and CRM, a full-featured solution designed to compete with SAP. In this work, we aim to design integrated ERP and CRM courses based on the Microsoft Dynamics platform (chosen in part because our institution has a pre-existing membership in the Dynamics Academic Alliance). In our model, students from supply chain, technology, and marketing majors are the target with students co-registered in both ERP and CRM with projects, assessments, and instructors flowing between courses to provide truly integrated content.

## *Motivation*

Graduates in fields such as supply chain management, marketing, and information technology management will be expected to have an all-inclusive and encompassing view of business operations. This view must span functional disciplines so students understand the flow of information and documents internally and externally. Conventional course design consisting of lecture and assessment is not adequate to impact student learning on such a critical topic. Both employers and scholars of teaching and learning also call for greater curricular integration in business (Colby et al. 2011; Strempek and Husted 2010). In the integrated courses under development, theory and justification of ERP and CRM will be presented along with hands-on examples in industry leading software, Microsoft Dynamics AX and CRM, studying the flow of information, capital, and materials throughout the organization. Additionally, students will learn how each module of an ERP system interfaces with other ERP modules, CRM, and business units by following a sample case throughout the semester. The proposed courses are designed to have automatic co-registration with CRM and taught by an interdisciplinary team permitting projects, assignments, and assessments to interlace within both courses. Benefits of interdisciplinary team

teaching include increased student–teacher interaction (Little and Hoel 2011; Wadkins et al. 2006) and increased understanding of cross-disciplinary content (Little and Hoel 2011).

Content areas of the integrated courses will take multiple perspectives encompassing different functions of the firm. For example, discussion of customer profitability in Integrated CRM will consider not only the direct "sales and marketing" aspects of customer profitability, but also the need to assure that the information flowing from the ERP system to the CRM allows an accurate and appropriate assessment of customer profitability. Together, the courses will address marketing learning objectives particularly in (1) organizational purchasing and decision making, (2) managing relationships in the supply chain, and (3) customer profitability and customer retention, an area that needs further emphasis in the marketing curriculum. The partner courses will address ITM learning objectives by (1) applying technical skills to decision making, (2) managing technology and implementations, and (3) applying a systems perspective to business operations.

Course content delivery (lecture or otherwise) of the proposed customer relationship management course and the enterprise resource planning course will be integrated by weekly instructor collaboration. Each instructor will share key points/learning objectives with the colleague instructor, so that the colleague can reiterate or reinforce those points in subsequent content, weaving together the content of both courses from different perspectives (sales and marketing for the Integrated CRM course, and finance, operations, and other functional areas in the Intra-Organizational ERP course). Co-registration of the student cohort is expected to clarify expectations at the outset and impress on students that the courses will be different in nature from conventionally presented course content, following recommended practice in overcoming student resistance to team teaching or other novel methods (Helms et al. 2005).

The Association to Advance Collegiate Schools of Business (AACSB) accredits higher education business programs and requires member institutions to demonstrate impact and engagement (as well as innovation) within their programs. The integrated nature of the course will permit the instructors of both courses to enhance assurance of learning by facilitating the widely adopted "introduce, reinforce, master, and assess" curriculum mapping model through multiple courses and disciplines simultaneously. For example, content could be introduced in one course, reinforced and applied/mastered in the partner course, then assessed as a project in the first course (or both courses). Additionally, assessing across courses will permit the instructors to tailor content to address any gaps in student learning objectives. These partner courses will be mapped directly to the program learning objectives of supply chain major and eventually to other relevant majors such as marketing and/or information and technology management (or the equivalents thereof). Offering courses in novel and unconventional methods, such as fully integrated course content, automatic co-registration, and interdisciplinary team teaching, will offer new insights into how students learn and how teaching and how the integration of new technologies in the classroom should be conducted and assessed. Finally, integrated course structures combined with curriculum mapping may facilitate increased collaboration and collegiality among faculty (Uchiyama and Radin 2009).

In the future, participation could be expanded to incorporate participation from students in other business specialties such as sales management, business-to-business marketing, accounting, systems analysis and design, computer science, information technology and finance, to name a few. This offers potential for high impact teaching practices by bringing in and training additional faculty in the use of these tools in the classroom to provide student outcomes that will directly impact their employability upon graduation.

## Technical Implementation Architecture

Dynamics CRM is an online solution available free to faculty and students at institutional members of the Microsoft Academic Alliance. Dynamics AX is a server or cloud-based solution and the software is offered free of charge to members of the MS Academic Alliance. As such, it represents an in-kind contribution to the University of more than $325,000 based on 60 users. Dynamics CRM and AX are licensed per user, so the actual in-kind contribution depends on the number of concurrent licenses activated.

The technical architecture of offering Dynamics AX and CRM into the classroom introduces challenges and opportunities. In order to run the full AX client, the client computer and the AX server must reside on the same Active Directory (AD) or have a trust relationship established between the domains. Installing clients on a superfluity of computers that accompany the university environment is a time consuming and problematic task, the more so in an era of constrained faculty and staff resources. In order to overcome the aforementioned limitations, the technical architecture employs remote desktop services to present Dynamics AX to clients. The advantage of the remote desktop solution is that a link needs to be created only on client computers. Dynamics AX and CRM communicate via Connector software, provided by Microsoft. Dynamics CRM is hosted in the cloud and available for DYNAA (Dynamics Academic Alliance) member institutions. The technical architecture is presented in Fig. 1 following.

### *Implementation into Curriculum*

Experiential learning is an approach which employs action, abstraction, and reflection into the learning process and is well understood and agreed upon (Itin 1999). A holistic model of learning combines experiences with perception, cognition, and behavior (Kolb 1984). There are many models for experiential learning such as the Lewinian Model (Lewin and Zwany 1976), the Dewey model (Dewey 1938), and more recently Kolb's Experiential Learning Cycle (Kolb 1984). The aforementioned models are in agreement on fundamental principles surrounding experiential learning. These are concrete experiences, reflective observation, abstract conceptualization, and active
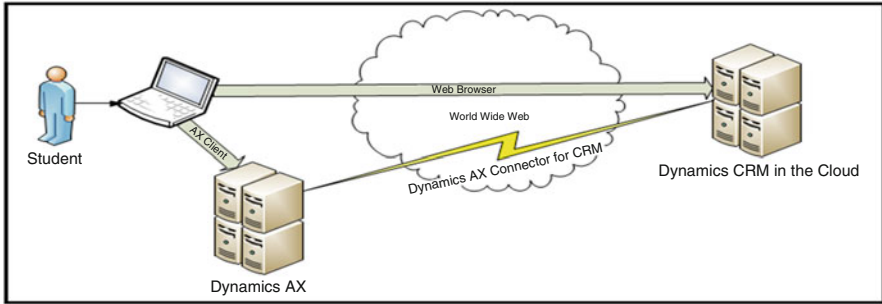
**Fig. 1** Microsoft dynamics AX and CRM technical infrastructure
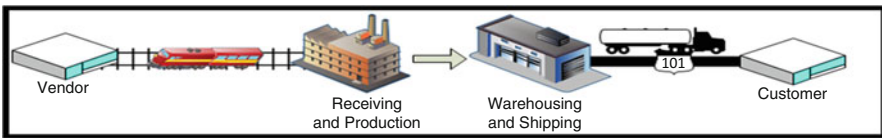


**Fig. 2** Sample input, process, output scenario

experimenting (K.-C. Chen 2012). Implementing service learning principles requires faculty development and curriculum development along with student, resources, and administrative development (Kolb and Kolb 2005).

Experiential learning via integrated course projects in a production environment for both ERP and CRM has the potential to increase student understanding of the process flows in a business setting. Additionally, multiple perspectives of the process can be examined with the integrated course content. In order to demonstrate the synergies from course integration, Fig. 2 shows a basic input, process, and output flow of an organization. The scenario features a vendor shipping raw materials to a manufacturing facility, where it is processed into finished goods, warehoused, and shipped to a customer. In the Integrated CRM course, the students will be exposed to the marketing, presales, sales, and postsale service processes from the perspectives of the vendor, customer, and organization, facilitating a more holistic view of these processes. In the Integrated ERP course, students will learn the processes of ordering raw materials from vendors, requests for quotes, purchase orders, production orders, bills of materials, bills of lading, manufacturing, warehousing, and picking and packing to name a few. Students will gain perspectives that encompass the organization, including both upstream and downstream operations. Students investigating customer-facing roles such as marketing, sales, and service will be able to use the CRM functionality to prospect, communicate with prospects, qualify leads, pursue inquiries, respond to requests for proposals, close sales, and provide postsale service. At the same time, they will be able to use the ERP functionality to understand the firm's present ability to deliver on the promises they may be about to make in pursuit of market opportunities. Similarly, students investigating ERP roles

will be able to access information from the CRM functionality to understand present and future demand (in essence, to assess the promises they will be asked to help the customer-facers keep).

The design of the integrated courses took an approach that departed from conventional course design in important ways. Typically, courses are designed as standalone entities and content integration is determined postcourse design. In contrast, integrated CRM and ERP were designed for integration from the beginning. In the initial stages, the design team completed a matrix consisting of program learning objectives and the student learning objectives of both courses. Next, course content areas were added to the matrix at the intersection of course and program learning objectives. Content may appear in only one course or in both courses with an overlap or handoff.

The envisioned "handoff" or point of integration between CRM and ERP (systems and teaching/learning) will be the sales order. All activities taking place prior to the acceptance of a sales order (along with postsales customer service) will fall into CRM content as described above. The sales order once entered will be received into ERP, where the content of manufacturing, procurement, warehousing, etc. is covered. See Fig. 2 for a representative illustration.

More specifically, it is possible to illustrate the links between content areas of the ERP and CRM courses: for example, the relationship between procurement in ERP and customer value in CRM, the information flows embodied in sales and purchase orders, and the use of information from the CRM system to conduct profitability analysis for enterprise financial reporting. Figure 3 represents the proposed scheme for the aforementioned links (as well as others).

The Microsoft Dynamics Academic Alliance (MSDYNAA) provides curriculum materials, faculty training, and conferences free of charge to members, not to mention the CRM 2011 cloud-based customer relationship management system and the Dynamics AX ERP platform. The main dashboard for CRM 2011 Online is shown in Fig. 4 and the Sales and Marketing screen in Dynamics AX are shown in Fig. 5. A sales order from MS CRM online is shown in Fig. 6 and a sales order in AX shown in Fig. 7.

## Anticipated Benefits and Future Direction

Students are expected to benefit from the integrated CRM/ERP courses by being exposed to and using multiple framing as they address business issues, a practice shown to have positive impact on learning outcomes (Colby et al. 2011). Additional teacher–student interaction is another practice beneficial to learning outcomes (Little and Hoel 2011), while Yellowley and Farmer (2006) report student improvements in problem-solving processes. Although little literature on integrated CRM/ERP courses exists, extant literature on curriculum integration suggests that learning outcomes from integrated curricula are as good as or better than those of conventionally delivered content (Strempek and Husted 2010), while delivering additional impact and engagement in areas such as critical and creative thinking (Colby et al. 2011).
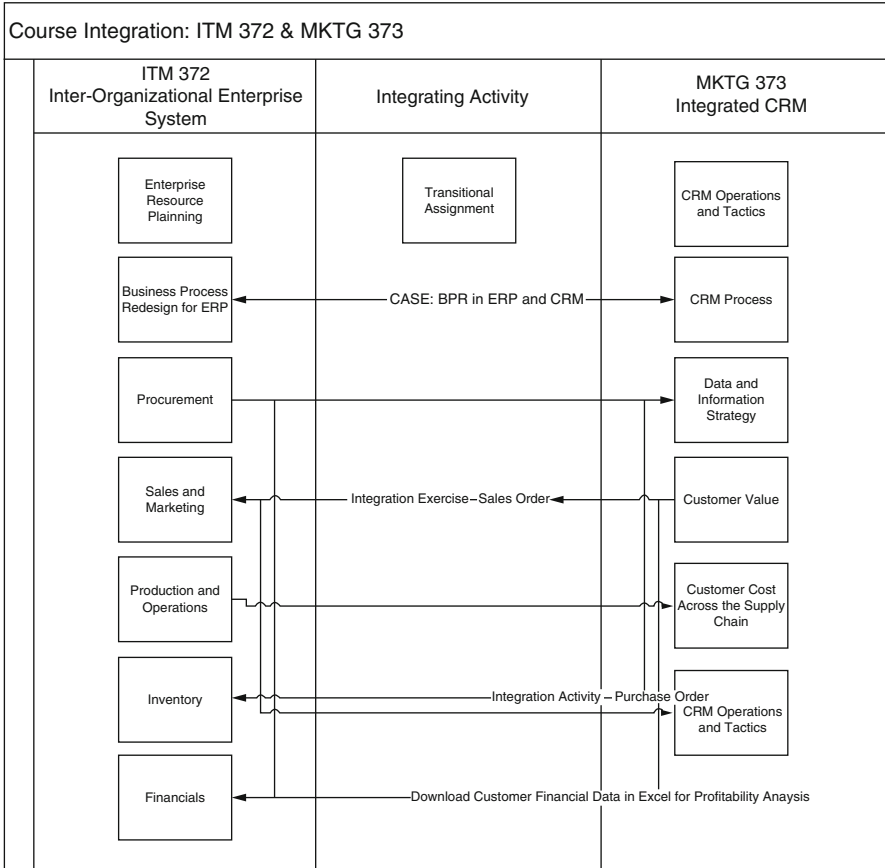
**Fig. 3** Linking content between ERP and CRM courses
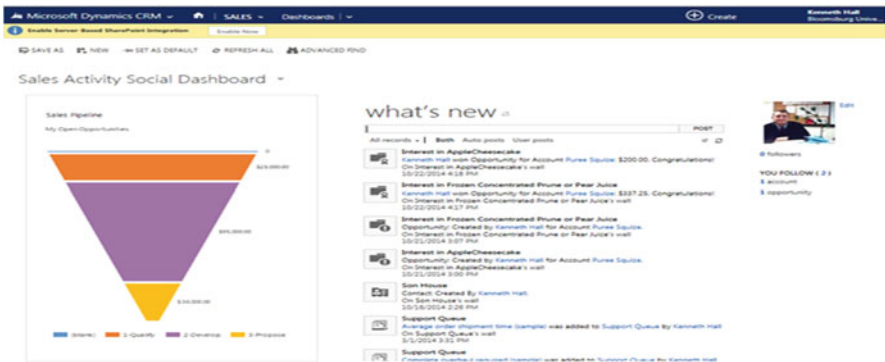


**Fig. 4** Dynamics CRM online dashboard
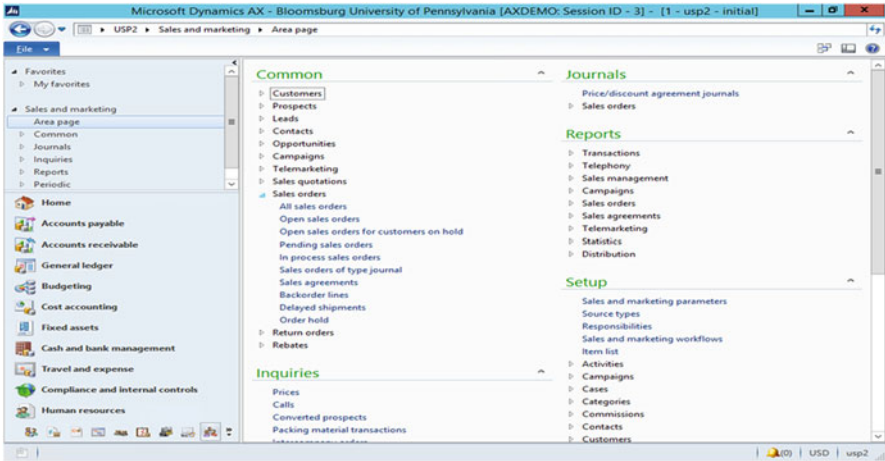
**Fig. 5** Dynamics AX sales and marketing dashboard
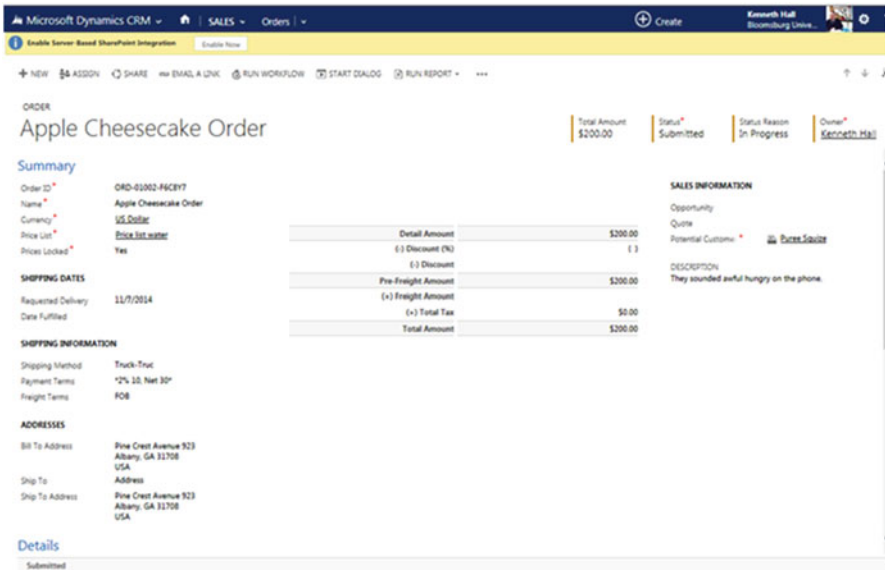


**Fig. 6** Sales order created in dynamics CRM online

The proposed courses are intended to debut in the fall of 2015. Measures of selected learning outcomes such as interdisciplinary thinking (Little and Hoel 2011) and improved process in problem solving (Yellowley and Farmer 2006) will compare students in the team-taught, integrated courses to student performance on equivalent measures in other courses of equivalent academic level (upper-division business courses). Additionally, it may also be possible to collect data from employers as
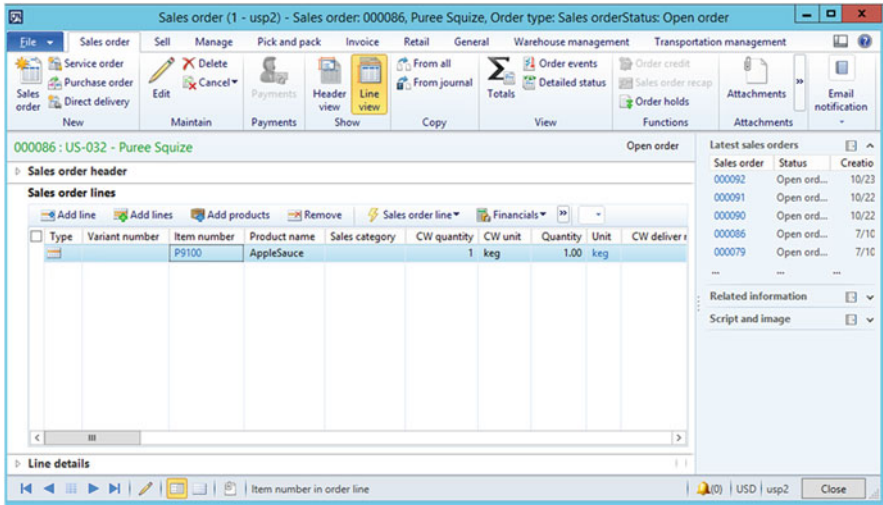
**Fig. 7** Sales order created in dynamics AX

students complete the program, to see whether desired levels of proficiency are achieved. Empirical testing of the linked course structure will advance scholarship in pedagogy as well as enabling the assessment of the practical impact of the proposed course structure.

## Conclusion

This paper details a work in progress of an innovative cross-discipline collaborative course design based on Microsoft Dynamics AX and CRM Online. Cross-collaboration and innovative course design have challenges such as the curriculum approval process, technology integration, content integration, as well as faculty that is willing, motivated and has the appropriate skillset. Our model proposes integrating enterprise resource planning (ERP) and customer relationship management (CRM) for supply chain management, marketing, and information technology management students. The framework of the course is founded in pedagogical literature and based on experiential learning and the "introduce, reinforce, apply, and assess", model as well as concepts from team-teaching. Application of student learning objectives is based on experiential learning with Microsoft Dynamics AX and CRM integrated with Microsoft's connector for Dynamics. The case example is based on different aspects of the sales order process from presales and CRM activities through manufacturing and billing. Benefits of such a course design encompass an all-inclusive view of the business firm, as well as its operations and business processes.

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# Collaborative Course Development: A New Model for Improved Student Outcomes

**K. Damon Aiken (✉), Timothy C. Heinze, Matthew L. Meuter, and Kenneth J. Chapman**

**Abstract** This research proposes and tests the concept of collaborative course development (CCD)—a pedagogy in which students are actively involved in course design, empowered to make decisions about class structure, and free to make choices in assignments. Over a period of three academic terms, researchers taught experimental course sections utilizing CCD methods (i.e., employing various pedagogical techniques including syllabus building, "flex-tures," free-choice assignments, and exam writing), as well as control sections utilizing traditionally structured classroom techniques (i.e., professor-developed syllabi, structured lectures, forced-choice assignments, and professor-written exams). Results indicate that CCD classes yield significantly higher levels of student engagement, perceived learning, satisfaction, and ratings of professors. These main effects are consistent between and within professors. Interestingly, the positive effects associated with CCD teaching techniques are also consistent for students with high and low levels of two control variables (the preference for consistency and the separateness-connectedness self-schema).

**References available upon request.**

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# Effects of Instructor Background and Delivery Modality on Students' Perceptions of a Social Media Lecture

**Marilyn Eastman and William J. Jones**

**Abstract**  Increasingly, marketing departments are recognizing the importance of teaching students the appropriate skills to adapt to the quickly evolving business environments (Granitz and Koernig 2011; Rinaldo et al. 2013; Tuten and Marks 2012; Wymbs 2011). This is especially relevant in marketing education where organizations expect marketing graduates to be equipped with skills in current information technologies used to manage communication with stakeholders and make complex data-driven marketing decisions (Granitz and Koernig 2011). Recent research indicates that at least some employers are currently dissatisfied with the technology skillsets of marketing graduates (Harrigan and Hulbert 2011; Kaplan et al. 2009). The purpose of this research is to determine whether there are significant differences in student attitudes toward faculty credibility, perceptions of learning, and attitudes toward digital marketing. We explore these questions within an experimental setting that manipulates whether the content of a digital marketing module was created by an industry expert versus academic and whether the delivery modality is face-to-face versus recorded. The results of this study reveal that whether or not an instructor presents themselves as from industry or academia and the modality of lecture delivery are important, though not interactive, factors in determining students' perceptions toward a social media marketing lecture. Specifically, we find that in-person lecturing positively influences students' perceptions of the lecturer across likeability, competence, character, and delivery variables. Face-to-face instruction was also positively associated with positive characteristics derived from a specific lecture such as how enjoyable it was and whether it should be taught to future classes.

**References available upon request.**

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# Session 2.1
# International Marketing Part1:
# Tales from Latin America

# The Role of Consumer Acculturation in the Hispanic/Latino Panethnicity

**Luis E. Torres and Phillip Hartley**

## Introduction

Acculturation has become one of the most reliable constructs to understand consumption of a variety of ethnic groups. How culturally similar an immigrant is to its host or original culture is providing better power on predicting consumption. Previous empirical studies in marketing have not only tested scales to measure level of acculturation, but also used consumer acculturation concepts to capture beliefs, attitudes, and/or behavior (Alvarez et al. 2012).

Hispanics or Latinos represent 17 % of the US population in 2014 with a growing buying power of $1.5 trillion estimated for 2015. Yet, there is diversity among Latino origin groups in the US. Mexicans make up 78 % of Latinos in the Los Angeles area but in the New York City area, Puerto Ricans (28 %) and Dominicans (21 %) are the largest groups. Meanwhile, Salvadorans (32 %) are most numerous in the Washington, D.C. and metro area, whereas Cubans (54 %) are the largest group in Miami (Pew Hispanic Center 2014). Targeting and communicating to US Hispanics as a single homogenous group are increasingly questioned by marketers.

In any given year, more than 800,000 young Latinos turn 18. As they become of age, and even underage, alcohol consumption among Hispanics has been an issue that draws attention from several interest groups. For example, The Hispanic Americans Baseline Alcohol Survey (HABLAS) found an association between acculturation and drinking. It seems that as Latinos adapt to the US society an increase in drinking occurs. Although Hispanics' birthplace showed no residence effect on problem likelihood, drinking was strongly associated with problems. This study's purpose is to understand the connection between Hispanic acculturation and alcohol consumption (Caetano and Mills 2011).

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**Table 1**  Table based on Berry's acculturation strategies (1997) as presented in Cleveland and Laroche (2014)

|  |  | Issue 1: Is it considered to be of value to maintain one's identity and characteristics? | |
|  |  | Yes | No |
| Issue 2: Is it considered to be of value to maintain relationships with larger society? | Yes | Integration | Assimilation |
|  | No | Separation/Segregation | Marginalization |

## Background

The following section presents a brief summary of previous related studies on acculturation and Hispanic beliefs, attitudes, and consumption behavior. It will start by reviewing the evolution of the consumer acculturation concept following research on the specific Hispanic pan ethnic group.

The terms consumer acculturation, cultural interpenetration, assimilation, psychological acculturation among others have been used interchangeably to express the same concept (Berry 1997; Marin et al. 1987; Valencia 1985). The most recent studies seem to not only consistently use the same term, but also agree that the acculturation process is composed of two subprocesses: (1) maintenance or loss of traditional culture, and (2) gain of new cultural traits (Table 1).

## Acculturation as Two Processes

The most current perspective of acculturation shows the construct as two subprocesses. This perspective is viewed as the most comprehensive point of view since immigrants can adapt to new cultural values and maintain original ones. One subprocess of acculturation has been inconsistently labeled (1) "ethnicity" or "co-national identification" or "maintenance of original cultural identity." The other subprocess has also been inconsistently called (2) "integration", or "host identification" or "maintenance of relationship with dominant society." These two subprocesses' distinction is similar to Lerman et al.'s (2009) suggestion that the two processes associated with acculturation address (1) maintenance or loss of traditional culture, and (2) gain of new cultural traits.

Within the Hispanic community, a group of Latin American descents living in the USA, the two subprocesses have been addressed as (1) "ethnicity" or "Hispanic Identification" or "Hispanicness" and (2) "integration" or "American Identification" or "Americanization" (Torres 2012). Both constructs describe the maintenance of the original Latin American cultural identity and the cultural values acquired when living in the USA.

For the first subprocess, pan ethnic traits appear as important factors to consider when measuring Hispanic acculturation such as the importance of family in their lives. These cultural values become part of their ethnic identity. There is a difference though between being Hispanic and possessing Hispanic ethnicity. The former is a demographic characteristic and the latter a psychological construct.

The second subprocess of acculturation in which the individual adds the cultural values of the host or dominant society is also critical in the Latino community. "Acculturation can occur when some elements of the mainstream culture are added without abandoning the native culture," (Ogden and Ogden 2004, p. 3). The acquisition of host cultural values has been defined as the process of an immigrant's losing their original ethnic identity and taking on the identity of the host culture. Integration concerns the way microculture individuals (e.g., Hispanics) acquire knowledge about the macr-culture and its way of life.

## Hispanic Attitudes and Consumption

As mentioned in one of the first consumer behavior studies on Latinos (Deshpande et al. 1986), several disparities among Hispanic subgroups were found. One of these discrepancies was connected to their location. Several follow-up studies have explored the effects of cultural identification with the Latinos on shopping behavior, coupon use, loyalty, and advertising.

Although there are large clusters of Hispanics in most major urban areas, the southwest and western part of the USA holds the largest concentration of Hispanics. Furthermore, the consumption patterns in these regions are very different from the behavior in Southeast or Northeast US time zones. Media exposure and cultural behavior are some of the reasons that explain such variation. Some marketers think that because of its geographic concentration and the increasing number of targeted media outlets, the Hispanic market could be considered easy to reach by marketers. The more futuristic thinking ones want to investigate how cultural values impact this group's consumption. For example, although young US border residents had higher problem alcohol consumption rates than older residents, some models showed no effect of border residence on the likelihood of problems, indicating that problems are due to alcohol consumption, not the border environment. The border, however, did appear to influence more drinking among young people (Vaeth et al. 2012).

Place of birth has also been found as a significant variable that plays a role in Hispanic consumption. The share foreign born among Latinos varies by origin group. About one-third of Mexican-origin Hispanics are foreign born, while other major groups (e.g., Cuban—56%, Salvadoran—60%, Dominican—56%, Guatemalan—65%, Colombian—63% and Puerto Ricans—close to 100%) are foreign born (Pew Hispanic Center 2014).

Age and time living in the US also differ widely. While the median age of Latinos is 10 years lower than that of the US overall, among Latinos, there is a big difference in median age between the US-born (18 years) and foreign-born (40 years).

The number of young Latinos has rapidly increased. From 1993 to 2013, the number of Latinos younger than 18 in the US more than doubled compared with an 11 % increase among the general US population younger than 18, according to Census Bureau data.

Previous research also suggests that different cultures have different time orientation preferences. Of particular interest to the current study, some scholars suggest that Hispanics are more present-oriented (Plath and Stevenson 2005; Medina et al. 1996; Marin and Vanoss 1991) and flexible toward time (Holtzman et al. 1975) and less likely to postpone future gratification and emphasize planning for the future than their Non Hispanic White (NHW) counterparts.

In summary, it appears that there are significant differences between Hispanics and other ethnic and racial groups in their consumption habits. The context of alcohol consumption was selected to further understand the relationship between level of acculturation and ethnicity-specific norms among Hispanic/Latinos. This context is currently relevant to a wide audience from groups that want to improve education on alcohol prevention to firms that want to provide a more responsible experience to their stakeholders.

## Research Methods

Based on the literature review about the acculturation process, a research design that tries to understand how acculturation influences alcohol consumption of Hispanic adults aged 18+, living in the contiguous United States, who speak English or Spanish was created. A Hispanic Coalition for the Prevention of Substance Abuse will facilitate interviews (http://cetpa.org/CETPA_ENG_Prevention-CHISPAS.html). The organization was created under a Strategic Prevention Framework State Incentive Grant (SPF SIG) funded by the Substance Abuse and Mental Health Services Administration.

To explore this phenomenon, Hispanic individuals with different levels of alcohol consumption will be included. Our informants will be solicited through a purposive approach to obtain informants who are more likely to engage and share their consumption attitudes. Through snowball sampling, data will be obtained through directive (e.g., "Describe your experiences") and nondirective phenomenological interviews, participant-observation field notes, and member-checking will also be used.

## Results and Discussion

Initial findings suggest that consumers' cultural identification likely changes during the acculturation process and that some circumstances create a better environment for alcohol consumption. For instance, since Hispanics are present-oriented and have a low propensity to delay gratification, those who have "lost" their ethnicity are future-oriented and have a high propensity to postpone gratification much like

NHWs in previous studies. In other words, the more "ethnic" the Hispanic American consumer, the less likely he or she will value planning for future goals and life events. More interviews are undergoing.

On the other hand, Hispanic Americans who have become more "integrated" will display attitudes that mirror attitudes of NHW consumers, while Latinos who are less "integrated" will display attitudes corresponding to Hispanic American consumers in previous studies. In other words, the more "integrated" the Hispanic consumer, the more likely he or she will value planning for future goals and life events.

The context of alcohol consumption was selected as an interesting scenario where interest would come from academics, industry, and governmental entities alike. Beside the theoretical contribution to academia, several implications are anticipated from this research. From a managerial perspective, marketers interested in reaching Hispanics must understand that addressing this group is complicated because they live in a socio-cultural environment that is complex. Level of consumer acculturation is so far the best construct to predict attitudes in ethnic markets, but it is not the only factor to account for. In the alcohol consumption context, it is imperative to understand attitudes toward alcohol to satisfy their customer wants and needs. There is a large opportunity for organizations involved with alcohol consumption among minors and prevention to improve education in the Hispanic community.

## Limitations

The acculturation process does not have to be linear and could result in particular lifestyle patterns. Although this qualitative research presents in depth insights of the relationship between level of acculturation and alcohol consumption, patterns should not be generalized.

Several other factors could play a role in acculturation and alcohol consumption such as the Immigrant Paradox or the tendency of foreign-born immigrants to be better off in a variety of measures of well-being such as health (physical and mental), psychosocial (risky behaviors that might lead to higher incarceration rates) and academic, than their native-born children. Some first generation Hispanics present superior results in such measures than their second generation.

**References available upon request.**

# Personal Cultural Orientation, Destination Brand Equity and Revisit Intention: Implications for Destination Branding in Latin America

**Adolfo Rudy Cardona, Qin Sun, Fuan Li, and Darin White**

## Abstract

Destination branding has become an increasingly important area of focus for academics and business communities. Destination brand equity is a strategic asset that can be the basis of competitive advantage and long-term profitability. Assessing the equity of destination brands provides destination marketers with information about the specific determinants that can help strengthen a destination brand (Floreck et al. 2006). The literature on destination marketing focuses on the three major dimensions of brand equity: brand image, brand value, and brand quality (De Chernatony and McDonald 2003). This study focused on tourists' perceptions of destination brand image, brand value, and brand quality as factors in determining their future revisit intention in the Latin American destination Quepos, Costa Rica. No study thus far has simultaneously modeled the constructs hereby proposed into one theoretical model and assessed relationships among personal cultural orientation, destination brand equity, and revisit intention. This study filled these knowledge gaps by examining how destination brand equity is affected by the tourist's personal cultural orientation and investigating the roles of destination brand equity and personal cultural orientation on revisit intention.

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Both a person-administered survey and an online survey were used to collect data in both English and Spanish in Quepos. Data were collected from the most popular hotels, restaurants, tour operators, and any other tourism service supplier across the region. A total of 1200 surveys were distributed and 309 completed questionnaires were collected from guests at local hotels, restaurants and other places, and 159 via the online site Survey Monkey. Measures and scales were adapted from extant literature.

Of the 468 participants, 171 (36.8 %) were male and 296 (63.2 %) were female. The largest age group of the respondents was 26–35 years (34.8 %), followed by 18–25 years (25.6 %), 46–55 years (15 %), and 56 years and above (8.1 %). The participants came from 24 countries including Costa Rica. In terms of their nationality, 51 % were tourists from the United States and 78 % of all participants said that their main purpose to visit Costa Rica was pleasure. Fifty-eight percent of the respondents came from North America and 22 % from European countries, while 18 % of the participants were from Costa Rica.

This study confirmed that tourists have more positive perceptions of brand image, brand quality, and brand value toward a destination whose culture is in line with their personal cultural orientation. Visitors to Quepos, Costa Rica with an independent personal cultural orientation had negative perception of Quepos in terms of destination brand value, destination brand quality, and destination brand image while those with an interdependent personal cultural orientation had positive perceptions. There was a significant relationship between perceived brand value and the intention to revisit Quepos, Costa Rica. However, the results do not support the findings of previous studies that the destination brand image and destination brand quality positively affect the tourist's revisit intention.

This study contributed to the theoretical development in the field of marketing by proposing a destination branding model to explain the structural relationships among personal cultural orientation, destination branding, and revisit intention in the leisure tourism market. The findings of this study provided empirical support and understanding of the concepts of independent and interdependent personal cultural orientation, revealing how these personal cultural orientation dimensions have an effect on brand equity and destination branding. The results of this study also extend the understanding of destination branding in Latin America. The findings should provide the destination marketers' insights to design appropriate marketing programs that will cater to the specific needs of different cultural groups and effectively build positive brand equity for tourism destinations in Latin America.

**References available upon request.**

# Craving for Cosmopolitanism: The Necessity of Foreign Cuisine for Mexican Immigrants

**Jakob Braun and Roberto "Bobby" Saldivar**

## Abstract

Our postmodern world is scattered with food offerings from all over the globe. When striving to satisfy our need for nutrition we are lavished with a broad choice of nearby restaurants serving Chinese, Italian, Japanese, or other foreign creations. The situation at the border between Texas and Mexico is no exception in the availability of international cuisine. Despite of no signs of an immigration wave from Asia there is a remarkable number of Chinese restaurants serving a predominantly Hispanic population. This observation allows the question as to why there are so many foreign offerings in this region. The purpose of this paper is to develop the conceptual foundations to address this question.

Blending the literatures on cosmopolitanism, acculturation, and food consumption in postmodernism, we suggest conceptual linkages between these constructs. In particular, we argue that Mexican immigrants who come to the United States want to be different from their counterparts back home. Their curiosity for and appreciation of otherness and diversity, can be described as open-mindedness, which is often associated with cosmopolitanism (Riefler and Diamantopoulos 2009).

Generally, cosmopolitanism is closely related to the initial goals of immigrants when moving to the United States—the "land of the free" and "the land of opportunities." The border is seen as the gate to the world. When the aspired feeling of distinctiveness, however, is not satisfied Mexican immigrants strive to achieve their desires through other means, namely cosmopolitanism. Cosmopolitanism, in turn, is expressed through the consumption of exotic food offerings, which have been creolized in the local environment along the border (Yoon 1998). Foreign food serves here as a symbol of cosmopolitanism showing the heterogeneity of different cultures. After going through the process of creolization it has another meaning than

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it has, for instance, at its origin in China. In this case of the border area between Texas and Mexico this approach toward expressing distinctiveness is understandable, as it offers an affordable solution to express your identity. Traveling overseas is rarely done for different reasons (e.g., affordability, time to visit family back home). Thus, we can conclude that considering the demographic and financial circumstances, food becomes a great vehicle to establish this identity of a world citizen and distinguish oneself from relatives back home.

**References available upon request.**

# Session 2.2
# Financial Service Marketing and Consumption

# Financial Services Marketing and Consumption

**Tina Harrison and Neil Lilford**

Interest in the subject of Financial Services Marketing, both practically and theoretically, has grown substantially over the last few decades. This growth in interest is recognition of the importance of the financial services industry to the economies of nations globally and the acknowledgment that marketing and consumption of financial services are different from the marketing and consumption of tangible goods and indeed many other intangible services. Few other industries have such wide-reaching impact on the welfare of individuals and nations. The decisions that consumers (and financial organizations on their behalf) make regarding saving, investing, and borrowing have significant implications on their ability to consume a wide range of other products and services, in turn affecting lifestyles, standards of living and how people spend their time. The recent financial crisis has brought this to the forefront of attention.

In the wake of the financial crisis, though, there is a need for new perspectives and paradigms that can explain the behavior of financial organizations and consumers (Harrison and Estelami 2014). Key themes in the emerging discussion concern the manner by which financial institutions interact with their customers, how to restore and build trust, agency relationships and the role of consumers and sales advisors in decision making and the role of risk governance in mediating and protecting the agency relationship and building confidence and trust. The objective of this session is to bring together scholars to discuss these key themes, drawing on insights into marketing practice and consumer behavior.

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The five papers included in the session demonstrate many of the challenges facing both financial organizations and consumers and outline the opportunities and implications for financial services marketers and policy. The papers focus on the sources of consumer distrust (paper 1), the nature and implications of decision delegation by consumers (paper 2), the role of feedback in enhancing the performance of financial services sales advisors (paper 3), the interplay of life events, religion and consumption in Islamic banking (paper 4), and the role of risk governance in protecting consumers and in restoring trust.

Seen as a whole, each of the five papers included in the session contributes to a multilayered understanding of the marketing of financial services from the consumer, financial organization, and industry-level perspective.

**References available upon request.**

# Sources of Consumer Distrust of Financial Services Marketing Practices

**Hooman Estelami**

## Abstract

In recent years, the volume of research on the public's lack of trust in business and government has significantly grown. Research has, for example, focused on drivers of public distrust in political entities and elected officials (Hetherington and Husser 2012), perceptions of trustworthiness of business leaders (Kramer 2009), and drivers of trusting relationships within organizations (Coutu 1998). In much of this research, the perspective of the inquiry has been on general levels of trust, both internally within organizations (Hurley 2006) and externally involving parties with competing interests (e.g., Hopkins 2011). While the accumulated research has provided a general macro view of trust, very little research has been conducted to pinpoint the sources of consumer distrust in specific business practices and especially related to financial services marketing practices.

However, many of the practices commonly used by financial services marketers can (and in recent years have proven to) result in consumer distrust. Marketing often relies on organizations capitalizing on consumers' needs and at times creating needs that may not otherwise exist. While this can help advance a business into higher levels of profitability, a potential side effect is depletion of customer trust in the organization's motives. Public recognition of such a possibility has significantly grown in recent years, especially in the context of financial services, following the financial crisis and extensive investigations by regulators and the media on commonly accepted practices. Examples include the sale of subprime mortgage products inappropriately fit for the needs of prospective homebuyers, the promotion of insurance products for irrelevant categories of risk, and biased recommendations in investment advisory contexts.

Interestingly, there is a large volume of academic research in cognitive psychology and behavioral decision theory that has over the years documented how individuals may misperceive financial decision contexts (e.g., Bazerman and Moore

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2008). Lack of necessary information, cognitive limitations of the human neuro-logical system, and the use of emotions in financial decisions often lead to poor financial decisions. Academic research in marketing has adopted much of the findings resulting from these research streams to further uncover consumer vulnerabilities in the marketplace. While the resulting findings are informative, they have opened two conflicting channels of action for practitioners.

One the one hand, regulators and public policy advocates have been able to utilize the research to inform consumer protection policies based on these research findings. On the other hand, the research findings have resulted in systematic implementation of marketing practices that abuse consumer vulnerabilities and persuade market exchanges that are not in the best interest of many consumers. The goal of this study is therefore to measure customer trust with specific marketing practices that are widely utilized in financial services markets. Using data from a field study, the forms of consumer vulnerabilities that have emerged in the financial marketplace will be examined and their impact on consumer trust will be profiled.

**References available upon request.**

# A Study of Consumer Decision Delegation in Financial Services: Approaches and Implications

**James Devlin**

## Abstract

Extant literature covering consumer decision making is concerned in the main with situations where consumers make decisions on their own initiative following information search and evaluation of alternatives. However, an alternative perspective posits that consumers in some cases delegate the responsibility for making a decision to a third party, engaging in what Aggarwal and Mazumdar (2008) termed "decision delegation." The same phenomenon has also been referred to in the literature as "choice delegation" (Broniarczyk and Griffin 2014). The existence of decision delegation strategies has been shown by a number of studies (Chhabra and Olshavsky 1985). Broniarczyk and Griffin (2014) argue that decision delegation can alleviate the stressful emotions connected with making a decision and minimize the need for cognitive trade-offs and mental effort.

Consumers involved in decision delegation can employ a number of different types of entities as surrogates or agents, including, friends, relatives, salespeople, or experts. A particularly fruitful area for previous research into decision delegation and involvement in decision making has been in the area of medical care [see for instance Garfield et al. (2007)]. Other examples come to mind readily, such as the prevalence of advisers in the marketplace for many personal finance products. As previously stated, an extreme example would be the tendency of most to take expert medical advice in its entirety and without question. Others are less intuitively obvious, such as a delegation of decisions to interior designers, wedding advisors, and sommeliers. The research reported here is concerned with professional surrogates, such as advisers and company employees, rather than other types such as family and friends.

We focus on the preference for decision delegation in personal finance and seek to establish the degree of preference to employ decision delegation amongst different customer demographics and customers of different types of financial services

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firms. To answer these questions we collected data from a demographically balanced sample of 2000 respondents who answered in roughly equal numbers with respect to seven different types of provider in the UK (bank, building society, general insurer, life insurer, investment company, financial advisor, and credit card provider). We amended measures of decision delegation preference from studies in the medical domain, with a five-item scale for decision delegation preference and a two-item scale for preference for self-control of decisions and a three-item scale measuring the preferred balance of responsibility for the decision between consumer and financial services provider. All measures were subject to exploratory and confirmatory factor analysis, as well as reliability analysis, with all three constructs showing statistically sound properties.

Initial analysis using MANOVA analysis showed significant differences in preference for decision delegation between customers of different institution types and according to some demographic factors. Post hoc analysis was employed to establish the precise nature of such differences and explore implications further.

**References available upon request.**

# Beyond Feedback Orientation: Exploring the Quality of the Feedback Environment in Financial Services Sales

**Neil Lilford, Tina Harrison, and Pierre Berthon**

## Abstract

Due to the complexity and inherent risk associated with financial services decisions, many consumers seek advice and guidance from sales advisors and even delegate responsibility for decision making to them. The performance of financial services salespeople is therefore of critical importance to their clients in securing appropriate financial decisions and outcomes. Whilst different models of sales advising exist, many sales advisors work separately and at a distance from the firm, leading to a common perception of the financial services advisor as one of "lone ranger." Monitoring the direct performance of advisors is thus difficult, if not impossible; a key factor leading to the blame of advisors following the recent financial crisis. Set against this context, this paper focuses on the role of feedback as a key factor impacting a financial advisor's effectiveness and performance, specifically the extent of sales advisors' feedback orientation.

Feedback is a fundamental part of a manager's job, leading to a range of important organisational outcomes such as learning, motivation, and increased performance (Kluger and DeNisi 1996; London 2003). It achieves this by reducing uncertainty, providing important information about performance and increasing the

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individual's feelings of self-worth. We test the assumptions of Linderbaum and Levy's (2010) Feedback Orientation Scale (FOS) which measures "an individual's overall receptivity to feedback," which assumes that some sales advisors are inherently more receptive to feedback than others and that listening to feedback improves performance. These assumptions are based on two deeper axioms: feedback is abstractly "positive," "good," or "useful" and receptivity is a context-independent trait. The research is based on qualitative interviews to a structured interview guide based on the theoretical framework developed by Linderbaum and Levy (2010). A purposive sampling strategy was used based on key criteria. Interviewing continued until theoretical saturation was achieved at a total of 20 interviews.

The study confirmed the perceived validity of the six dimensions of the FOS. Additionally, it revealed that feedback orientation is only part of a wider picture, which we term the quality of feedback environment (QFE). Content analysis of the interviews suggests that the quality of the feedback environment is a function of four dimensions: source (who), content (what), manner (how), and time (when the feedback was given). Sales performance (SP) is thus a function of Feedback Orientation (FO), Quality of the Feedback Environment (QFE), and the interaction between these two elements. Hence, SP=Fn(FO, QFE, FO*QFE). The study highlights a number of implications of the new construct for management practice and future research.

**References available upon request.**

# The Interplay of Life Events, Religion, and Consumption in Islamic Banking

**Julie Robson and Samreen Ashraf**

## Abstract

Since marketers first entered the financial services arena they have sought to explain consumer purchasing behavior. To this end, a wide range of approaches have been utilized over the years, with mixed results. Many have attempted to profile consumers through the use of sociodemographic, psychographic, and other means [see for example, Branca (2008)]. The results, however, often had limited use for practitioners wanting to know not only who will buy and why, but also more importantly, when. The family life cycle (FLC) model went some way to resolve this, but, family patterns have changed and attempts to modernize the FLC have not always improved predictive ability (Wagner and Hanna 1983). Life events, which can provide an indication of FLC and identify a point in time when an event triggers changes in behavior, appear to provide a potential solution, and indeed are widely used by financial services practitioners. However, the life event concept has also been challenged, in particular, whether it is the life event itself that triggers a change in behavior or whether it is changes associated with the life event (such as an increase/decrease in disposable income) that result in the changed behavior.

Within Islamic banking, sociodemographics, psychographics, etc. have also been used to explain consumer behavior and in particular to distinguish between those who hold and those who do not hold, an Islamic bank account [see, for example, Erol et al. (1990) and Haron et al. (1994)]. Given the nature of Islamic banking, many researchers have also sought to explain consumer behavior by considering the influence of religion (Sun et al. 2012; Faisal et al. 2014). However, extant studies provide conflicting answers on whether religion does influence the choice of an Islamic bank account. Life events may help to provide clarity here, as life events are also known to influence religious choices and involvement (Lawton and Bures 2001). We therefore contend that the reason Muslims choose to bank with an Islamic bank are complex and varied. Religion may well be a part of this decision, as could life events—or an interplay may exist between life events, religion and consumer

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behavior. The goal of this study is therefore to further our understanding of life events; how, why, and when they trigger the consumption of Islamic banking and the role of religion in this mix. Using data from a two-phased field study in Pakistan, the reasons why Muslims open an Islamic bank account will be presented and the role of two life events, marriage and parenthood, will be explored in terms of the impact they have on religiosity and purchase behavior.

**References available upon request.**

# The Role of Banking Governance in Consumer Trust and Confidence: A Shared Responsibility

Jake Ansell

## Abstract

Since the 2007 financial crisis there has been an increased awareness of risk governance in the banking sector among the wider public. The importance of banking to the economy is such that society in general has an interest in appropriate supervision. Financial institutions have a fiduciary responsibility toward the customers they serve, many of whom are not in a position to make fully informed and rational decisions and rely on the agency of experts in delegating decision making. Consumer trust and confidence in the industry are in part dependent on the assurance provided by risk governance. Deregulation of the banking sector, however, led to banks being given greater ability to determine their own level of risk, which was encapsulated in the Basel Accords. Yet, the financial crisis illustrated that banks had not acknowledged the level of risk to which they were exposed, thus calling into question the risk governance arrangements in place.

In the aftermath of the financial crisis there is a need to examine more fundamentally the governance of banking risk. The paper proposes the concept of "knowledgeable supervision" as an approach to risk governance, drawing on the authors' earlier work in public risk governance (Andreeva et al. 2014). Through synthesis of the related and theoretically consistent concepts of governance, stakeholder theory, and social network theory the paper examines the underlying principles of "knowledgeable supervision" as a means of banking risk governance. Our approach addresses the criticism of governance that has concentrated the management of the risk in the hands of a few actors who may not have sufficient knowledge or skill to fully appreciate and deal with the risk. Our concept of knowledgeable supervision is thus distributive, based on shared ownership and embedded and shared accountability.

Consumers form a key part of this network of stakeholders and have a number of relationships with banks both as savers and borrowers. As savers they require trust

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in the bank to protect their interests and safeguard their financial welfare: since the crisis this trust has lessened with the institutions but not necessarily with the people who serve them. To reassure savers many central banks provide guarantees to consumers to avoid "runs on banks." Hence, consumers may be "irresponsible consumers" and their behavior may have influenced the crisis. Governmental overprotection of consumers encourages them to act in a riskier manner.

Since consumers generally have insufficient knowledge to deal with the inherent risks, there is a need at least to ensure they are aware of the risk. A key element to ensuring consumers' act appropriately is to equip them with the necessary knowledge and skills; hence, the paper will discuss the steps required to address financial literacy and financial capability amongst the general population.

**References available upon request.**

# Session 2.3
# Advertising and Shopping Influences

# Consumer Reactions to Comparative Advertising: The Role of Product Type and Sensation Seeking—A Structured Abstract

**Silke Bambauer-Sachse and Priska Heinzle**

## Introduction

Over the last decades, comparative advertising which compares different brands of the same product category on the basis of one or more specific product characteristics (Wilkie and Farris 1975) has been increasingly used on an international level (Jeon and Beatty 2002) and in diverse industries (Thompson and Hamilton 2006). Many previous studies deal with the effectiveness of comparative advertising as compared to noncomparative advertising [e.g., Grewal et al. (1997) for a meta-analysis], as well as with how to phrase the comparative claim (e.g., Miniard et al. 1998). However, little is known about the relative effectiveness of different product characteristics such as price or attribute performance that could be used as a basis for comparison. In this context, it makes sense to additionally differentiate between goods and services because advertising for services faces challenges that do not exist for goods due to their unique characteristics (Stafford et al. 2011) and research on comparative advertising has so far not made such a differentiation. Furthermore, it is interesting to include consumers' level of sensation seeking because it might influence consumers' evaluations of the sensational value of comparative advertising, which is due to its attention drawing properties (Grewal et al. 1997).

Previous research provides the notion that comparative advertising does not only have positive effects, but can also trigger negative emotions and cognitions (Grewal et al. 1997). Anger, as one of the negative emotions that can occur during the processing of an advertisement (Edell and Burke 1987), is likely to play an important role in the context of attitude formation after contact with comparative advertising because lower credibility of comparative advertising leads to hostility toward the

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advertiser (Swinyard 1981). As a consequence, the consumer is angry. Therefore, the objective of this paper is to analyze the effects of different types of comparative advertising for goods and services through anger on attitudes toward the ad and the product as well as on purchase intentions, depending on people's individual levels of sensation seeking.

## Background and Hypotheses

There is a general agreement on the arousing character of comparative advertising (Pechmann and Stewart 1990), but both positive and negative effects of comparative advertising are reported (e.g., Dröge 1989; Grewal et al. 1997; Thompson and Hamilton 2006). For example, comparative advertising can produce positive effects in terms of mental impressions and attitudes toward the advertised brand (Miniard et al. 1993), but also lead to producing counterarguments and to increased familiarity with a competitor's brand (Belch 1981; Gorn und Weinberg 1984; Swinyard 1981). A large body of research focused on moderator effects of variables such as market position (Pechmann and Stewart 1991), advertising message (Dröge and Darmon 1987), or credibility (Swinyard 1981). More recent research examined the influence of consumer characteristics such as self-construal (Choi and Miracle 2004), different processing styles (Thompson and Hamilton 2006), need for cognition (Chow and Luk 2006), or product involvement (Soscia et al. 2010) in order to explain the effectiveness of comparative advertising. An analysis of the effectiveness of alternative product characteristics that can be used for the comparison has received far less attention. Moreover, affective (negative) reactions to comparative advertising have not been analyzed in much detail yet, although previous research provides the notion that such reactions can occur during the processing of comparative advertising (Grewal et al. 1997). Starting from this background, the hypotheses for the new study will be developed in the following.

Reactions to advertising are influenced by verbal content in that evaluative advertising content, which is often related to intangible aspects of a product, leads to more negative attitudes, more negative affect, and more counterarguments than factual content (Edell and Staelin 1983; Iyer 1988), which consists of objectively verifiable descriptions and factual information (Holbrook 1978). Consequently, in general, comparative advertising based on attribute performance, which is rather intangible and thus evaluative, is likely to lead to higher levels of anger than comparisons based on prices, which convey factual information that can be easily verified by the customers.

When predicting anger arousal as a reaction to attribute/price comparisons in advertising, the product type also needs to be considered. As goods are tangible, comparative advertising might work better for goods than for services. However, as argued above, a subjective comparison of goods based on attributes might produce more anger than a comparison based on prices. Services as compared to goods are intangible, often difficult to evaluate, and vary in their outcome (Zeithaml et al.

1985). Consequently, the purchase of a service is perceived as particularly risky (Clow et al. 1998; Murray and Schlacter 1990) and advertising for services needs to provide risk-reducing information (Murray 1991; Pickett et al. 2001). Comparative advertising is supposed to be less appropriate for services because it does not provide such information and thus is likely to produce anger independently of the type of comparison.

A third variable, individuals' optimal level of arousal or sensation seeking (Zuckerman 1979) can explain different levels of aroused anger after contact with comparative advertising. Individuals, who score low on sensation seeking, evaluate an increase of arousal negatively (Galloway 2009; Steenkamp and Baumgartner 1992) because higher levels of arousal exceed their optimal level of arousal (Berlyne 1960). Messages of high sensational value are shown to be negatively evaluated by low sensation seekers (Leone and D'Arienzo 2000). Individuals scoring high on sensation seeking are more tolerant toward stimuli that are novel, intense, and complex (Quick and Stephenson 2008). While comparative advertising is less appropriate for services, as argued above, the differentiation between low and high sensation seekers is of specific interest for goods. As comparative advertising based on attributes is less credible than comparative advertising based on prices, more effort is needed to process the information provided by an attribute comparison. Consequently, an attribute comparison is more arousing than a price comparison. Thus, specifically low sensation seekers are believed to show higher levels of anger than high sensation seekers after contact with such advertising. High sensation seekers are less sensitive toward arousing messages because their optimal level of arousal is not exceeded and thus, attribute and price comparisons will not produce different anger levels. Therefore the following hypothesis can be formulated.

H1a: For low sensation seekers, attribute comparisons of goods result in higher levels of anger than price comparisons of goods, whereas for services there is no such difference.

H1b: For high sensation seekers, the levels of anger do not differ depending on product type or type of comparison.

Previous research provides the notion that negative emotions such as anger can have considerable negative effects on attitudes toward the ad (Batra and Ray 1986; Burke and Edell 1989) and attitudes toward the brand (Stayman and Aaker 1988). A study examining a direct effect of negative feelings on purchase intentions suggests a negative correlation (Brown et al. 1998). Specifically, the negative emotion anger is described as directly influencing action tendencies or even actions (Bougie et al. 2003) and reducing purchase intentions (Folkes et al. 1987). Therefore, we argue:

H2: The higher the anger consumers experience after contact with comparative advertising, the more negative are their attitudes toward the ad/the product and the lower are their purchase intentions.

Although effects of attitudes toward the ad on attitudes toward the product and effects of attitudes toward the product on purchase intentions were already proven

in many studies (Brown and Stayman 1992; Shimp 1981; Spears and Singh 2004), we will formulate and test the respective hypotheses in the context considered here for reasons of completeness:

H3: The more positive the attitudes toward the ad, the more positive are the attitudes toward the product and the higher are purchase intentions

## Methodology

The sample consisted of 535 respondents (53.3 % women, average age: 28.8 years, mainly students). The study was based on a 2 (type of comparative advertising: attributes vs. price)×2 (product type: goods vs. services)×4 [four test products for goods and services, respectively: chocolate bar, shower gel, coffee machine, vacuum cleaner (goods); thermal bath entry ticket, ticket for public transportation, fitness club membership, intercontinental flight (services)] between-subjects design. Four different goods and services were tested, respectively, to cover different product categories. The test advertisement contained a picture of the nonbranded product and the comparative message. In the price comparison condition, the ad stated that the product is cheaper than competitor products. In the condition where product attributes are compared, the ad stated that the product performed better on the respective attributes than competitor products. The relevant attributes were identified in a pretest.

The respondents were shown the ad and asked to fill in the questionnaire. Anger was measured by four items proposed by Dillard and Peck (2000). Attitudes toward the ad ($A_{ad}$) were measured by six items (Machleit and Wilson 1988), sensation seeking by four items (Stephenson et al. 2003), attitudes toward the product ($A_{prod}$) by three items (Goodstein et al. 1990), and purchase intentions (PI) by two items (Park et al. 2007). A seven-point scale (1 = totally disagree, …, 7 = totally agree) was used. The high $\alpha$-values and the bivariate correlation ($\alpha_{anger} = 0.87$; $\alpha_{sensation\ seeking} = 0.83$, $\alpha_{Aad} = 0.96$, $\alpha_{Aprod} = 0.90$, $r_{PI} = 0.79$) show that the chosen items reliably measure the respective variables. The respondents were additionally asked to indicate whether a product is rather a good or a service. The respective mean values significantly differ from each other ($M_{goods} = 2.70$; $M_{services} = 4.44$, $t = -12.17$, $p < 0.001$; definitely a good = 1, definitely a service = 7) and therefore, a clear assignment to either goods or services is given. The respondents were classified as high and low sensation seekers based on the median split (MD = 4.50).

## Data Analysis and Results

In the first step, a multiway ANOVA is conducted in order to analyze in detail how anger differs depending on type of comparative advertising, product type, and sensation seeking. The type of comparative advertising has a direct effect on the level

of anger ($F=4.94$, $p<0.05$) in that advertising based on an attribute comparison results in higher levels of anger ($M=2.60$) than advertising based on a price comparison ($M=2.31$). The two moderator variables have no significant direct effects. However, the interaction of the type of comparative advertising and product type is significant ($F=6.44$, $p<0.05$) in that attribute comparisons produce higher levels of anger ($M=2.63$) than price comparisons ($M=2.06$) for goods, while there is no such difference for services. No other two-way interactions are significant. Although the three-way interaction of type of comparison, product type, and level of sensation seeking is not significant ($F=0.30$, $p>0.10$), $t$-tests are used to look in more detail at possible effects of sensation seeking specifically in the case of goods. For *low sensation seekers, attribute comparisons* of *goods* lead to higher levels of anger ($M=2.68$) than price comparisons of goods ($M=1.95$; $t=3.56$, $p<0.01$). For *high sensation seekers,* the type of comparative advertising has no differential effect on the level of anger for *goods* (attribute comparison: $M=2.55$, price comparison: $M=2.14$; $t=1.64$, $p>0.10$). For *services*, neither *low sensation seekers* ($M_{attribute}=2.68$, $M_{price}=2.69$; $t=-0.03$, $p>0.10$) nor *high sensations seekers* ($M_{attribute}=2.41$, $M_{price}=2.48$; $t=-0.26$, $p>0.10$) show different levels of anger depending on the type of comparative advertising. These results provide support for H1a and H1b.

In the next step, regression analyses are used to analyze how anger is in turn related to attitudes toward the ad, toward the product, and purchase intentions (H2 and H3). Anger has a negative effect on attitudes toward the ad ($\beta=-0.26$, $t=-6.26$, $p<0.001$; $R^2=0.07$), attitudes toward the brand ($\beta=-0.27$, $t=-6.34$, $p<0.001$; $R^2=0.07$), and purchase intentions ($\beta=-0.24$, $t=-5.73$, $p<0.001$; $R^2=0.06$). Thus, the higher the anger experienced after contact with comparative advertising, the more negative are the attitudes toward the ad and the product, and the lower are purchase intentions. Consequently, hypothesis 2 is supported. Finally, attitudes toward the ad have positive effects on attitudes toward the product ($\beta=0.70$, $t=22.69$, $p<0.001$; $R^2=0.49$), which in turn positively affect purchase intentions ($\beta=0.76$, $t=27.02$, $p<0.001$; $R^2=0.58$). Thus, hypothesis 3 is supported.

## Conclusion

The results of the study show that the level of anger after contact with comparative advertising differs depending on the type of comparative advertising, the product type, and consumers' individual level of sensation seeking in the case of goods, while no such difference is found for services. In the case of goods, especially low sensation seekers show higher levels of anger in the case of attribute comparisons than in the case of price comparisons. For high sensation seekers, the level of anger does not depend on the type of comparative advertising. The influence of anger on attitudes toward the ad, the brand, and purchase intentions can be confirmed.

Despite the increasing use of comparative advertising, research on conditions in which comparative advertising is more or less effective is still limited. This study shows that comparative advertising is in general less appropriate for services and

that anger as a consequence of comparative advertising is higher when companies compare product attributes other than prices for goods. Thus, specifically, when low sensation seeking consumers are to be targeted with comparative advertising for goods, advertising based on price comparisons seems to be more appropriate because it produces lower levels of anger than advertising based on attribute comparisons.

Future research could examine other types of comparative advertising, different product categories, the emotional attachment to the advertised product, or consumer-specific variables like self-construal in the context of anger triggered by advertising. In addition, considering specific mediator and moderator effects could provide further insights in conditions in which anger occurs and plays a role.

**References available upon request.**

# World Cup Edition or Summer Special? Why Consumers Buy Limited Edition Products

**Christine Arden**

## Introduction

Limited Edition (LE) products can be defined as uniquely designed products offered for a predefined time and/or at a predefined quantity within the same product category. Marketers are likely to promote both luxury and consumer goods' scarcity as this method has proven to be successful not only in the luxury goods segment, but also in various consumer good product categories (Balachander and Stock 2009). Although consumer behavior has already been investigated in the context of scarcity, no study has focused on a rather comprehensive identification of the success factors that determine consumers' intention to purchase scarce products in the fast moving consumer goods (FMCG) context (Van Herpen et al. 2009). Our research focuses on a detailed investigation of FMCG limited editions, as they are one of the most popular product types whose availability is artificially limited (Gierl and Hüttl 2010). Based on a review of the relevant literature we identify crucial determinants influencing consumers' purchase intention (PI) with respect to limited edition products. In particular, we investigated perceived scarcity, perceived product innovativeness, perceived credibility, and perceived product quality. Furthermore, we determine the influence of product familiarity by comparing a convenience sample of noninvolved consumers (study 1) with a sample of consumers highly involved in the product category used in our survey (study 2). Consequently, in order to support marketers to better promote and use scarcity signals in practice, as well as to reduce failure rates of newly introduced LE products, we aim at answering the following research question: What are success factors that drive consumers' purchase intentions of LE products?

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## Conceptual Framework

As one form of supply generated scarcity, LE products are designated as such due to seasonal, event, and cooperation-based reasons. These three reasons, labeled as LE type, serve as major factors in the study's empirical analyses. Furthermore, we included strategic fit between the LE type and product as a second factor.

In order to understand consumers' reaction toward scarce products we can partly rely on frustration theory. Individuals perceive limitations and boundaries as a threat to their personal freedom. Such a limitation of availability strengthens the consumer's willingness to possess the object of interest. The desirability of the object increases, because the individual strives to reestablish his threatened freedom (Brehm 1966; Clee and Wicklund 1980). Consequently, the perception of scarcity serves as an important driver of PI within the observed context. Here it refers to the consumers' evaluation of a good whose scarcity results from limited availability based on either quantity or time. For a product limited in time a consumer is in competition against the timing set by the retailer; in a limited-quantity scenario the consumer competes against other consumers. The differences within those competition situations are assumed to have an impact on the consumer's evaluation process. Whereas seasonal and event-based LEs by definition imply a time restriction, a clear classification of a cooperation-based LE to one cause cannot be made, thus we hypothesize:

*H1: Consumer perceptions of scarcity differ between seasonal, event, and cooperation-based LE products.*

Not only due to high competitiveness and a broad product range within the FMCG market, perceived product innovativeness shows important effects on the consumer's purchase decision (Amaldoss and Jain 2010; Balachander and Stock 2005, 2009; Steinhart et al. 2013). It is defined as the degree of discerned newness of a product (Garcia and Calantone 2002). One crucial determinant within this evaluation is based upon the perceived relative advantage of a product. It refers to the degree to which a product innovation is perceived as better than a comparable good (Rogers 2002). Even though LE shows only a low to medium degree of innovativeness they surely provide a certain kind of advantage distinguishing them from other goods. Seasonal LE might provide a benefit via a new seasonal ingredient and may offer the consumer a new, desired flavor. Event-based LE aim to create a feeling of novelty and conformity via a direct link to a topical event; whereas cooperation-based LE attract the consumer, e.g., via a cooperation with a celebrity, which in turn creates feelings of exclusivity and might complement the product with additional expertise. Thus:

*H2: Consumer perceptions of product innovativeness differ between seasonal, event, and cooperation-based LE products.*

The concept of fit, defined as the degree of similarity that consumers perceive between a certain pairing, is evaluated as very influential from a persuasion and credibility perspective (Speed and Thompson 2000). Hence, the relationship of

fit—between the product and the LE type—and perceived credibility will be examined in detail. High levels of perceived fit are found to enhance consumers' attitudes toward a good (Becker-Olsen et al. 2006). Furthermore, a strong connection between high similarity and high positive evaluation is very likely to occur in a low-involvement context (Walachli 2007). In contrast, low-fit relations can hardly be integrated into consumers' existing cognitive structures, which in turn triggers skepticism and call the firm's motives into question. Thus:

*H3: Consumer perception of credibility is higher for high-fit LE products than for low-fit LE products.*

Depending on the relative superiority or excellence of a product in relation to competing products, consumers perceive a product to be of high or low quality. Perceived consistency and fit between different entities defining the evaluated product are known to influence this perception (Heider 1946). If the relationship is evaluated negatively, i.e., seen as a low-fit connection, a perception of inconsistency and an imbalanced state results. Since inconsistency is evaluated as a psychologically uncomfortable condition, feelings of tension may occur. In turn, this pressure is assumed to lead to less positive perceptions and quality evaluations, whereas a high-fit, balanced condition creates positive consumer perceptions (Kanungo and Pang 1973). If consumers perceive high-fit between the product and the LE type, the transfer of quality perceptions from the LE type, e.g., the event or the celebrity, is more easily feasible and more advantageous (Klink and Smith 2001). Thus:

*H4: Consumer perception of product quality is higher for high-fit LE products than for low-fit LE products.*

As stated previously, perceived credibility in the context of LE is defined as a consumer's perception of the credibility and truthfulness of the product limitation communicated through the LE type. Furthermore, as hypothesized in H3, we assume the level of fit to have a positive influence on this evaluation process. Consumer goods of the mass market like groceries or drugstore products are more likely to be limited in time rather than in quantity (Amaldoss and Jain 2010; Balachander and Stock 2009). Furthermore, it has been shown that increasing contact with a product does not only have a positive effect on product evaluation but that familiarity increases perceived credibility of a massage. Familiarity is based on product awareness and product perception and not necessarily connected with experience (Srull 1983). Thus, given that consumers are rather accustomed to time-based limitation signals we assume that they will perceive the limitation signal as more credible. Consequently, we hypothesize that LE products' signaling an implicit time-based limitation, like seasonal or event-based LE, will be evaluated as more credible than LE products without an implicit or explicit time limitation, like cooperation-based LE.

*H5: Consumer perception of credibility is higher for high-fit seasonal or event-based LE products than for a high-fit cooperation-based LE products.*

## Empirical Study

To identify reasonable stimuli that manipulate strategic fit and a suitable product for the main survey we conducted a pretest with a sample of 30 students. The pretest design was adapted from Lafferty (2007). The pretest results implied to choose barbecue sauces as the product category for the main study. For the seasonal LE type, respondents perceived significantly greater fit between barbecue sauce and summer than winter and for a sporting event like the football World Cup than Valentine's Day. For the cooperation-based LE type, respondents perceived significantly greater fit between barbecue sauce and a chef than a fashion designer. Consequently, these six stimuli are chosen for the main study in order to manipulate fit for each LE type. In order to be able to compare to the final results with a benchmark we included a seventh control scenario within the final survey, in which neither fit nor limitation type has been manipulated.

For our main survey we conducted two studies (study 1 and 2), which are both based on the same online experiment using a between-subject design with those seven LE scenarios. The two survey results are examined individually, but are based on the same questionnaire. The first survey served as our convenience sample (study 1) and its Web link was inter alia published via Facebook and German university online forums. Thus, the sample consisted primarily of young adults and students ($n=533$, average age 25.8, 56.5 % female respondents). Study 2 was conducted in cooperation with a leading barbecue manufacturer. The link to study 2's survey was published on the company's Facebook page, thus predominantly addressing male barbecue fans assumed to be interested in the products category and the survey's topic ($n=326$, average age 35.8, 21.2 % female respondents). We conducted a multivariate analysis of variance to empirically examine the $3 \times 2$ factorial design. Thus we examined the analysis with the two independent variables LE type (season, event, and cooperation) and the strategic fit (low and high) between the product category and the LE type. We measured this fit by means of the four dependent variables: perceived scarcity, perceived product innovativeness, perceived credibility, and perceived product quality.

## Results

According to Pillai's trace, both the variables—LE type and strategic fit—affect consumer perceptions significantly in both studies. Study 1 reveals a significant effect of the LE Type, $V=0.14$, $F(8, 910)=8.58$, $p<0.001$, $r=0.07$, as well as of strategic fit, $V=0.11$, $F(4, 454)=14.22$, $p<0.001$, $r=0.11$, on consumer perceptions. Additionally, also a significant interaction effect of LE type and strategic fit on consumer perceptions is observed, $V=0.04$, $F(8, 910)=2.45$, $p<0.05$, $r=0.02$. For study 2, Pillai's trace shows a significant effect of the LE type, $V=0.18$, $F(8, 540)=6.62$, $p<0.001$, $r=0.09$, as well as of strategic fit, $V=0.14$, $F(4, 269)=10.89$,

$p < 0.001$, $r = 0.14$, on consumer perceptions. Additionally, also a significant interaction effect of LE type and strategic fit on consumer perceptions is observed, $V = 0.08$, $F_{(8, 540)} = 2.69$, $p < 0.05$, $r = 0.04$. Thus both studies identify the LE type as a significant success factor for perceived scarcity and perceived product innovativeness. The examination of the interaction effect between the LE type and the strategic fit shows that, in both studies, the high-fit seasonal and event-based LE products are perceived significantly more credible than the high-fit cooperation-based LE products. Separate univariate ANOVAs on the outcome variables showed that for study 1 all hypotheses except of H4 and for study 2 all but H3 can be supported on a significance level of either $p < 0.001$ or $p < 0.05$.

Within an additional validation model, we show that consumer perceptions serve as drivers of purchase intention. These success determinants account for the LE type and the strategic fit's impact on purchase intention. We conducted a multiple regression analysis with the perceived scarcity, product innovativeness, credibility, and product quality as IVs and purchase intention as the DV. For study 1 the regression model reveals that all four consumer perceptions are significant predictors of purchase intention $F_{(4, 458)} = 46.9$, $p < 0.001$. For study 2, we find similar significant results. However, perceived credibility does not significantly explain consumer perceptions [$F_{(4,237)} = 63.3$, $p < 0.001$]. Detailed findings are available upon request.

## Discussion and Conclusion

Contradicting the classical approach of Brock's commodity theory (1968) we find a significant negative impact of perceived scarcity on purchase intention in both studies. Furthermore, within a group-based setting we are able to show that there is a significant negative impact of perceived scarcity on purchase intention in study 1 but only in a situation of high- and low-fit seasonal limited editions. A possible explanation according to naïve economic theories is that scarcity is closely connected with higher prices and in the price-sensitive FMCG market numerous alternatives are available (Lynn 1992). Consequently, the urge to possess the product could be weakened. Thus it could be argued that within the FMCG sector a high level of perceived scarcity does not necessarily enhance the purchase intention of consumers.

Strategic fit's isolated significant impact on perceived credibility and that of perceived credibility on purchase intention were only found in study 1. In contrast, on average, the respondents of study 2 perceived the limitation reasons of the low- and high-fit LE as equally credible. Accordingly, perceived credibility was not found to be a predictor of purchase intention in study 2. Following Keller's brand awareness model, credibility, as part of the rational evaluation process, is seen as a basic premise for brand attachment (Keller 2010). Subsequently, consumers' perception of credibility in terms of evaluating a product cannot be compromised easily when they are attached to a certain brand or product related to that brand. Hence, this results in equally credible evaluations of low- and high-fit scenarios. In both studies,

strategic fit had a direct effect on purchase intention, which supported its role as a key success factor in the creation of LE products. As we can show study 1 respondents did not reveal significant differences between high- and low-fit LE when evaluating product quality, which can be explained by their low involvement with the product. We can conclude that within both studies the LE type serves as a significant success factor, whereas the impact of different levels of fit depends on additional factors like, e.g., product familiarity.

**References available upon request.**

# Consumer Knowledge, Attitudes, and Purchase Intentions of Counterfeit Fashion Goods: An Initiative to Curbing Consumer Demand in the Marketplace!?

**Joy M. Kozar and Kelby Stehl**

**Abstract**  Within the global marketplace, the production and consumption of counterfeit goods represent a serious social problem. Scholars continue to suggest anticounterfeit education as a means to resolve this global problem and curb the demand for counterfeit goods, but no scholarly research has empirically evaluated the effectiveness of anticounterfeit educational campaigns. Therefore, the purpose of this study is to draw upon such suggestions within the literature and quantitatively assess the effectiveness of anticounterfeit education on consumers' perceived knowledge, attitudes, and purchase intentions of fashion counterfeit goods. Convenience samples of male and female college students participated in the study. Utilizing a one-group pretest–posttest quasi-experimental design, the findings from a series of paired samples *t*-tests revealed a positive significant change in consumers' perceived knowledge of fashion counterfeit goods after viewing the anticounterfeit campaign. Negative, significant changes in consumers' favorable attitudes and purchase intentions of fashion counterfeit goods were also found after the campaign was implemented.

**Keywords**  Counterfeits • Consumer behavior • Fashion • Purchase intention

## Introduction

This research study embraces the theme of the 2015 Academy of Marketing Science Annual Conference: Celebrating America's Pastimes: Baseball, Hot Dogs, Apple Pie and Marketing!?, with a specific focus on using educational marketing in a positive way to curb consumer demand of fashion counterfeit goods in the U.S. marketplace. The production and consumption of counterfeit fashion goods represent a

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serious problem in U.S. society today. Specifically, the International Anti-Counterfeiting Coalition (IACC) reported that the counterfeit goods industry has increased more than 10,000 % within the past 20 years. Such rapid growth has emerged as a danger to world trade, while imposing economical and societal threats including the loss of jobs and legitimate revenue (Ha and Lennon 2006). The IACC estimates that between 5 and 7 % of world trade consists of trade in illegitimate goods and has resulted in the loss of more than 750,000 American jobs. Trade in counterfeit goods has reached $600 billion annually on a worldwide basis, while counterfeiting has been estimated to cost businesses in the United States approximately $250 billion each year (Norum and Cuno 2011).

Among the top five brands counterfeited, four are fashion brands (Kim and Karpova 2010). McGlone (2006) reported that these brands include Louis Vuitton, NIKE, Gucci, and Prada. Among these and other luxury brands, counterfeiting damages brand equity and is a threat to legitimately operated businesses (Ha and Lennon 2006). On average, luxury companies spend approximately 2 % of their revenues to protect their trademarks and other intellectual property (Ha and Lennon 2006).

According to the IACC, one explanation for the rapid growth in the counterfeiting problem is due to the increase in consumer demand for counterfeit fashion goods. Many researchers have questioned why consumers purchase counterfeit goods (Bian and Veloutsou 2007; Kim and Karpova 2010; Koklic 2011; Norum and Cuno 2011); among these studies, researchers have identified that the affordable prices associated with such goods is a major predictor of counterfeit purchasing behavior (Ang et al. 2001; Kozar and Marcketti 2011). Moreover, researchers have found moral judgment to have a significant, negative influence on purchase intention (Kim et al. 2009). Koklic (2011) reported that attitude, moral intensity, and perceived risk significantly affected consumers' intention to purchase counterfeit products.

Many purchasers of counterfeit goods do not think they are doing anything wrong, or are consumers often aware of the connection between the sale of counterfeit goods and illicit acts of crime, such as terrorism and child labor (Ha and Lennon 2006; Marcketti and Parsons 2006; Norum and Cuno 2011). Prior purchasers of counterfeit goods indicated that purchasing a counterfeit product was just as good as purchasing the genuine brand, and therefore, believed they were not hurting the U.S. economy (Norum and Cuno 2011).

Previous scholars have also examined the relationship between consumers' attitudes and purchase intentions of counterfeit fashion goods. De Matos et al. (2007) indicated that perceived risk, previous purchasing experience, subjective norm, integrity, and price–quality inference significantly influenced attitudes toward counterfeits. Kim and Karpova (2010) indicated that product appearance, previous purchasing behavior, value consciousness, and normative susceptibility are significant predictors of attitudes toward buying fashion counterfeit goods. De Matos et al. (2007) reported that consumer intentions to purchase counterfeit goods are dependent on the attitudes they have toward counterfeits, while Koklic (2011) confirmed that unfavorable attitudes toward purchasing counterfeit products negatively affected consumers' intentions to purchase such products.

Norum and Cuno (2011) suggested that changes in attitudes toward counterfeit goods are necessary to discouraging consumer demand in the marketplace. As a means to alter consumer attitudes toward fashion counterfeit goods, the authors recommended employing consumer educational programming and marketing initiatives, with a direct focus on the negative impacts that counterfeit production and consumption have on the U.S. economy and overall society. A number of studies have suggested providing consumers with anticounterfeit initiatives, which communicates the negative aspects of counterfeit product consumption (Ha and Lennon 2006; Kim and Karpova 2010; Kozar and Marcketti 2011; Norum and Cuno 2011). However, while anticounterfeit marketing strategies have consistently been mentioned by scholars, previous researchers have only suggested the implementation of anticounterfeit marketing initiatives to deter demand.

Studies have advocated for specific consumer anticounterfeit marketing campaigns, such as educational initiatives in airports (Kim and Karpova 2010) and public service announcements (Ha and Lennon 2006). Though, there has not yet been a study that has developed and assessed the effectiveness of an anticounterfeit marketing initiative. As such, the purpose of this study was to provide an empirical analysis that examined the impact of an anticounterfeit marketing initiative on consumers' perceived knowledge, attitudes, and purchase intentions of fashion counterfeit goods. Within this study, an anticounterfeit initiative was implemented as the treatment for participants within a one-group pretest–posttest quasi-experimental design.

## Theoretical Framework

Within the literature examining consumers' purchasing behavior of fashion counterfeit goods, previous studies have utilized the Theory of Reasoned Action (TRA) as a theoretical foundation (Koklic 2011; Phau et al. 2009). Phau et al. (2009) indicated that the attitude construct is often used as a predictor of consumer intentions and behaviors; in a similar vein, Koklic (2011) explained that the basic assumption of the TRA model is that attitudes shape intentions and intentions shape behavior. According to Schiffman and Kanuk (2010), "the Theory of Reasoned Action (TRA) model represents a comprehensive integration of attitude components into a structure that is designed to lead to both better explanation and better predictions of behavior" (p. 253). This suggests that TRA is useful in applying significant findings of consumers' attitudes and purchase intentions toward implications of actual behavior. As part of this study, TRA provided a theoretical basis for examining consumers' attitudes and purchase intentions of fashion counterfeit goods, and thus, drawing conclusions about actual consumer engagement in fashion counterfeit purchasing behavior.

Consistent with the TRA model, the Hunt–Vitell Theory of Marketing Ethics model proposes that ethical judgments affect behavior through intentions, which serves as an intervening variable (Hunt and Vitell 2006). As the authors explained,

"The H–V model proposes that both ethical judgments and intentions should be better predictors of behavior in situations where the ethical issues are central, rather than peripheral" (p. 145). Expanding further, the authors reported that the model suggests the ethical decision-making process is initiated by the individual's perception of an ethical problem in a situation and is followed by the evaluation of various possible alternatives that might be used to solve the problem. According to Ha and Lennon (2006), "when given the opportunity to purchase fashion counterfeits (an ethical problem) consumers consider the consequences based on their ethical ideologies. They then form an ethical judgment and assess their purchase intent" (p. 300).

Ha and Lennon (2006) indicated that previous research has found individuals' ethical ideologies are important in formulating evaluations, attitudes, and behaviors related to ethical situations. Since the consumption of counterfeits has been noted as an ethical problem, the authors deemed it conceivable that ethical ideologies impact attitudes, which effect ethical judgments and impact purchase intentions. Therefore, applying the Hunt–Vitell model to this study will be beneficial when assessing the effectiveness of an anti-counterfeit initiative on consumers' attitudes and purchase intentions.

Koklic (2011) indicated that implementing educational marketing initiatives is an effective means to confining illicit market activities. Suggested strategies for deterring the demand of fashion counterfeit goods include influencing consumers' attitudes and intentions to purchase counterfeit products. As such, this study analyzed the impact of an anti-counterfeit initiative on modifying perceived knowledge, attitudes, and purchase intentions of fashion counterfeit goods.

## Methodology

### Sample

The participants in this study were selected through a sample of college students specializing in various degree programs at a 4-year university located in the Midwestern U.S. As Ha and Lennon (2006) reported that approximately half of the participants in their study had purchased fashion counterfeit goods, the authors suggested use and demand for fashion counterfeit products may be common among undergraduate students. Therefore, sampling from the undergraduate student population was deemed appropriate for this study. As a means to utilize a varied sample, the researchers conducted the study within various course levels and academic programs at the central university campus. The courses included introductory principles of marketing course, a beginning apparel and textile lecture course, an intermediate apparel and textile evaluation course, an intermediate financial planning course, and an advanced family studies course. Participants were enrolled in any one of the various colleges at the university, including agriculture, architecture, arts and sciences, business administration, education, engineering, and human ecology.

## *Instrumentation*

The 22-item instrument utilized in this study incorporated pre-existing scales that have been adapted and utilized for studies focused on the counterfeiting problem. Each item within the instrument was measured utilizing a seven-point Likert-type scale (1—strongly disagree; 7—strongly agree).

Consumers' perceived knowledge of fashion counterfeit goods was measured utilizing three items that were adapted from Bang et al. (2000). While Bang et al.'s (2000) study was conducted to assess consumers' knowledge and attitudes toward renewable energy, a study conducted by Marcketti and Shelley (2009) found the scale items to be effective measures of consumers' knowledge toward counterfeit goods. Bang et al. asked respondents questions such as "How concerned are you about pollution" and "…about the environment when making purchases?" Marcketti and Shelley asked respondents adapted versions of the questions such as "How concerned are you about counterfeiting" and "…about the effects of counterfeit apparel when making purchases?"

As part of the current study, the three items utilized by Marcketti and Shelley were slightly modified so that items could be answered with the Likert-type scale. The three individual items for assessing consumers' perceived knowledge of counterfeits included: "I am familiar with counterfeiting," "I am knowledgeable about counterfeiting," and "I am familiar with the efforts to stop counterfeiting." Reliabilities for the constructs were analyzed to assess internal consistency. Upon confirming reliability, the items were combined to create the summed mean variables for participants' perceived knowledge of counterfeits.

Five items from Bang et al. (2000) were also utilized to assess consumers' attitudes toward fashion counterfeit goods. Again, Marcketti and Shelley (2009) found such scale items to be effective in the context of consumers' attitudes toward counterfeit goods. The five items Marcketti and Shelley (2009) utilized to assess consumers' attitudes were already compatible with the Likert-type scale. As part of the current study, consumers' attitudes toward counterfeits utilized the following items: "I would be proud to own a fashion counterfeit good," "I would buy a fashion counterfeit if no one could tell it was counterfeit," "I like counterfeits," "I will buy a fashion counterfeit good in the next 12 months," and "There is nothing the matter with purchasing counterfeit fashion goods." Upon confirming reliability, the items were combined to create one summed mean variable for participants' attitudes of counterfeits.

Consumers' purchase intentions of counterfeit goods were measured utilizing two items from Bian and Veloutsou's (2007) scale specifically developed for a non-deceptive counterfeit study. This study slightly adapted the original scale by modifying the wording from "counterfeit brands" to "fashion counterfeit goods." The two items used to assess consumers' purchase intentions of fashion counterfeit goods included: "I am willing to buy fashion counterfeit goods for my own use" and "I often buy fashion counterfeit goods for my own use."

Additionally, three items originally employed by Madden et al. (1992) were utilized to assess consumers' purchase intentions of fashion counterfeit goods. While

this scale was not originally developed for counterfeit-focused research, the study by Kim and Karpova (2010) found the scale items to be useful in examining consumers' motivations toward purchasing counterfeit goods. The items of the questionnaire used in the study included: "I intend to buy fashion counterfeit goods in the future," "I will try to buy fashion counterfeit goods in the future," and "I will make an effort to buy fashion counterfeit goods in the future."

To assess internal consistency, reliability analysis was performed separately for each of the purchase intention scales. Upon confirming reliability, the items were combined to create two separate summed mean variables. Utilizing multiple summed mean variables for the same construct adds significance to the study by testing for the appropriateness of different scales in assessing counterfeit purchase intentions.

A section for the participants' demographic information was also included in the questionnaire. Questions asked within this section included: "What is your sex?," "What is your age range?." "What is your year in college?.'" "Which academic college is your primary major/degree in?." "To which racial or ethnic group(s) do you most identify?," "On a monthly basis, how much (on average) do you spend on new clothes and accessories?," and "Have you ever knowingly purchased a fashion counterfeit good?"

## *Procedure*

Prior to collecting data, the researchers obtained permission from the Institutional Review Board. Then, as part of Phase I of the study, the researchers distributed the self-administered questionnaire packet among the students enrolled in the courses selected for the study. Each packet included a coded questionnaire and cover sheet with a designated space for the student to print their name prior to completing the questionnaire. While the participants were completing the questionnaire, the researchers collected and saved all of the cover sheets for Phase II of the study (for coding purposes only).

Next, the researchers presented the anticounterfeit marketing initiative to participants. The treatment included elements suggested by Koklic (2011) and De Matos et al. (2007) and was designed to impact participants' perception of risk associated with obtaining fashion counterfeit goods. Perceived consequences for society at large, such as a loss in tax revenue and the continued funding and support toward child labor and terrorist activity, were utilized as focal points. The treatment focused on the definition of a counterfeit, with examples of types of fashion counterfeit goods and strategies for spotting "fakes." Information regarding the production of counterfeits was provided, including that counterfeiters do not provide fair/living wages or benefits for employees, have poor working conditions, and often use forced child labor. Also shared with the participants, counterfeiters do not pay taxes, which mean less revenue for the public schools, hospitals, parks, and other social programs (International Anti-Counterfeiting Coalition 2014).

Four weeks after participants were exposed to the treatment the researchers returned to the same courses for Phase II of the data collection process and distrib-

uted the self-administered questionnaire among the students who previously participated in Phase I. The 4-week time interval between phases was based on Cook and Campbell's (1979) recommendations for maintaining validity. In Phase II, each participant was given a new questionnaire packet, which included the participant's original cover sheet containing the same coded number as Phase I and the participant's name printed on the front. This coding method allowed the researchers to track individual responses and modifications in participants' perceived knowledge, attitudes, and purchase intentions.

## *Data Analysis*

To generate an overview of the sample, demographic variables were analyzed using descriptive statistics. Reliability analysis utilizing Cronbach's alpha on multiple-item measures was performed for the various scale items utilized to measure each variable. From each set of scale items, summed mean variables were created and internal consistency was addressed. A series of paired samples *t*-tests were conducted to assess the effectiveness of the treatment in influencing participants' perceived knowledge, attitudes, and purchasing intention.

## Results

A total of 323 students participated in the study (63.5 % female, 36.5 % male). Almost half of the sample of participants were between the ages of 20 and 21 (46.4 %), with another 30.0 % of the sample between the ages of 22 and 23. The students were fairly evenly distributed among the different academic programs and colleges. The majority of participants reported themselves as Non-Hispanic White (80.1 %), while participants indicating themselves as Asian or Asian American (12.5 %) or Black or African American (2.8 %) claimed the second and third most represented ethnic groups in the study, respectively.

With regard to spending patterns, participants were asked to indicate how much they spend on new clothing and accessories on a monthly basis. It can be noted that as the indicated amount of money spent on new clothing and accessories increased, the percentage of participants representing those corresponding amounts decreased. For example, participants who claimed they spent less than $50 per month accounted for the largest percentage of participants (43.0 %), while the next highest percentage of participants claimed they spent between $51 and $100 per month (28.8 %). Representing the third highest percentage of participants were those who spent between $101 and $150 per month (16.4 %), while the fourth highest percentage of participants were those who spent between $151 and $200 per month (8.4 %). The smallest percentage of participants was those who spent more than $200 per month on new clothing or accessories (3.4 %).

Finally, each participant was asked to identify if they had ever knowingly purchased a fashion counterfeit good. Of the 322 participants who responded to the question, nearly one-third (31.7 %) identified that they had, while the remaining two-third (68.3 %) of the sample indicated that they had not knowingly engaged in such purchasing behavior.

Upon completion of the $t$-tests (Table 1), all measures revealed significant differences between the Phase I and Phase II results. Utilizing the Phase I and Phase II summed mean variables for perceived knowledge of counterfeits (Phase I: $a = 0.87$, Phase II: $a = 0.75$), a mean difference of $-1.88$ was reported (Phase I: $M = 3.58$, SD $= 1.63$, Phase II: $M = 5.45$, SD $= 1.06$). This suggested that a significant increase in perceived knowledge was reported after participants had been exposed to the anti-counterfeit initiative ($t = -20.69$, $df = 322$, $p < 0.001$).

Moreover, in comparing the summed mean variables for attitudes toward counterfeits at Phase I and II (Phase I: $a = 0.88$, Phase II: $a = 0.90$), a mean difference of 0.69 was reported (Phase I: $M = 2.71$, SD $= 1.20$, Phase II: $M = 2.03$, SD $= 1.08$). A significant decrease in favorable attitudes toward fashion counterfeit goods was revealed after participants had been exposed to the treatment ($t = 10.75$, $n = 322$, $p < 0.001$). Among the summed mean variables from Bian and Veloutsou's (2007) purchasing intention scale (Phase I: $a = 0.73$, Phase II: $a = 0.81$), a mean difference of 0.77 was reported (Phase I: $M = 2.67$, SD $= 1.33$, Phase II: $M = 1.90$, SD $= 1.14$). This revealed a significant decrease in purchase intention after participants had viewed the treatment ($t = 11.25$, $df = 322$, $p < 0.001$). Similarly, an assessment of Kim and Karpova's (2010) purchase intention scale items (Phase I: $a = 0.94$, Phase II: $a = 0.92$) revealed a mean difference of 0.73 (Phase I: $M = 2.49$, SD $= 1.35$, Phase II: $M = 1.76$, SD $= 1.10$), and again, a significant decrease in purchase intention was observed after participants had been exposed to the treatment ($t = 10.86$, $df = 322$, $p < 0.001$).

## Discussion

The findings of this study concur with those reported by previous researchers including Dickson (2000), who found that consumers overall have a low level of perceived knowledge regarding socially responsible business practices in the fashion industry. Marcketti and Shelley (2009) also found that consumers have a lack of knowledge regarding the issues surrounding the counterfeiting movement. As part

**Table 1** Phase I and Phase II results for paired sample $t$-tests ($n = 323$)

|                          | Phase I |      | Phase II |      |        |          |
| ------------------------ | ------- | ---- | -------- | ---- | ------ | -------- |
| Summed mean variable     | $M$     | $SD$ | $M$      | $SD$ | $M$ diff | $t$      |
| Perceived knowledge      | 3.58    | 1.63 | 5.45     | 1.06 | −1.88  | −20.69*  |
| Attitude                 | 2.71    | 1.20 | 2.03     | 1.08 | 0.69   | 10.75*   |
| Purchase intention 1     | 2.67    | 1.33 | 1.90     | 1.14 | 0.77   | 11.25*   |
| Purchase intention 2     | 2.49    | 1.35 | 1.76     | 1.10 | 0.73   | 10.86*   |

*$p < 0.001$

of this study, participants reported a lack of familiarity with the fashion counterfeit industry. Such findings lend support to Ha and Lennon (2006), who stated, "Most students are unaware of the link between terrorism and counterfeit product sales and are moved by that knowledge" (p. 312).

Upon completion of Phase II, participants held a significantly higher perception of knowledge toward fashion counterfeit goods. Participants reported being more familiar with and more knowledgeable about the fashion counterfeit industry in general, as well as being more familiar with current efforts to stop fashion counterfeit supply and demand. This suggests that the treatment was effective in heightening participants' awareness of issues associated with the counterfeit industry and current anticounterfeit marketing campaigns in the media. These results also speak to findings, in which it was reported that consumers with higher levels of product knowledge have a stronger capability of evaluating counterfeit products more accurately. For instance, after being exposed to a treatment that provides guidelines for spotting counterfeit merchandise, consumers may have a stronger capability to distinguish a counterfeit fashion good from a legitimately branded fashion good.

Findings from the study indicated a significant change in consumers' attitudes toward fashion counterfeit goods. These results support Norum and Cuno (2011) and Koklic (2011), who suggested that educational marketing might be a way to influence attitudes toward counterfeit goods. At Phase II, participants reported that they would not be as proud to own a fashion counterfeit good or would they be as inclined to buy a fashion counterfeit good even if no one could tell it was a counterfeit. Participants reported a lower likeability of counterfeits, as well as an increased feeling that purchasing fashion counterfeit goods is wrong. While Kim and Karpova (2010) found that consumers might not view purchasing fake fashion goods as a serious dishonest and irresponsible action, findings from this study suggest that anticounterfeit initiatives have the ability to shape consumers' attitudes by impacting their views on the morality of purchasing fashion counterfeit goods.

After exposure to the treatment, participants reported a stronger feeling that fashion counterfeit goods are financially harmful to the original brand owner, as well as stronger feelings that fashion counterfeit goods hurt the U.S. economy. At Phase II, participants held stronger beliefs that those who manufacture fashion counterfeit goods are committing a crime and those who buy fashion counterfeit goods are committing a crime. While Ha and Lennon (2006) explained that counterfeiting is a criminal activity, they suggested that consumers may not see fashion counterfeit purchasing as an unethical activity. However, the findings of this study suggest that marketers may have the ability to shape consumers' attitudes toward the legality of purchasing fashion counterfeit goods.

Finally, as seen by the evident decrease in consumers' purchase intentions in Phase II, the findings of this study lend support to Norum and Cuno's (2011) implication that educators and marketers can discourage the purchase of counterfeit goods by educating consumers about the dangers associated with counterfeiting. The findings of this study also reflect De Matos et al. (2007), who reported that consumers can be dissuaded from purchasing counterfeit goods if perceived risk is at the core of anticounterfeit campaigns.

## *Implications*

The findings of this study are relevant to the work of government officials, fashion retailers and marketers, and anticounterfeiting groups. Such organizations, which continually work to dissuade consumers from purchasing fashion counterfeit goods, will find value in investing their resources in developing and implementing anti-counterfeit marketing campaigns. By incorporating content related to the lawfulness, morality, and risk of purchasing counterfeit products, consumers may begin to think more deeply about their own actions and discover how counterfeit purchasing behavior negatively impacts numerous entities, including the U.S. economy, conditions for workers, and fashion retailers and luxury brand owners.

Within this study, the Theory of Reasoned Action (TRA) provided a theoretical basis for examining consumers' attitudes and purchase intentions of fashion counterfeit goods, and thus, drawing conclusions about consumer engagement in actual fashion counterfeit purchasing behavior. For example, consumers reported holding less favorable attitudes and a decreased intention to purchase fashion counterfeit goods after being exposed to the anticounterfeit treatment. With a decreased likeability and willingness to purchase such goods in the future, the theoretical assumptions of TRA were utilized to imply that anticounterfeit educational marketing, which impacts consumers' attitudes and purchase intentions, may dissuade consumers from engaging in actual fashion counterfeit purchasing behavior. As such, TRA is an appropriate theoretical model for future studies examining the effectiveness of anticounterfeit educational marketing on attitudes and purchase intentions of fashion counterfeit goods because of the theory's capability to draw behavioral implications from significant attitudinal and purchase intention findings.

The findings of this study also contribute to the Theory of Marketing Ethics/ Hunt–Vitell Model. The basic premise of the Hunt–Vitell model, as interpreted by Ha and Lennon (2006), is that ethical ideologies impact attitudes, which affect ethical judgments and impact purchase intentions. By utilizing the Hunt–Vitell model as a theoretical foundation, the treatment was developed to make consumers think more deeply about the consequences associated with purchasing fashion counterfeit goods, as a means to impact consumers' attitudes and purchase intentions of such goods. As seen by the effectiveness in altering consumers' attitudes and purchase intentions of fashion counterfeit goods, it is suggested that the Hunt–Vitell Model is a useful theoretical foundation for future studies examining anticounterfeit educational marketing techniques.

## *Recommendations for Future Research*

Future research should investigate the effectiveness of anticounterfeit marketing initiatives presented through various mediums. Anticounterfeit messages should be assessed for effectiveness in impacting consumers' perceived knowledge, attitudes,

and purchase intentions through print, social, and broadcast mediums. For print and social mediums, research should investigate how much educational content, such as number of images and/or number of educational topics presented, is needed to have a significant impact on consumers. For broadcast media, researchers should focus on investigating anticounterfeit campaigns and advertisements for length of time that is needed to have a significant impact on consumers. For example, various campaigns could be tested in 30, 45, and 60 s intervals to determine which length of time is most effective in influencing consumers' perceived knowledge, attitudes, and purchase intentions of fashion counterfeit goods.

## *Limitations*

A convenience sample was selected due to the nature of the study and time constraints involved with scheduling Phase I and Phase II course visits. Further research should be conducted utilizing a random sample to verify if the findings can be generalized among a more diverse population. A sample that is more heterogeneous in terms of gender, age, ethnicity, educational background, and amount of money spent on fashion goods each month would be beneficial to confirm generalization among the findings.

The one-group pretest–posttest design is also subject to threats of internal validity. Future research should be conducted utilizing the same pretest–posttest design, but with a second group acting as a control group to minimize threats to internal validity. Additionally, the time allotted between Phase I and Phase II could be increased to minimize timing threats to validity, however, the time interval should not be extensively increased as threats to history and maturation are elevated. While Morgan et al. (2004) acknowledged that a research design attempting to change a behavior pattern or attitude should utilize a short-time interval to minimize threats to history and maturation, it would be beneficial to extend the time interval to approximately 8 weeks to reduce timing threats to validity. Such an extension in time could lessen any carryover effects that might increase posttest performance, while still considering other threats to internal validity.

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# Session 2.4
# Effective Messaging for Online Advertising

# Are Sponsored Blog Posts a Good Thing? Exploring the Role of Authenticity in the Fashion Blogosphere

**Miranda Williams and Nancy Hodges**

## Introduction

Making an appearance in the mid-1990s, blogs were first viewed primarily as "internet sites that served as a platform for open communication and detailed discussions" (Rocamora 2011, p. 408). Although blogs were promoted as a tool for everyone, at the time, the technology was mostly used for political and educational discourse. It was not until the attack on the World Trade Center in 2001 that blog use achieved worldwide popularity (Rocamora 2011). As bloggers began to see the benefits of blogs as a communication tool, they started to expand beyond the topics of politics and education. Many researchers consider this moment in history to be the birth of personal blogging (Chittenden 2010; Rocamora 2011).

Over time, personal blogs began to focus on product category-specific information and reviews. Considered an alternative to traditional forms of marketing, personal blogs focus directly on user experience (Kretz and de Valck 2010; Kulmala et al. 2013; McQuarrie et al. 2013; Scarabato and Fischer 2013), which many consumers view as an escape from seller-centric messages and persuasive marketing strategies. However, marketers are slowly starting to enter the blogosphere through "sponsored blog posts" on personal blogs. Otherwise known as online advertisements, "sponsored blog posts" are noncontractual agreements wherein bloggers receive compensation from sponsoring marketers for their reviews and endorsements (Lu et al. 2014). Fashion blogs, in particular, are frequently targeted for sponsorship. Apparel retailers spend months, sometimes years, assessing the character narratives of bloggers, as well as consumer responses to blog content, prior to entering into a marketing partnership (Kulmala et al. 2013). Given the development of

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such partnerships, the twofold aim of this study was to investigate consumer perceptions of sponsored blog posts and, in turn, to explore the extent to which these perceptions impact their views on the information provided by fashion bloggers.

Prior research suggests that when it comes to trying new products and brands, consumers trust peers more than they trust retail establishments (Kulmala et al. 2013; Lu et al. 2014; McQuarrie et al. 2013; Scarabato and Fischer 2013). According to Beverland and Farrelly (2009), this mode of thinking is the result of a standardized and homogeneous marketplace that fails to address consumers' need for authenticity. Although authenticity has been identified as context and goal dependent (Arnould and Price 2000; Bruner 1994; Chronis and Hampton 2008; Leigh et al. 2006; Postrel 2003; Rose and Wood 2005; Wang 1999), few studies have explored how sponsorship affects authenticity within the blogging community. As such, this study examines the relationship between sponsorship and authenticity within personal fashion blogs.

## Methodology

Two research questions were developed to guide the study. (1) *What role do sponsored blog posts play in the fashion blogosphere?* and (2) *How do blog audience members respond to sponsored blog posts?* A qualitative research design was used, as it provided insight into the "needs, desires, meanings, and choices" (Kozinets 2002, p. 62) of fashion bloggers and their blog audiences. More specifically, Kozinets' (2002) netnographic approach to digital data collection was used to establish the criteria suitable for evaluation: (1) a focused and research relevant segment, topic, or group, (2) high "traffic" of postings, (3) large number of discrete message posters, (4) detailed or descriptively rich data, and (5) between-member interactions of the type required by the research question (p. 63).

Data were collected through online participant observation over a 17-week period. From June to October, text-based interactions from seven popular fashion blogs were recorded and analyzed. Blogs were selected based on bloggers' inclusion and promotion of sponsored products. To obtain an adequate sample of texts for analysis, the following requirements were established: (1) the blog includes one sponsored post every week, (2) the blog has been active for the past 12 months, and (3) the blog has followers who comment on a weekly basis. In addition to verbatim blog posts, observations of audience members' reactions were recorded to further categorize the data into themes and apply meaning to the concepts.

Over 100 pages of verbatim posts and observations were compiled. Once completed, the researchers followed Spiggle's (1994) suggestions for analyzing and interpreting qualitative data. From this iterative process, three main themes were identified and are used to structure the following interpretation: *To Disclose or Not to Disclose*, *Blogger vs. Consumer*, and *A Question of Credibility*.

## Results and Discussion

### *To Disclose or Not to Disclose*

Several of the bloggers included in this study tend to disclose sponsorship deals early in the marketing partnership. By doing so, they "avoid nondisclosure problems that may lead to deception and arouse ethical concerns" (Lu et al. 2014, p. 260). An example of sponsorship disclosure can be seen in Samantha's post about the online fashion retailer, Piperlime. She blogs,

> *Piperlime asked me to share my favorite fall look… I centered the outfit around a dress. This flounce dress is the cutest ever and under $100! Piperlime is also having 20% off their Ultimate Fall Checklist ending today with code: FALL20.*
> *A big thank you to Piperlime for sponsoring this post!* (Samantha)

In addition to the product, Samantha makes her blog audience aware of a short-term promotion offered by Piperlime. This additional element is designed to prompt audience members who are undecided about the product based on the images and text alone. For example, Elisa posts her excitement about the promotion.

> *I like the dress, but the 20 % promotion sealed the deal! How can I pass that up? May I ask which size you got? …[i]t's hard to see how it fits…* (Elisa)

Samantha quickly answers Elisa's size question, but then shifts her focus to other items on Piperlime's Ultimate Fall Checklist. She says, "I feel the dress runs pretty TTS (true to size). I am usually an extra small and the extra small fits me perfectly. If you need something to wear with it, Piperlime has a great maroon coat on sale. I love their knee high boots, too! You can see some of my favorite ones here, here, and here." Elisa then responds with a question about one of the new links and, thus, the cycle of advertising continues.

Based on the interpretation, it appears that success of sponsored blog posts largely depends on a blogger's accessibility to fashion products, as well as her ability to convince an audience to buy those products. With the help of retailers, fashion bloggers obtain items at little to no cost and then promote these items to consumers using a smaller incentive (i.e., seasonal promotion). Disclosing a sponsorship along with an incentive appears to be designed to make the sponsored blog post more appealing to audience members as compared to simply disclosing sponsorship. In addition, sponsored blog posts are used by some bloggers as a platform for promoting complementary products. Posts reveal that once consumers make an initial purchase decision, they are likely to consider other products that compliment it (i.e., a coat or boots to go with a dress). This act of repeat patronage demonstrates that sponsored blog posts do not always undermine authenticity (Beverland et al. 2008; Beverland and Luxton 2005).

## *Blogger vs. Consumer*

Loyalty is defined as "a powerful influence on consumer retention and repeat purchases" (Bailey and Seock 2010, p. 40). While fashion blogging in its natural form is not considered a business, the use of sponsored blog posts to promote products is part of a much broader business strategy. For example, Christa's recent collaboration with the brand Vince results in a promotion of its new collection of fall coats. For a solid week, she uses sponsored posts on her fashion blog to feature a different Vince coat each day, which causes mixed reactions among her audience members. For example, Jamie, a loyal Vince customer, appears to enjoy the sponsored posts and frequently asks for Christa's opinion about the different options. She blogs,

> *Hi! I live in the northeast and it is super cold! I recently found a Vince coat on sale for $269! Do you think it will be worth it and warm enough for the…weather?* (Jamie)

Christa's response to Jamie is warm and engaging. She even poses a question back, which prompts Jamie to express her loyalty and devotion to the blog.

> *Which coat is it? I've never bought something Vince that I didn't feel like was worth the money spent. The pieces are pricey, yes, but I have a Vince coat that is so durable and I know I will have it forever. It's also very warm because it's oversized and I can wear as many layers as I want under it.* (Christa)

> *It's the wool two-tone coat. I think layering it will definitely make it warmer too! Thanks for your input. You are my favorite blogger!* (Jamie)

Jennifer, on the other hand, appears displeased with Christa's dedication to one particular brand. She expresses her discontent with the sponsored blog posts, stating that other bloggers include a more diverse selection of products to address the price restrictions experienced by a broad audience. When Jennifer's initial comment does not receive a response, she takes a more direct approach.

> *Can you please respond to my initial post? Many other bloggers include a mix of high cost/ low cost items because not everyone can afford a $700 coat or a $400 sweater. Even if they don't provide more affordable options…at least they respond back when I ask about cheaper alternatives.* (Jennifer)

Based on the interpretation of the data, it appears that along with loyalty, authenticity can be challenged when fashion bloggers fail to meet the wants, needs, and expectations of their audience members. Sponsored blog posts that place emphasis on one brand or retailer are designed to cater to a specific group of individuals. When dedicated members of the blog audience fall outside of the group, they appear to feel frustrated or alienated by the blogger. This results in a divided blog audience, wherein some members, like Jamie, further connect with the blogger while others, such as Jennifer, disengage.

## *A Question of Credibility*

According to Lu et al. (2014), personal blogs have a dual role: (1) to provide product information and (2) to make product recommendations. Within the fashion blogosphere, this form of electronic word of mouth (eWOM) is commonly used by consumers as a consultation tool to avoid purchase regret later on (Kozinets et al. 2010; Kumala et al. 2013). Conversely, sponsored blog posts within personal fashion blogs can encourage consumers to purchase products from a specific company or brand endorsed by the blogger.

Based on the interpretation of the data, sponsorship agreements can result in the blogger's credibility being questioned. For example, Michelle, a veteran poster, expresses her disappointment with a blogger who accepted multiple sponsorships in a short period of time. She blogs,

> *I do appreciate that you are honest with your disclosure in terms of sponsorship, but…I have never seen you say a word about this product. If every product you promote is part of a sponsorship, it is really hard to know what you truly like and what you are promoting because you are being paid. Your blog seems disingenuous lately and I think I have figured out why. Everything that is your new "favorite" or "go to" or "best thing ever" is a sponsored product. Your blog was one of the first for me… You were so relatable then. I realize that you have probably got a new audience…but I sure miss the old blog.* (Michelle)

As some audience members start to long for the past or, in this case, what the blogger was prior to sponsorship, they begin to create authenticity through the "suspension of disbelief" or "acts of imagination" (Chronis and Hampton 2008, p. 122). Although these audience members may remove themselves for a period of time, the blurred boundaries that exist in their quest for authenticity may actually leave the door open for future patronage and loyalty (Wang 1999).

Within the same post, a new poster, Kylie, expresses her concern about the sponsorship. However, unlike Michelle's post, Kylie makes a positive comment about the blog before questioning the authenticity of the post. She blogs,

> *I like the valuable information you supply…however, I do have a question. Do you really use this product or are you just plugging it because it's sponsored? I'm honestly asking because I don't know if you've said anything about this brand before.* (Kylie)

Kylie's post suggests that she is not opposed to the incorporation of sponsored blog posts; rather she is concerned about the honesty of the review. Fashion blog posts are deemed credible when the content is seen as "unbiased, believable, true, or factual" (Lu et al. 2014, p. 259). Since sponsored blog posts are considered a form of advertising, bloggers who suddenly start including sponsored posts are deemed to be less authentic than they were before. The interpretation of the data shows that even fashion bloggers who have proven themselves authentic in the past risk quickly being labeled "disingenuous" when they upload a sponsored blog post as part of a marketing partnership. Removing the personal use component further decreases trust and acceptance among the blog audience. In contrast, when products are promoted beyond being part of a sponsorship, meaning they are actually used regularly

by the blogger, sponsored posts are more likely to be met with approval by the audience.

## Conclusions and Implications for Theory and Practice

Fashion blogs were once considered an alternative to traditional forms of marketing. The dissemination of unbiased information through these blogs allowed consumers to evaluate products and make purchase decisions based on the authenticity of the blogger/user experience. However, in the past few years, the focus of fashion blogs has shifted from advising the fashion consumer to celebrity endorsements, with the bloggers being the celebrities. Although limited in terms of generalizability by its qualitative approach, findings of this study suggest that at least some popular fashion bloggers are perceived to have become more concerned with endorsement deals and other types of sponsorship rather than the authenticity of the information and expertise they provide their audiences.

Findings highlight the fact that fashion bloggers who secure sponsorship promote products that they may or may not have purchased on their own (i.e., outside of the sponsorship). This leads to uncertainty among blog audiences, as they may hesitate to buy the items they see displayed on the blogs unless persuaded to by other means, such as discounts or promotions. Although fashion bloggers are just now learning how best to relate to their audiences through sponsorship, findings of this study suggest that there are differing expectations about authenticity among members of a fashion blog audience. Further research on the topic is needed to explore in-depth the implications of these expectations for shaping the dynamics between bloggers and their audiences as the fashion blogosphere evolves.

**References available upon request.**

# An Exploratory Analysis of Pronoun Usage by Brands and Consumers on Facebook

**Ryan E. Cruz and James M. Leonhardt**

## Abstract

The importance of the language used in brand-consumer communications spans many areas of marketing including advertising, personal selling, public relations, service interactions, traditional media, and, within the last decade, digital and social media marketing. The present research provides an exploratory investigation on the use of first (e.g., "I") and second (e.g., "You") person singular pronouns in brand-consumer communications on the popular social networking platform, Facebook. In particular, archival data from brand administrator and fan posts on Facebook were collected for a period of 45 days. Initial findings suggest that first- and second-person singular pronoun usage is higher in consumer comments than in brand posts. On the other hand, brand posts contain a higher proportion of second-person (vs. first-person) singular pronouns, while consumer comments contain a higher proportion of first-person (vs. second-person) singular pronouns. Brand posts contain a higher portion of second-person singular pronouns than do consumer comments. Finally, consumer comments contain a higher proportion of first-person singular pronouns than do brand posts. Managerial implications and opportunities for future research are discussed.

**References available upon request.**

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# Personalized Advertising, Invasiveness, and Consumers' Attitudes: A Structured Abstract

**John T. Gironda and Pradeep K. Korgaonkar**

## Introduction

Personalized advertising represents a new and emerging trend in the field of online advertising. Through the use of enhanced online data collection techniques, marketers can now craft seemingly made to order advertisements tailored to a specific individual. Numerous websites and services are hosting personalized banner and/or text ads, such as YouTube, Facebook, Hotmail, and Gmail. In addition, the technique is being used by more and more firms such as Amazon, MetLife, Dollar-Thrifty, Staples, Joseph A. Bank, Orbitz, Zappos, and T-Mobile.

Through advances in data collection that allow individual consumers to be identified and their behavior analyzed (Tsang et al. 2004), personalized advertising promises to deliver consumers more relevant ads (Athanasiadis and Mitropoulos 2010; Vesanen 2007). This is because the ads are created from specific consumer information and explicit and/or implied preferences obtained from previously monitored online activity including search entries, clickstream data, and/or website user profiles (De Bock and Van den Poel 2010). This should lead to increased consumer satisfaction (Athanasiadis and Mitropoulos 2010; Kramer et al. 2007; Xu et al. 2011) and more effective online display advertisements (Lekakos 2009; Pessemier et al. 2008). Therefore, personalized advertising has the potential to benefit both consumers and firms alike.

While personalized advertising seemingly holds great potential to transform online advertising for both organizations and individuals, research studies on personalized

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advertising have been somewhat sparse (Lopez-Nores et al. 2009), as well as inconclusive due to mixed results. For example, some studies have shown that personalized advertising has led to positive consumer responses such as improved attitude toward a website and purchase intentions (Chakraborty et al. 2003; Chen and Wells 1999; Tam and Ho 2006), while other studies reveal that consumers do not yet feel completely comfortable with the practice of personalized advertising due to a number of concerns, especially regarding privacy (Baek and Morimoto 2012; Athanasiadis and Mitropoulos 2010; Nah and Davis 2002). Therefore, consumer acceptance of the technique still remains a significant hurdle for personalized advertising to overcome. Therefore, it is critical for marketers to garner a better understanding of consumers' attitudes towards personalized advertising in order to be able to use those insights to maximize the benefits of personalized advertising for consumers and firms, while still being able to alleviate consumer privacy concerns.

The purpose of this research is to work toward developing a more thorough understanding of consumers' attitudes toward personalized advertising by exploring the antecedents and outcomes of those attitudes. In particular, we examine what factors determine whether personalized advertising is perceived favorably vs. invasively by consumers and what effects those perceptions have on consumers' attitudes and intentions. This research should lead to several contributions for academicians, marketing practitioners, and consumers.

## Conceptual Framework

*Personalized advertising* has been defined as "customized promotional messages that are delivered to each individual consumer through paid media based on personal information (such as consumers' names, past buying history, demographics, psychographics, locations, and lifestyle interests)" (Baek and Morimoto 2012, p. 59).

Drawing upon previous research on personalized advertising, personalization, information privacy, innovation adoption, and invasiveness we derived a research model that is based upon and extends privacy calculus theory (Culnan and Armstrong 1999; Laufer and Wolfe 1977) as a theoretical lens by which to conduct our investigation. Privacy calculus theory posits that an individual's privacy decision process can be thought of as a cost–benefit analysis of competing beliefs in which the benefits and risks of engaging in a behavior are weighted against one another in a calculus (Culnan and Armstrong 1999; Dinev and Hart 2006; Laufer and Wolfe 1977). In the context of personalized advertising, while the use of personalized advertising is essentially a free service, the collection of large amounts of consumers' information entails various risks that can be thought of as costs in this case (Chellappa and Shivendu 2010; Li et al. 2011). Therefore, if consumers' are willing to use personalized advertising, they are paying these information disclosure costs in exchange for certain benefits such as more useful and relevant online advertisements.

The research model used in our study is designed to assist in the examination of key elements influencing consumers' attitudes and intentions with regard to personalized

advertising. In addition to including traditionally studied elements of the privacy calculus in our model (i.e., privacy concerns, privacy risks, and perceived privacy control) we also extend privacy calculus theory by including additional related elements such as invasiveness, market mavenism, consumer innovativeness, and perceived usefulness. These additional elements have not yet been empirically examined within a privacy calculus framework, nor to the best of our knowledge, have all of them been examined alongside each other within any comprehensive nomological framework. Thus, their inclusion in our model should not only help shed light on consumers' perceptions of personalized advertising, but should also provide valuable insights into previously unstudied interrelationships among a number of constructs.

## Methodology

Our study utilized a scenario-based survey method in which data were collected from a Qualtrics national consumer online panel via a self-administered questionnaire. Participants were randomly assigned to one of the five brief scenarios describing a typical event that a web user might encounter with regard to personalized advertising on a social networking site. The use of multiple scenarios allowed for the inclusion of differing personalized advertising contexts. For instance, the first scenario only presented a brief description of personalized advertising and was used as a control group to obtain a baseline assessment of consumers' perceptions of personalized advertising. The subsequent scenarios also presented the description of personalized advertising, but contained additional information regarding the source of consumer data used to generate a personalized ad. For example, one scenario mentioned that a personalized ad was based on information from a previous online search conducted by the consumer, while another scenario noted that the personalized ad was based on information from a users' social networking site profile.

Following the scenario, participants were asked a series of questions assessing their demographic information and measuring the respective constructs of our model. We utilized existing measurement scales that have previously demonstrated acceptable levels of reliability in other studies and adapted those scales to fit the context of our study. In addition, we conducted both a pretest and pilot study to assess the preliminary quality of our measurement instruments and make refinements as needed.

The measures used in our study are as follow. Privacy Risks and Perceived Privacy Control were both measured using four-item scales derived from Xu et al. (2011). Privacy Concern was measured with four items adapted from Anderson and Agarwal (2011), Dinev and Hart (2006), and Malhotra et al. (2004). Disposition to Value Privacy (DTVP) was measured via two items adopted from Xu et al. (2011). Invasiveness was measured using a five-item scale derived from Zweig and Webster (2002), Paschal et al. (2009), and Tepper and Braun (1995). Perceived Usefulness was measured with four items adapted from Davis et al. (1989) and Taylor and Todd (1995). Attitude toward Personalized Advertising was measured using a four-item

scale adapted from Muehling (1987) and Wolin and Korgaonkar (2003). Consumer Innovativeness was measured with three items derived from Roehrich (2004) and Tellis et al. (2009). Market Mavenism was measured via the Market Maven Scale (MMS) consisting of five items developed by Feick and Price (1987). Finally, Intention to Click on a personalized advertisement and Intention to Purchase were each measured using four items adapted from MacKenzie et al. (1986) and Venkatesh et al. (2003). All items were measured on seven-point semantic differential or Likert scales with descriptive anchors such as (1) "strongly disagree" to (7) "strongly agree".

The primary method of data analysis for our study's proposed research model was carried out via structural equation modeling (SEM) with maximum likelihood (ML) estimation analyzing a covariance matrix using the LISREL 8.8 software package (Jöreskog and Sörbom 1996). We employed the Anderson and Gerbing (1988) two-step model building approach, in which we first conducted a confirmatory factor analysis (CFA) to test the psychometric properties of the measurement scales being used by inspecting the reliability, convergent validity, and discriminant validity of each of the scales. Following the CFA we analyzed the structural model in order to test the hypothesized relationships between latent constructs by examining the significance of each structural path coefficient. After deleting 22 samples due to incomplete responses, our final sample size was 545 respondents.

## Data Analyses and Results

We initially assessed the normality of our data, as well as the reliability, convergent validity, and discriminant validity of each of the scales. Results of our initial assessment of the data showed it to be normal, with each of the measurement scales also displaying acceptable ranges of reliability, convergent validity, and discriminant validity over and above their minimum recommended values. In addition, we also inspected the goodness of fit indices for our measurement and structural models and found that all measures of fit were also within the acceptable range and above the minimum recommended values. Finally, to test our study's hypotheses we examined the significance of each path coefficient in the structural model.

## Key Research Findings and Implications

There are a number of interesting findings of our study, however, due to space considerations we will limit our discussion to the most noteworthy. As hypothesized in our study, the perceived invasiveness of personalized advertising was found to be an important negative antecedent to attitude toward personalized advertising. In addition, as hypothesized, perceived invasiveness displayed a significant negative relationship with both click-through intentions and purchase intentions, respectively. Moreover also as hypothesized, perceived usefulness displayed a significant positive relationship with attitude toward personalized advertising.

These findings represent extremely important implications for academicians and practitioners alike. For instance, since perceived invasiveness was negatively related to attitude toward personalized advertising, it would be advisable for practitioners to find methods in which to reduce the perceived invasiveness of personalized advertising in order to improve consumers' attitudes toward these types of ads. Moreover, since perceived invasiveness also demonstrated a direct negative relationship with click-through and purchase intentions in the context of personalized advertising, this further emphasizes the importance of marketers finding ways to reduce the perceived invasiveness of personalized advertising, since it may have a direct impact on these intention variables as well.

Additionally, since perceived usefulness was positively related to attitude, it would be advisable for marketing practitioners to also find ways to improve the perceived usefulness of personalized advertisements and emphasize how beneficial personalized ads can be for consumers, as a way for improving consumers' attitudes toward the practice of personalized advertising. One way marketers might be able to do this is by highlighting the potential benefits of personalized advertisements to consumers by noting that these ads are more relevant than traditional advertisements since they contain messages that are crafted for and tailored to a specific consumer and take into account an individual's information, interests, and preferences. In addition, practitioners might also be able to improve perceived usefulness of personalized advertising by emphasizing that personalized ads will help consumers save time since they will not have to search as long to find products of interest.

**References available upon request.**

# Understanding the "Spillover Effect" of Negative Economic News on Consumers' Evaluations of Online Advertising

**Cuauhtemoc Luna-Nevarez**

## Introduction

According to a recent CNN national opinion poll, only 25 % of Americans believe that the economic recession is over (Silverleib 2014). The economic recession, which officially started in December 2007, has significantly impacted consumers' behavior. According to Loechner (2009), "the recession has caused a profound, deep-rooted change in consumers' spending habits in favor of a more restrained approach (p. 1)." Moreover, the economic downturn has forced firms to reformulate their marketing strategies as a new type of consumer has emerged, one who buys in a "frugal, careful, conservative, and commonsensical way" (Lindstrom 2008, p. 207).

Advertising represents one of the most important marketing activities for a firm. However, as consumers' purchasing behaviors continue to adapt to the changing economic conditions, marketers have started to experience a reduced effectiveness of their advertising efforts. This phenomenon could be attributed to the negative sentiment among consumers caused by the effects of recession. Even though this sentiment about the economy is mainly influenced by the decrease in personal income, the continuous exposure of consumers to media news about the economy, may, under certain conditions, exacerbate this negative effect (Goidel and Langley 1995). This poses new challenges for marketers, who must rethink their strategies to reach consumers not only during recessionary periods, but also in the following period. Therefore, understanding how the exposure to economic news affects consumers' evaluations of advertising has become critical to create effective messages that align with such new attitudes and behaviors.

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## Theoretical Background and Hypotheses

With the emergence and rapid expansion of Internet-based technologies, media websites, blogs, and social media sites have become important mediums to obtain first-hand information about the economy, politics, and other relevant topics to consumers. Economic news placed on these sites provide consumers with a first impression and a point of reference about the current state of recession and economic conditions.

According to the negativity effect, negative information has a greater impact on impression formation than positive information (Soroka 2006), as the former is perceived to be more diagnostic or valuable for decision making, target categorization, and attribute evaluation (Ahluwalia 2002). When people are exposed to national economic information, their responses to negative information are much greater than their responses to positive information. Although this effect is estimated to have a short duration, it can be sufficient to form a negative impression on consumers. Thus, consumers may make decisions based on their own "assumed" state of the economy. In other words, the mere exposure to media economic news can lead to biased affective and cognitive reactions in consumers (Doms and Morin 2004).

The role of impression formation and the negativity effect has been addressed in advertising literature (Yi 1990; Ahluwalia et al. 2000; Ahluwalia 2002; Shen and Chen 2007). For example, in his study about the effects of affective and cognitive priming in print advertisements, Yi (1990) found that negative framing in ads induces mood to the extent that product evaluations may be affected. In a more recent study about the role of contextual priming in advertising, Shen and Chen (2007) found that the applicability of the contextual attributes of the ad to the advertised brand influences the attitudes toward the ad and the brand. When such applicability is low, contextual attributes are likely to have a negative impact on attitudes.

As most advertisements are placed in media contexts such as newspapers, television, radio, websites, and social media, there is an expectation that the negativity effect could also occur prior to the ad exposure. That is, consumers could transfer the negative or positive valence of economic news on a website to their own evaluation of the online ads on the site by means of a "spillover" effect.

Thus, I hypothesize that:

$H_1$: Consumers exposed to negative economic news will be more likely to evaluate the likeability of the ad negatively than consumers exposed to positive economic news.

$H_2$: Consumers exposed to negative economic news will be more likely to evaluate the persuasiveness of the ad negatively than consumers exposed to positive economic news.

$H_3$: Consumers exposed to negative economic news will show a lower intention to purchase the product than consumers exposed to positive economic news.

Regulatory focus theory states that individuals are distinguishable by pursuing prevention-focused (i.e., avoiding losses) or promotion-focused (i.e., obtaining gains) goals (Higgins 1987). Basically, this theory establishes that "individuals with

a promotion focus regulate their behaviors toward positive outcomes and those with a prevention focus regulate their behaviors away from negative outcomes" (Aaker and Lee 2001). According to Zhu and Meyers-Levi (2007), self-regulatory focus influences the way people process information of the current environment. As their main goal is to "obtain" gains, promotion-oriented individuals focus on positive states; thus, they are more likely to think about their environment as favorable. Conversely, as their goal is to "prevent" losses, prevention-oriented individuals focus on negative states, which lead them to evaluate their environment as problematic or unfavorable. These perceptual differences about their environment make individuals engage in more (less) cognitive elaboration depending on their prevention (promotion) focus.

Based on these findings, it could be inferred that people's exposure to favorable (optimistic) news about the current economic conditions could increase their positive evaluation of promotion-oriented ad messages (as such messages align with their "positively oriented" goals). In the same way, we could also predict that the exposure of people to unfavorable (pessimistic) news about the current economic conditions could increase their positive evaluation of prevention-oriented ad messages (as such messages align with their "negatively oriented" goals).

Therefore, I hypothesize that:

$H_4$: The focus of the ad message moderates the effect of economic news on consumers' evaluations of online advertisements, such that:

$H_{4a}$: Positive (negative) economic news will have a more (less) positive effect on ad likeability when the message of the ad is promotion-focused (prevention-focused), and

$H_{4b}$: Positive (negative) economic news will have a more (less) positive effect on ad persuasion when the message of the ad is promotion-focused (prevention-focused).


## Research Method

One hundred and eighty-eight undergraduate business students participated in the study. Participants were randomly assigned to one of four conditions in a 2 (economic news: positive, negative)×2 (ad focus: promotion vs. prevention) between-subjects experimental design. First, participants were asked to read an article on a news media website. The article addressed either positive or negative news about current economic conditions. Next, participants were asked to scroll down, carefully observe a banner ad placed below the article and read the information contained in the ad. The ad was for a novel product not sold in the United States. The advertised product was selected through a pretest which confirmed that the product was suitable to convey promotion-focused or prevention-focused benefits and that respondents were not familiar with the product. The content of the ad was adapted to each condition by framing the main message (i.e., benefits of the product) as promotion-focused or prevention-focused.

After viewing the ad and reading its content, participants were asked to respond to a questionnaire including measures of ad likeability, ad persuasiveness and purchase intentions, and demographic questions. Additionally, manipulation checks were used to verify that participants assimilated the promotion and prevention benefits of the product and understood the negative/positive nature of the economic news in the article.

## Results

To test participants' affective attitudes toward the ad, an Ad Likeability Index was created by averaging the eight measures of the scale. The results yielded a significant main effect of economic news on ad likeability. Participants in the negative economic news condition scored lower on ad likeability ($M_{Negative}=5.34$) than those in the positive economic news condition [$M_{Positive}=5.73$; $F(2,185)=3.07$, $p<0.05$]. These results provide support for hypothesis 1.

To test participants' cognitive attitudes toward the ad, an Ad Persuasion Index was created by averaging the eight measures of the scale. The results showed a significant main effect of economic news on ad persuasion. Participants in the negative economic news condition scored lower on ad persuasion ($M_{Negative}=4.54$) than those in the positive economic news condition [$M_{Positive}=4.89$; $F(2,185)=3.47$, $p<0.05$]. These results provide support for hypothesis 2.

Regarding participants' intention to purchase the product, the results yielded no significant main effect of economic news [$F(2,185)=0.850$, $p>0.40$], suggesting that purchase intentions did not vary with the type of economic news primes. Thus, hypothesis 3 is not supported.

As for interaction effects, result showed a significant economic news × ad focus interaction for both dependent variables: ad likeability [$F(2,185)=0.64$, $p<0.05$] and ad persuasion [$F(2,185)=0.19$, $p<0.05$]. Thus, hypotheses $4_a$ and $4_b$ are supported.

## Discussion and Implications

As expected, the results of this experiment demonstrate that economic news have an impact on consumer perceptions of online advertising. Consumers exposed to positive economic news showed more positive evaluations of ads than those exposed to negative economic news. These findings build on previous research showing that positive (negative) messages placed on ads or on the context of the ad influence positively (negatively) the consumer decisions after their exposure to such messages (Ahluwalia 2002). Nevertheless, results do not show a significant effect of economic news on purchase intentions which suggest that other variables could be influencing consumers' intentions to purchase, possibly personal income or consumer preferences. These

results are consistent with research on persuasion and personal relevance which states that people tend to resist the impact of persuasive messages (e.g., economic news on media) when their relevance is not strong enough to override the impact of more relevant information (e.g., personal economy) to them (Pierro et al. 2004).

Regarding the moderating role of ad regulatory focus, results indicate a significant interaction effect between the type of economic news and the ad focus for participants' evaluations of the ads. That is, participants exposed to positive economic news showed more positive evaluations of the ad when its content was promotion-focused. Conversely, participants exposed to negative economic news showed more positive evaluations of the ad when its content was prevention-focused.

This research has important implications for online advertisers. For many companies, advertising during a recessionary period is considered a bad strategy as most consumers are more skeptical toward consumption and may not respond positively to the advertising efforts of the firm. According to the results of this study, during unfavorable economic times, when consumers are greatly exposed to negative economic news on media websites, advertisers should design ad messages that emphasize the "prevention" benefits of their products. On the other hand, promotion-focused advertisements should be more effective when economic times are more favorable and news media websites communicate more positive economic information to their audiences.

**References available upon request.**

# Session 2.5
# Branding and Firm Capabilities

# Measuring Marketing Efficiency in Mergers and Acquisitions (M&A): A Data Envelopment Analysis (DEA) Approach

**Mahabubur Rahman and Mary Lambkin**

## Introduction

Firms engage in horizontal mergers and acquisitions (M&A) to enhance financial performance through the realization of synergies—cost savings or revenue enhancement. The most fundamental theory that underlies the rationale behind M&A transactions is the resource complementarity theory. Firms engaged in M&A expect to add complementary resources to their existing asset base and thereby achieving synergy in various operation aspects of the business which would result in better firm performance in the post-merger years. Firm performance is a multidimensional construct and marketing performance, which is one of the dimensions, has received scant research attention in the M&A literature. This study sought to address this gap by investigating post-merger *marketing efficiency* using data envelopment analysis (DEA) on a sample of horizontal M&As among US commercial banks.

## Financial Performance Following Mergers and Acquisitions

Post-merger financial performance has received extensive attention from several different disciplines including Accounting, Finance, Management, Economics, and Industrial Organization (Haleblian et al. 2009). Despite the volume of research and the variety of the methodologies applied, the evidence is extremely mixed, with a broad consensus that mergers and acquisitions do not add value (Martynova and Renneboog 2008).

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Our search uncovered only seven studies of post-merger marketing performance; of those four used nonfinancial measures, specifically, market share, while three used financial measures, specifically, sales revenue, cash flow, and share of value added. Six out of seven focused on only one single dimension of marketing performance, either sales revenue or market share, with just one using two measures, and none using multiple measures. Moreover, all of the studies looked only at marketing *outputs*, i.e., sales performance, without taking into account the marketing *inputs*, i.e., marketing expenditure.

The objective of this study is to fill this vacuum in the post-merger performance literature and seeks to answer the following question: What is the impact of domestic horizontal mergers and acquisitions on the marketing efficiency? In simple terms, marketing efficiency means doing things right. In other words, efficiency refers to an input–output ratio or comparison (Ostroff and Schmitt 1993). Unlike previous studies, so as to find an answer to this question, this study takes a holistic approach and examines the impact of mergers and acquisitions on the marketing output in relation to the marketing inputs.

## Methodology of the Study

Data envelopment analysis (DEA) has grown in popularity as a strong nonparametric, linear programing tool to measure efficiency of decision making units (DMUs) within a given population (Emrouznejad et al. 2008; Cook and Seiford 2009). This overcomes one of the major weaknesses of regression which is that it is unable to include multiple input and output in analysis (Donthu and Yoo 1998).

The efficacy score of DMUs may be gaged for each time period which makes it possible to compare the efficiency of DMUs over multiple periods of time (Webb 2003; Asmild et al. 2004). In such cases each DMU in each time period is treated as if it were a distinct DMU. This DEA technique is known as window analysis (Fadzlan 2007; Kao and Liu 2014) which this study utilized since the objective of this research is to compare marketing efficiency between pre-merger and post-merger years.

Among existing DEA models, two of the most popular and widely used are the CCR models and BCC models. Charnes et al. (1978) developed the CCR model which assumes a Constant Returns to Scale (CRS) and Banker et al. (1984) introduced the BCC model which assumes a Variable Returns to Scale (VRS). This research used both the constant returns to scale (CRS) model and variable returns to scale (VRS) model to measure marketing efficiency and utilization of both models allowed us to investigate how pure technical and scale efficiency change over time.

DEA models can be either input-oriented or output-oriented. Whilst an input-oriented DEA model aims to minimize the use of inputs while maintaining the same level of outputs, an output-oriented model aims to maximize the level of outputs given the current level of inputs. Put differently, an output orientation assumes that DMUs have direct control over the outputs and an input orientation assumes little

control over the outputs (Harris Ii and Ozgen 2000; Ahn and Min 2014). Given the fact that banks cannot directly control the saving or borrowing behavior of its clientele, this research adopts an input-oriented model.

Based on studies measuring overall bank performance, this research developed the following set of input and output variables which are particularly related to bank marketing activities (Deville 2009; Yang 2009; Paradi and Zhu 2013; Ahn and Le 2014).

**Input Variables**

- Promotional activities of assets and liabilities products (yearly dollar value of advertisement expenditure)
- Bank branch network size (yearly dollar value of expenditure spent on bank branch premises)

**Output Variables**

- Sales performance of deposit products (yearly dollar value of total deposit)
- Sales performance of loan products (yearly dollar value of total assets)

The efficacy score of DMUs may be gaged for each time period which makes it possible to compare the efficiency of DMUs over multiple periods of time (Asmild et al. 2004). This DEA technique is known as window analysis (Kao and Liu 2014) which this study utilized since the objective of this research is to compare marketing efficiency between pre-merger and post-merger years.

The most popular and widely used algorithms are the CCR and BCC models. The CCR model assumes Constant Returns to Scale (CRS) (Charnes et al. 1978) and the BCC model assumes Variable Returns to Scale (VRS) (Banker et al. 1984). This research used both to measure marketing efficiency and this allowed us to investigate how both technical and scale efficiency change over time.

The sample size for this study was 20 M&A deals drawn from US-based national commercial banks. The sample size was dictated by the need to obtain detailed data on both of the companies involved in each deal, which required extensive study of published records and considerable manual data collection. This sample size is consistent with a number of previous M&A studies, such as Clark and Ofek (1994), Harris Ii and Ozgen (2000), and Carline et al. (2009). Additionally, this sample size avoided bias because there is a unanimity among DEA experts that the number of cases should be at least $2m \times s$ where $m \times s$ is the product of the number of inputs and outputs (Dyson et al. 2001).

Data collection was carried out in two phases. Firstly, all M&A deal-related data were collected from Thomson One Banker database. Secondly, data pertaining to all input and output variables on the selected sample firms were collected for the 2 years before and after the merger from COMPUSTAT. Following similar studies, e.g., Healy et al. (1997), this research utilized a number of criteria to construct a clean sample to be able to detect a change in marketing efficiency in pre- and post-merger years. Furthermore, construction of clean sample enhanced the internal validity of the study.

# Findings of the Study

## *Descriptive Statistics and Paired-Sample* t-*Test*

As a preliminary investigation of how the values of these input and output variables changed between the pre- and post-merger years, paired sample *t*-test was carried out. Rather than arbitrarily selecting one pre- and post-merger year for detection of change in values of the input and output variables, the mean of the pre-merger and post-merger years' was computed and compared to identify change. Results showed a statistically significant difference between the pre- and post-merger values for all variables except for advertising expenditure. The paired sample *t*-test demonstrated that firms engaged in M&A spent more on advertising and branch network following the M&A. This increased expenditure also led to improved sales performance of deposit and loan products in the post-merger period compared to the pre-merger period.

## *Marketing Efficiency Scores Under CRS and VRS DEA Models*

Our results demonstrated that while the number of efficient and inefficient DMUs remained fairly consistent over the pre- and post-merger years, we found that the mean marketing efficiency scores improved slightly post-merger under both CRS and VRS models. Under the CRS model, the mean marketing efficiency score of the sampled banks hovered between 0.7494 and 0.7863 in the 2 years leading up to the merger which rose to 0.8310 in the first year after the acquisition and subsequently dipped marginally to 0.8200 in the second year after the acquisition. By the same token, under the VRS model, marketing efficiency of the sample banks registered an improvement in the post-merger years as compared to the pre-merger years. While the marketing efficiency score stood at 0.8536 and 0.8788 in the pre-merger years, sampled banks marketing efficiency score increased to 0.9023 and 0.8836 in the 2 years following the acquisition.

To further investigate whether there was any statistically significant difference between the pre-merger and post-merger scores, a paired sample *t*-test was carried out. The paired sample *t*-test demonstrates that the marketing efficiency of the merging firms improved by 7.52 %, on average, under the CRS model, and by 3.08 % under the VRS model. The difference between the pre- and post-merger marketing efficiency scores was statistically significant under the CRS model, but not under the VRS model.

Given the limitations of statistical tests of significance, we calculated the effect size to further investigate the impact of the merger on post-merger marketing efficiency (Cohen 1965; Olejnik 2000). We used eta squared ($\eta^2$) to calculate effect size. Our analysis showed that the eta squared ($\eta^2$) values for the marketing efficiency

scores under both CRS and VRS model were above 0.14, which suggests that M&A had a considerable influence on the marketing efficiency on the merged firms.

## Conclusion

The marketing performance dimension of the firm's financial performance construct has received scant attention in the context of M&A. Moreover, the existing studies employed a single measure, mostly market share or sales revenue, to measure marketing performance. Marketing performance is a multidimensional construct, however, and measurement of such construct necessitates a holistic view of all the inputs used and outputs produced. Utilizing Data Envelopment Analysis (DEA), a powerful tool that can incorporate inputs and outputs, this study found that firms were able to improve marketing efficiency in the post-merger years. This improvement in marketing efficiency, even though small, suggests the realization of some real synergies by the merging firms. Our findings are consistent with improved marketing performance as measured by sales growth by Ghosh (2001) and with studies that measured overall efficiency gains post-merger in the banking industry (e.g., Figueira and Nellis 2009).

**References available upon request.**

# The Moderating Effect of the Market Orientation Components on the Brand Orientation–Brand Performance Relationship

**Saku Hirvonen and Tommi Laukkanen**

**Abstract** The present study examines whether market orientation moderates the effect of brand orientation on brand performance. As these two orientations are argued to build on differing and even conflicting logics, the question of how they work together for the benefit of the firm is highly relevant. That is, market orientation emphasizes the importance of identifying and satisfying customer needs to the fullest (Narver and Slater 1990), whereas brand orientation highlights that the satisfaction of customer needs should only be pursued when no harm to the brand is done (Urde 1999). Importantly, we follow Sørensen (2009), who notes that the different components of market orientation may not be equally relevant for different firms and that researchers should therefore consider decomposing the market orientation concept into its components. To this end, we draw on the model by Narver and Slater (1990) and focus on the three key components of market orientation, namely customer orientation, competitor orientation, and interfunctional coordination. We hypothesize that ($H_1$) the effect of brand orientation on brand performance is greater at low levels of customer orientation than at high levels of customer orientation; ($H_2$) the effect of brand orientation on brand performance does not differ between firms at low levels of competitor orientation and at high levels of competitor orientation; ($H_3$) the effect of brand orientation on brand performance is greater at high levels of interfunctional coordination than at low levels of interfunctional coordination.

We test the hypotheses using an empirical dataset of 498 responses from Finnish SMEs. We validate the measurement instruments using confirmatory factor analysis. Next, we test discriminant validity in order to ensure that the research constructs are distinct from each other (Fornell and Larcker 1981). We then create composite measures of the moderators and separate the first and fourth quarters of the respondents based on their mean values, generating three dichotomous moderators with firms with the lowest and highest levels of customer orientation, competitor orientation, and interfunctional coordination. Next, in order to ensure that the measure instruments are equivalent across the low and high groups of each moderator, we conduct

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a number of measurement invariance tests (e.g., Byrne 2010; Steenkamp and Baumgartner 1998). Finally, we use multigroup structural equation modeling to test the hypotheses.

The results show that the effect of brand orientation on brand performance is stronger among firms low in customer orientation ($\beta=0.46$, $p<0.001$) than among firms that are highly customer-oriented ($\beta=0.18$, $p<0.05$). The difference is statistically significant with $\Delta\chi^2=8.57$ ($p<0.01$). Although ignoring customer needs completely is neither lucrative nor possible for brand-oriented firms (Urde et al. 2013), the results allow a conclusion that firms should attempt to strike a balance between brand orientation and customer orientation so that the latter will not receive excessive attention at the expense of the brand. The results further indicate that competitor orientation does not moderate the brand orientation–brand performance relationship. Finally, interestingly, interfunctional coordination does not seem to moderate the effect of brand orientation on brand performance, as no statistically significant moderation effect is found.

**References available upon request.**

# Market-Focused and Technology-Focused Strategic Flexibility: Construct, Research Propositions, and Implications

Yen-Chun Chen and Ya-Hui Lin

## Abstract

Over the past decade, the importance of strategic flexibility has received a great amount of research attention. However, the current conceptualizations and measurements of strategic flexibility are at odds with different scholarly interest. This study therefore synthesizes extant knowledge on the subject and provides a basis for future research by classifying strategic flexibility into two dimensions, market-focused and technology-focused strategic flexibility, depicting a conceptual framework that contains determinants and consequences of the two types of strategic flexibility and developing research propositions. More specifically, this conceptual framework suggests that organizational culture (i.e., proactive and responsive market orientation), organizational structures (i.e., formalization and centralization), and organizational coordination (interfunctional coordination and alliance coordination) play important roles in cultivating market-focused and technology-focused strategic flexibility of a firm. In addition, the research propositions also demonstrate the respective impacts of market-focused and technology-focused strategic flexibility on product innovation outcomes (i.e., product meaningfulness and product newness) and financial performance. Importantly, this study further proposes that market-focused and technology-focused strategic flexibilities have opposite impacts on product meaningfulness. Implications of this study are discussed.

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## Keywords

Market-focused strategic flexibility, Technology-focused strategic flexibility, Product meaningfulness, Product newness

**References available upon request.**

# Session 2.6
# Advertising Research Methods

# Fear Versus Scare Appeals as Moderators in Effective Health Messaging

**Christopher D. Hopkins, Kevin J. Shanahan, Karen Hood, and Allyn White**

**Abstract**  Fear appeals are often engaged in prosocial change marketing campaigns with the belief that these messages will raise severity and susceptibility beliefs among consumers. With effective advertising messages, persuasion models from the marketing literature suggest that if consumers believe the advertising claims, have positive attitudes toward the advertisements, that will produce both information seeking and medical care seeking behaviors. However, perceptions of the source or sponsor of the advertisement may influence consumers' attitudes and therefore intentions along the way. This study seeks to examine the role of fear versus scare appeals and perceived social responsibility of the sponsor in social marketing campaign messages to motivate consumers to seek further information and medical care; in this study specifically for Type II diabetes.

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# Session 2.7
# The Validity and Invalidity of Assessment Alternatives

# Exploring Assessments of Active/Experiential Learning Contexts in Business Courses

**Jason Flores and Carol Howard**

## Abstract

The importance of utilizing active learning methods to enhance students' skill sets is reflected in AACSB International's Standard 13 (2013). The increased emphasis on active learning approaches has led to many fruitful efforts by marketing educators to develop methods that utilize such enhanced learning approaches (e.g., Camarero et al. 2009; Elam and Spotts 2004; Hart and Mrad 2013; Razzouk et al. 2003). While these and other approaches are critical in the development of active learning techniques for marketing education the need to assess various factors that may impact the effectiveness of various active learning techniques and contexts remains.

The purpose of this study is to explore assessments of various experiential learning techniques used in marketing strategy courses and nonmarketing business capstone courses wherein marketing is a significant component of the course. In the capstone courses nonmarketing majors are the group of interest. Two additional aspects of interest for exploration are the amount of time available to complete experiential learning assignment(s) and the number of experiential assignments that are utilized as learning tools.

According to Hamer (2000) and Camarero et al. (2009), instructors should develop learning environments that encourage active student participation in learning processes. By doing this instructors provide students the opportunities to apply theory to actual situations. This is the foundation of active learning but active learning techniques are not always experiential in nature. Thus, active learning involves the use of nonexperiential and experiential teaching techniques. Nonexperiential techniques seek to require that students actively process course content whereas experiential techniques require that students should be able to process course content and apply their understanding of the concepts to specific real-world contexts (Hamer 2000). The experiential learning component of active learning is the focus of this study.

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The specific experiential learning techniques assessed in this study include marketing plan development, start-up business plan development, and business simulation games. In the marketing strategy courses only one experiential tool (marketing plan) was utilized and the time frame for completion was either 9 weeks ($n=14$) or 17 weeks ($n=19$). In the capstone courses one or two experiential learning tools were utilized. In one context 17 weeks were available for the one tool course ($n=16$) to complete a start-up business plan and in the two tool course one tool was completed in 5 weeks (business simulation game) and the other in 12 weeks (start-up business plan) ($n=24$).

A survey was administered after the completion of each respective experiential learning tool in all courses. In the marketing strategy courses the results were consistent with previous research in that assessments of the effectiveness as a learning tool and satisfaction with the learning tool were all positive. What was not consistent with previous research was the finding that there were no significant differences in the assessment scores when comparing the 9-week course to the 17-week course assessments.

In the capstone courses the results were mixed pertaining to the effectiveness and satisfaction with the experiential learning tools. The clear distinction was between the 17-week course in which students completed only the start-up business plan and the 17-week course in which students completed the same start-up business plan over the course of the first 12 weeks and a business simulation game over the course of the final 5 weeks. In the 17-week course, the students positively evaluated the effectiveness of the project and satisfaction with the experience in one project only. In the 17-week course that incorporated the classroom project and a business simulation game the results were notably less positive based on assessments of the tools individually. Not only were assessments of the start-up business plan less positive, but the assessments of the business simulation game were negative.

**References available upon request.**

# The Invalidity (And Then Some) of Rank Correlation for Describing the Accuracy of Multiple-Choice Question Difficulty Taxonomies

**John R. Dickinson**

## Abstract

The difficulty of multiple-choice questions is one of their fundamental properties and that property serves many purposes. With this, the questions in published multiple-choice question banks accompanying textbooks are often classified into levels of difficulty. In light of the many purposes difficulty level may serve, the accuracy of those published classifications is important. Measuring that accuracy is the function of a recently created system of analyses, the *Taxonomy Index (TaxI) Program* (Dickinson 2013). It has been suggested (Bacon 2013), though, that rank correlation may perform this same function better than *TaxI*, better to the point of discounting the latter altogether. The present research demonstrates the invalidity of rank correlation for this application, the validity of *TaxI* for this application, and the numerous beneficial features of the *TaxI Program* not available with rank correlation (e.g., Spearman's rho, Kendall's tau$_b$).

    *TaxI* is the proportion of questions that are correctly classified. Rank correlation is a measure of strength of association between question classified level and the ranked percent of students answering the question correctly (i.e., the question's empirical difficulty).

    Taxonomies typically classify multiple-choice questions into three levels of difficulty: Easy, Medium, and Hard. In the published classifications no distinction is made regarding the difficulty of questions within a given level. Fundamentally, *TaxI*, too, is *not* affected by different empirical difficulties of questions in a given level, while rank correlation *is* affected by such differences. Rank correlation would "validate" published classifications on the basis of a property that does not exist in published classifications. This incommensurateness of the very nature of rank correlation with published taxonomies is sufficient to disqualify it as a measure of classification accuracy. (Its empirical invalidity, too, is readily demonstrated.) In

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short, rank correlation would not "measure what it is supposed to measure," a defining quality of validity.

Otherwise, the *TaxI* statistic is accompanied by a benchmark ($C_{pro}$) indicating the proportion of questions that would be correctly classified by chance and by a classification matrix. The latter is a useful diagnostic tool revealing into what specific difficulty level questions are misclassified. The classification matrix is an ordered contingency table (Gibbons 1993, Chap. 6). As such, rank order correlation may be validly applied to it (in contrast to being applied to item-level data), along with a statistical test (which also does exist with application to item-level data).

Finally, *TaxI*, as the proportion of questions correctly classified, is a literally interpretable statistic. Rank correlations are measures of strength of association, not of classification accuracy. Their formulaic bases have no meaning related to accuracy.

**References available upon request.**

# The Effect of the *Real* Number of Options on the Discrimination of Multiple-Choice Questions

**John R. Dickinson**

## Abstract

Multiple-choice questions comprise, well, multiple choices. Those choices usually include the correct answer option plus several incorrect answer options, i.e., distractors (or foils or misleads). Distractors play an essential role in the effectiveness of multiple-choice questions. The present research investigates how the inability of some distractors to attract responses affects the capacity of the question to discriminate between better and poorer students, i.e., item discrimination, a fundamental purpose of multiple-choice questions. Dickinson (2013) has shown that for samples of multiple-choice questions from several question banks, high percentages of distractors in this way are not effective. Across five question banks accompanying introductory consumer behavior and retailing textbooks, the percent of sample questions having at least one distractor attracting no responses ranged from 53.53 to 70.89 %. The percent of questions with at least one distractor attracting 10 % or less of total responses ranged from 97.02 to 99.16 %.

Analyses here comprise bivariate regression analyses carried out exam by exam. The dependent variable was the point-biserial correlation between a student's overall exam score (excluding the focal question) and whether or not the student answered the question correctly. Where percent correct values are normally distributed, the optimal balance between discrimination and reliability due to the reduction in the number of observations occurs when the upper and lower 27 % of students are analyzed (Anastasi 1968, p. 169; Cureton 1957; Guilford 1954, p. 428). This paradigm was adopted here. Sparse responses were measured in three ways: the number of distractors attracting (1) zero responses, (2) less than or equal to 5 % of total responses (the total including correct responses), and (3) less than or equal to 10 % of total responses. Across samples of questions from five published question banks and the three operationalizations of sparse responses, 15 bivariate regressions were estimated.

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Distractors with few or no responses are ineffective in distracting students who do not know the correct answer. Thus, it was anticipated that the regression slope would be negative; the greater the number of distractors having sparse responses, the lower the point-biserial correlation. The standardized slope coefficient, of course, is equal to the Pearson correlation between the two variables. Fourteen of the 15 slope coefficients were, indeed, negative. Eight of the 15 regressions were statistically significant ($p<0.10$), only four were significant at $p<0.05$. Further, the $r$-square values ranged from 0.0003 to 0.0231, averaging 0.0094. All told, in the question banks investigated, the presence of distractors that do not, in fact, distract has no appreciable effect on the ability of a question to discriminate between better and poorer students.

These results may be seem to be positive in the sense that for these questions banks the discriminating ability of the questions is robust against the presence of ineffective distractors.

**References available upon request.**

# Session 3.1
# Sensory Cues, Touching, Self-Tracking, and Scandals!

# Download and Run: An Investigation of Consumer Empowerment Through the Effects of Digital Self-Tracking

**Mujde Yuksel and George R. Milne**

**Abstract**  Marketing scholars acknowledge the digital age's unique capacity for empowering consumers (Day 2011; Labrecque et al. 2013; Ramani and Kumar 2008). Digital self-tracking (DST) opportunities such as mobile phone fitness apps are among these empowering technologies, enabling consumers to track and control everything from daily activity and health to productivity and financial records. Surprisingly, DST has not attracted much scholarly attention, despite its everyday significance. The present study provides an empirical examination of consumer empowerment in the context of running apps. Theoretically, this context contributes to the exploration of digital empowerment in relation to consumers' self-tracking behaviors. Findings demonstrate that this form of consumer empowerment is associated with increased behavioral intentions toward engaging in running with cognitive evaluations mediating this relationship. Discussed are the theoretical consequences, practical implications, and the potential for future research.

**References available upon request.**

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# Shining Bright Like a Diamond? It Might Be Rich, But Only in Calories! A Structured Abstract

**Felipe Pantoja, Adilson Borges, Amanda Pruski Yamim, and Patricia Rossi**

## Introduction

Overweight and obesity rates are increasing all over the world (USDA 2010) and almost three million people die each year due to its consequences (WHO 2012). In the USA, for instance, where inexpensive, high-calorie food is ubiquitous (Young and Nestle 2002) about 154 million people aged over 20 are overweight or obese, leading to estimated direct and indirect costs of $254 billion (Mozaffarian et al. 2013). It is widely accepted that something must be done to change this reality and persuade people to switch to a healthier lifestyle (Wansink 2010).

However, changing eating habits is not a simple task. As we know that weight gain is caused by greater calorie intake than calorie expenditure (Antonuk and Block 2006), it would be useful to help consumers become more aware of their calorie intake (e.g., the FDA's Make Your Calories Count Program). This is even more important in the unpackaged food domain, as providing nutrition information is mandatory only for packaged food (NLEA; Pub. L. 101-535/1990; Chandon and Wansink 2007b).

When they have no nutrition information, consumers usually make inferences based on internal and external cues (Chandon and Wansink 2007b), such as the health positioning of the restaurant brand, the perceived healthiness of the food

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(Raghunathan et al. 2006) or the portion size (Wansink and Chandon 2006). Food styling, the art of creating food images that literally "pop off the page" (Suplee 2008; Fischer et al. 2012), is one way by which companies are attempting to provide customers with cues that can influence the decision-making process.

Previous research shows that glossy visual effects can influence consumer judgments and perceptions (Gelineau 1981; Coss and Moore 1990; Hampel et al. 2012; Meert et al. 2014) and, given that some food companies make use of gloss surfaces to improve the evaluation of their products, our goal is to understand how glossy surfaces can affect consumers' calorie estimations.

Our results show that using a glossy cover on a strawberry pie can bias the calorie estimation. However, it is important to note that this pattern of results holds for women but not for men, indicating that gender moderates the proposed effect. This finding can be useful to help consumers avoid common food consumption pitfalls, which can in turn help weight management.

## Theoretical Background

### *The Glossy Effect*

According to the Newspaper Association of America, 65 % of American consumers prefer glossy paper (Meert et al. 2014). In addition, Gelineau (1981) argues that a color is preferred when is accompanied by a glossy finish. Furthermore, a recent study by Hampel et al. (2012) investigates the effects of glossy paper on the evaluation of printed ads.

Their results show that this type of paper positively influences consumer attitudes toward the ad itself and the brand, increasing the willingness to buy and intention to engage in word-of-mouth promotion. Meert et al. (2014) suggest that this preference for glossy surfaces has existed since prehistoric times and has been kept alive through evolution. Drawing on evolutionary psychology, these authors claim that this preference for glossy surfaces stems from the innate need for water. This notion is in line with the previous research (Coss and Moore 1990; Coss et al. 2003) suggesting that glossy surfaces increase mouthing activities in infants and toddlers (Coss et al. 2003) and are better evaluated than the matt surfaces (Coss and Moore 1990).

### *The Role of Gender on Eating Habits*

Research has established that people may use either heuristic or systematic processing to make judgments (Chaiken 1980; Chaiken and Maheswaran 1994). What determines this dominance is the level of involvement with the context or task. These authors propose that, when people are involved with a task, they are much more inclined to engage in detailed, effortful processing (systematic). On the other

hand, individuals who are less involved are more likely to pursue an information processing strategy that is relatively less demanding and entails a lower level of elaboration, relying on the use of heuristics to make their judgment.

When we talk about food consumption, men and women differ to some extent concerning their level of involvement. For instance, Bates et al. (2009) suggest that females are generally more concerned than males about their weight and physical appearance. In addition, the author demonstrates that females are more dissatisfied with their body and perceive their body shape as being less ideal when compared to men (Conner et al. 2004). These findings can provide important insights about gender differences in terms of goals and behaviors, particularly when it comes to food consumption.

Considering the context of nutritional information as an example, Loureiro et al. (2012) demonstrate that nutritional labels have greater influence on women's behavior than on men. They argue that women who declare that they use nutritional labels have 1.49 % lower body mass index than women who declare that do not make use of such information. It is noteworthy that this difference is only about 0.12 % for men.

In addition, some studies corroborate the idea that food choice is an area in which consistent behavioral differences can be observed (Li et al. 2000; Beer-Borst et al. 2000, Liebman et al. 2001). Steptoe et al. (1995) also note that there are significant across-gender differences concerning health and weight-control motives for food choices and their main results show that women usually report higher levels of these motivations than men. Furthermore, Wardle et al. (2004), in a study involving samples from 23 different countries, show that women attach more importance to healthy food consumption, tending to avoid high-fat food, eat more fruit and fiber and less salt than men. Males eat fewer fruit and vegetables, choose fewer high-fiber foods, eat fewer low-fat foods, and consume more soft drinks than do women (Wardle et al. 2004).

Finally, taking into account the fact that men and women have different levels of involvement with the food consumption context, they might use different strategies to process visual food cues. Drawing on the fact that consumers make inferences about food based on internal and external cues (Chandon and Wansink 2007b) and that past research shows that women (vs. men) both evaluate better glossy (vs. matt) surfaces (Coss and Moore 1990) and are more often concerned about their calorie intake (Bates et al. 2009; Conner et al. 2004), we can expect that females will be more sensitive to a glossy surface, which would lead women to perceive a food item with more calories when the picture of this food item is depicted in a glossy surface.

## Methodology

We recruited 102 participants (56 % female; Mage = 28.7, SD = 8.1) via Mechanical Turk (MTurk). First of all, we detected the multivariate outliers using the Mahalanobis distance (Hair et al. 2009) taking out participants with $p < 0.001$. In

total we excluded five participants from the further analysis, resulting in a final sample of 97 participants.

The study uses a single-factor experimental design with two conditions. Based on previous research (Coss and Moore 1990; Coss et al. 2003; Meert et al. 2014), it used glossy (vs. nonglossy) surface finishes on a strawberry pie as the manipulation and the subjects were randomly assigned to one of the conditions.

In line with the previous research (Labrecque and Milne 2012), we controlled for saturation and luminosity of pictures, maintaining these levels equal across conditions. Finally, we measured participants perception of the pie's level of glossiness ("*The pie has a glossy finish,*" "*The strawberries are glossy*"; 1 = Not at all; 7 = Very) as manipulation checks. The main dependent variables are calorie estimation, measured as an open-ended question, and purchase intention, measured on a three-item scale ($\alpha = 0.96$, *purchase, try, and buy the pie;* 1 = Totally disagree; 7 = Totally agree) (Herbst et al. 2012).

## Results and Discussion

A 2×2 ANOVA reveals a significant Glossy condition×Gender interaction. The results show that gender moderates the effect of the glossy manipulation on the calorie estimation [$F(6.90) = 5.12$, $p < 0.05$], using age, income, and diet restriction as covariates (all nonsignificant).

However, it is noteworthy that there were significant differences between the glossy conditions only at one level of the moderator. In particular, we find no significant differences in men's evaluation of the pie (Mnon-glossy = 365.89; Mglossy = 329.20, $p > 0.51$). In contrast, females evaluated the pie as having many more calories in the glossy condition (Mnon-glossy = 282.14; Mglossy = 431.25, $p < 0.01$).

Results from this study provide initial evidence for the effect of glossy surfaces on food calorie estimation. Based on this finding, there is an indication that glossy surfaces can lead to higher calorie estimation by females in a food domain. It is also important to note that there is no significant result for males.

## Limitations and Future Research

The present study has some limitations that are also opportunities for future research. First, we cannot guarantee that the effect holds for other food products categories. We used a strawberry pie, which may be considered as a relatively unhealthy product, even if it contains fruit (healthy) in its composition. Future research might explore how the glossy effect works for healthy vs. unhealthy products.

Additionally, as we added a glossy surface to a real product (strawberry pie), although in our manipulation check measures the glossy pie was perceived as being

much more glossy than the nonglossy one, it is not clear whether the effects that we obtained were only due to the glossy effect or if the consumers interpreted the glossy finish as an extra-topping to the product, which can also drive consumer perceptions (Jiang and Lei 2014). Future studies can overcome this limitation and try to isolate the glossy effect.

Finally, this study did not test the underlying mechanisms for the proposed effect of glossy surfaces on women calorie overestimation. Future research can also address this question.

**References available upon request.**

# Can't Touch This: Haptic Cues and Their Personality

**Nina Krey, Joanne M. Tran and Julie Moulard**

## Abstract

For centuries, humans have been engaging their senses when assessing their surroundings. As consumers, haptic feel, visual cues, audio tunes, and other sensory aspects affect our perceptions and attitudes toward brands and purchasing behaviors. The sensory marketing literature argues that touch is the most influential sense of all sensory cues. However, scant research in the sensory marketing literature addresses haptic cues and how these cues affect brand attributes, such as brand personality. Therefore, this conceptual paper proposes a model of haptic cues and brand personality that identifies which haptic cue associates most with a brand personality dimension. In addition, need-for-touch is suggested as a moderator between the aforementioned relationships. While we cannot always touch products or may not have a high need for touch, determining which haptic cue relates most with a certain brand personality dimension provide much contribution to the sensory marketing and branding literature in determining sensory signatures for brands.

**References available upon request.**

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# Session 3.3
# Global CB

# The Role of Country of Origin on Purchase Behavior of Luxury Brands: A Conceptual Framework from India

**Varsha Jain and Don Schultz**

**Abstract**  The Indian luxury market is projected to grow by 25 % yearly from 2013 until 2015 (ASSOCHAM 2013) but it is a market that is proving elusive for foreign brands to understand. Building on previous research, the current study investigates the role of country of origin (COO) on the luxury purchase behavior of Indian consumers.

Indian consumers have shifted their luxury product focus from elegance, value, and esthetics of the products (Jain et al. 2012) to the product/brand's dimensions. We show that COO is an important element in that mix. Country image (CI) and cue utilization frameworks were used to understand the context and role of COO in luxury purchase behavior in India. Cue utilization theory focuses on such cues as intrinsic (product traits) and extrinsic (COO) that consumers consider while assessing the products (Olson 1972). These cues affect the mindset of the consumers since they are key stimuli in the consumer's decision making process (Keegan 1992). Previous luxury product research has been conducted in developed countries, thus, the literature provides little information about the emerging nations.

This exploratory research was undertaken by two studies. The first consisted of 16 focus groups conducted among 160 respondents from leading cities in India (Mumbai, Delhi, Bangalore and Pune). The results of this study were validated by conducting focused group discussions (FGD) with 10 industry experts of luxury brands. The second study had four stages: interviews with luxury brand managers (15 respondents), retail managers (10 respondents), consumers (50 respondents), and structured observation (100 respondents in 20 luxury stores). Interviews were also used to verify the data.

It was found that COO plays different roles at different stages of the purchase cycle from exploration, comparison, evaluation, and actual purchase of luxury products. Consumers explore the COO information via website and other virtual

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platforms; they compare the brands on the basis of COO and its associated dimensions such as quality, creativity, and characteristics. They also evaluate the products on the basis of COO but they do not make final purchase on that element along. They also use views of identity, satisfaction, and pleasure which become more important than COO. Additionally, the role of COO is also moderated by friends and digital media, as consumers extensively use virtual platforms to capture the information and undertake live discussions with their friends on social media.

**References available upon request.**

# Education Fever: Exploring Private Education Consumption Motivations Among Korean Parents of Preschool Children

**Hongjoo Woo and Nancy N. Hodges**

## Introduction

Parental investment in education is a common phenomenon in many countries, but in South Korea this investment could be considered exceptional. Researchers have described Koreans' enthusiasm for education as *education fever*, or "the national obsession with the attainment of education" (Seth 2002, p. 9). In Korea, household expenditures on education occur primarily for *private* education services, marketed by private companies rather than public/private preschools, which include a variety of educational programs, such as English, art, and sports academies, as well as reading, math, and writing tutoring (Korea National Statistics Office 2012). Today about 50 % of children in Korea under the age of six participate in one or more private education program and 49 % of Korean preschool parents said that they have faced financial burdens to support such participation (Shin 2014).

What drives this enthusiastic consumption related to the education of children in Korea? In light of the success of Korean students in international competitions (e.g., OECD Programme for International Student Assessment), some researchers have tried to explain Korea's education fever but such questions have yet to be sufficiently addressed. In addition, although the Korean government and international research institutions (e.g., OECD) have investigated the phenomenon through large-scale survey studies, studies that explore in depth what children's private education means to Korean parents in the context of Korean culture are very limited. Thus, the purpose of this study is to explore what the consumption of private education means to Korean parents and to identify factors motivating their consumption behaviors.

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# Background

Although studies on the topic are limited, a few researchers have investigated Korean parents' consumption of private education for their children. For example, Kim (2008) found that Korean mothers' consumption of private education was driven by peer pressure, as many felt forced to comply with the trend in investing in education in order to avoid social isolation. From a sociocultural perspective, Lee (2006) looked at Korea's historical social class system, much like the Indian caste system, wherein only children from the highest classes were able to go to school. The middle and lower classes were not allowed access to education and, in turn, social mobility, therefore education was something aspired for them (Lee 2006). Sorenson (1994) added that even in modern Korea, a social hierarchy based on assets such as education, occupation, and wealth still exists. Because the current hierarchy allows social mobility through educational achievement, Sorenson (1994) posited that education in Korea represents the parents' dream for upward social mobility. Kim and Lee (2004) found that household resources, such as the number of children and financial resources are related to the consumption of private education. Findings of the current study are considered in light of what has been revealed thus far on the topic.

# Methodology

Two primary objectives guided this study: (1) to identify why private education for preschool aged children is important to Korean parents, and (2) to explore the role of personal and social factors in the pursuit of this education. Because of the limited literature, a qualitative research design was deemed necessary. With IRB approval, four focus group interviews were conducted in Korea with 23 Korean mothers of preschool aged children, lasting 1–2 h each, with one of the researchers, a native Korean, as a moderator. Focus groups are effective in identifying group norms about a specific agenda, which in the present study is private education (Kitzinger 1999). This study focused on preschool because the Korean private education market has expanded to target preschool children, yet this focus has received less attention than school-age students. Mothers were selected because they are the primary decision makers regarding children's education within Korean culture (Kim 2008). Mothers were recruited from different towns around Seoul to represent different income and education levels (Kim and Lee 2004). Participants were between the ages of 26–45. Total monthly expenses for private education ranged from US$40–500. Types of private education being consumed varied, from home-visit tutoring, Korean, English, math, piano, to swimming, Taekwondo, ballet, and art. Questions included "*why did you choose private education programs?*" and "*what do you hope your child will gain from these programs*?" Focus groups were audio-recorded and transcribed verbatim and then translated to English by the Korean researcher. Following Spiggle's (1994) procedure for qualitative data analysis, a thematic analysis was

conducted by both researchers, wherein patterns in the data were identified and compared based on similarities and differences in an iterative manner. Two categories were used to organize the five themes that emerged from data: social factors (Complying with Social Norms, Seeking Social Status, and Dissatisfaction with Social Services), and personal factors (My Own Childhood and My Household).

## Results and Discussion

### *Complying with Social Norms*

Participant responses indicated that investing in their children's private education is an expectation in Korea, and mothers feel anxiety about the idea of not conforming. Across the groups, the primary reason why they chose private education was markedly similar: "because it is natural" or "everybody is doing it." The primary information source about private education options were the same individuals who fueled mothers' anxieties about not conforming to the "trends": other mothers.

> Pressure keeps coming. There's a group of moms who already go to the middle, even high school fairs, they tell the stories to others. When I hear about that, I just let out a big sigh. I recognize it's wrong sometimes, but I'm just the one who belongs to this society. So we don't have any choice other than living inside the system…adapting.

*Group 2*, comprised from one of the highest income level areas in Seoul, even talked about a restricted online community, where only the mothers from the area were able to share information about private education programs. One of the participants said that she was "kicked out" of this online community because of inactive posting. Clearly, the mothers ostracize those who do not adhere to the norms of this social group, specifically established to share information about private education. Such social pressures correspond to Kim (2008), who found that peer pressure from other mothers primarily drives Korean parents' education fever. Ajen and Fishbein (1973) theorized that individuals behave based on their normative beliefs (especially what their reference groups expect) and are motivated to comply with those norms (Ajen and Fishbein 1973). This tendency can be particularly strong in collectivistic cultures such as Korea, wherein emphasis is on the "group" rather than the "individual" (Hofstede 2001). For participants in our study, other mothers are a specific reference group operating within Korean society at large, which further emphasizes adhering to norms about education.

### *Seeking Social Status*

Participants perceived education as the primary means of social mobility in Korea. The mothers described education as "an opportunity," for "broadening choices," and indicated that "which school they graduate from," "what kind of job they have," and

"what kind of education they received" would be the determinants of the child's ultimate social status. Mothers believed that their investment in private education will move their children up to higher social strata. They also believed that the power of the social network based on school connections is strong in Korean society and therefore parents need to help their children compete, which will enable them to move up the social ladder. As one of the mothers stated,

> Although the things like school connections and social hierarchy by education have been blurred a lot, still that (education) is our last bastion… education is the only way (for social mobility).

Similar to Lee (2006) and Sorenson's (1994) findings, such data suggest that Korea's education fever is based on the belief shared by the middle and lower classes that education is the only means of social mobility available to them within Korean society.

## Dissatisfaction with Social Services

Participants also pointed out the lack of day care systems available within the public preschools, which forces them to depend on private education services. Mothers agreed that one reason for choosing private education is simply because "we cannot just leave children at home on their own," and "to kill the time in a productive way until parents come back home." This finding, which has not been discussed in literature, suggests a cultural shift in household roles/responsibilities due to the growing number of working mothers in Korea. This has bearing on understanding what drives Korean mothers to consume private education for their children.

## My Own Childhood

Participants talked about how their own childhood influenced their motivations for the consumption of private education services for their children. Overall, this occurred in two ways: (1) mothers who did not receive enough private education sought to provide more educational opportunities for their children, and (2) mothers who did and are tired of private education sought to avoid forcing too much of it on their children. As two mothers of each case described,

> When my daughter said she doesn't want to go to academies, I told her, "You know what? Mom really wanted to go there (but I couldn't). I can't understand you." I'm from a very small town. We were too busy surviving, private education was over the line for our family.
>
> I had so many tutors. One day, the teacher was coming and I didn't finish the homework. So I asked my grandma to give me the answer sheet, and I copied them all. I think I was obsessed with something. This is what makes me think I'm not going to do the same thing for my kid.

Clearly, past experience with their own private education or lack thereof made these mothers reflect upon their decisions with respect to their children. As Belk (1988) posited, individuals tend to perceive a spouse or children as part of the extended self, therefore they can achieve self-satisfaction through vicarious consumption. In a similar vein, the mothers in the present study who regretted their own lack of education tended to focus more on their children's private education and were pleased to see their children doing what they could not.

## *My Household*

Another aspect that participants addressed was the role of household factors, such as the total number of children and financial resources of the household. For example, mothers with two children suggested that they become less enthusiastic about education for younger child because they already spent so much time, money, and energy on the older one. Likewise, mothers with three children said they have no choice than to invest less into each child's private education, due to the financial restrictions of the household. Similar to Kim and Lee's (2004) study, these findings suggest a relationship between number of children and decisions about private education.

## Conclusions and Implications

Results of this study revealed several factors important to Korean mothers when making consumption decisions regarding private education for their children. Social norms and the social mobility that potentially comes from education are important social factors. Experiences from the mothers' own childhood as well as household resources were the key personal factors motivating the mothers to spend on private education. The country's collectivistic culture exhibited by strong social pressure to conform and a historic importance placed on education within the social hierarchy clearly have an influence on these mothers' education-related motives.

Findings of this study contribute to the literature. First, this study applied an in-depth, qualitative approach and focused on preschool aged children in investigating parental consumption of children's private education in Korea, which are limited in the literature. This study also revealed as yet discovered factors operating in the consumer decision-making process, such as the lack of public day care offerings as well as what Korean mothers are looking for from private education services for their preschool aged children (e.g., prestige, social connections, diversity in programs, etc.). Understanding such needs can be useful in designing educational products targeting Koreans, for example, appealing to social norms through word-of-mouth marketing would be an effective strategy.

**References available upon request.**

# A Reexamination of Cultural-Based Effects on Judgment: The Impacts of Consumer Involvement and Product Involvement

**Guohua Wu, Xin Liu, and Jing Hu**

## Abstract

The study examined the moderating role of consumer and product involvements on product evaluation in a cross-cultural context. A 2 (product involvement: low vs. high)×2 (time pressure, low vs. high)×2 (self-construal: independent, interdependent) between-subjects design was used to test the hypotheses. One hundred and ninety-eight subjects participated the study. Results supported a significant interaction effect between self-construal and product involvements. When product involvement levels change from low to high, the increased level of elaboration magnifies the cultural impact on interdependent, but no such effect was observed among independents.

**References available upon request.**

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# The Effect of Acculturation on Consumer Disidentification and Consumption Behavior Among Cuban and Puerto Rican Immigrants in the US

**Sigal Segev, Aviv Shoham, and Yossi Gavish**

## Introduction

Immigration and ethnic diversification have been a defining characteristic of many Western, industrialized countries since the second half of the twentieth century. Immigrants often struggle between maintaining their original identity and commitment to their new nation-state (Verkuyten and Yildiz 2007). Identification conflicts at the individual level are often translated into consumers' positive or negative sentiments, which emerge in their consumption behavior (Klein et al. 1998; LeClerc and Schmitt 1994; Sharma et al. 1995). Recently, the concept of consumer disidentification (CDI) has been introduced and validated (Josiassen 2011). CDI stems from national disidentification and entails consumers' active rejection of and distancing from the perceived typical domestic consumer and is argued to have a significant impact on consumers' buying decisions (Josiassen 2011).

While immigrants initially arrive in the new country (host country) with a strong sense of identity as members of their country of origin, the process of acculturation may shift their self-identity and group belongingness (Berry 1997). These cultural changes are also likely to influence how individuals experience their host marketplace, their perceptions and tendencies and, ultimately, their consumption behaviors.

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This study explores how acculturation and ethnic identification affect the extent of immigrants' affinity, identification and disidentification with their host nation and how it influences CDI. We also explore how CDI affects consumers' predispositions toward domestic products (i.e., product quality judgments and willingness to buy). Tested among US, Puerto Ricans and Cubans, this study provides theoretical and managerial implications.

## Theoretical Background and Hypotheses

Acculturation entails immigrants' acquisition of host-culture traits and identity (Laroche et al. 1998). It is viewed as the process of moving toward the host culture (Berry 1997) and is manifested at all levels of individuals' functioning: cognitive, behavioral, and affective (Cuéllar et al. 1995). Identification with the host nation and feelings of belonging are considered to be one of the outcomes of the integration and social adaptation process (Fokkema and De Haas 2011). In this context, national identification is a self-concept that derives from individuals' acknowledgment of their membership in a social group, as well as the value and emotional significance attached to that membership (Tajfel 1981). In contrast, national disidentification represents individuals' reactive and oppositional positions toward the country in which they live (Ogbu 1993; Portes and Zhou 1993). Studies show that acculturation markers such as interacting with members of the host culture (e.g., Martinovic et al. 2009), using the host country's language, learning its customs (e.g., Nesdale 2002; Van Tubergen and Kalmijn 2009), and the time spent in the host country all exert a positive influence on immigrants' identification with the host nation. Similarly, acculturation is likely to have a positive effect on immigrants' affinity with the host country, defined as the liking for and attachment to a specific country based on direct personal experience and/or normative exposure (Oberecker et al. 2008). Given that acculturation entails continuous contact with, exposure to, and finally, adaptation to the host culture, it is likely that this process will have a positive association with affinity with the host nation. Therefore, we posit that:

H1a: Acculturation is positively associated with identification with the host nation.
H1b: Acculturation is negatively associated with disidentification with the host nation.
H1c: Acculturation is positively associated with affinity with the host nation.

Ethnic identification is conceptualized in this study as the extent of retention of one's culture of origin (Laroche et al. 1998), evidenced in the attitudes, values, and behaviors of the culture of origin. The strength of ethnic identification is viewed as the extent of commitment that individuals have to the norms and values of a given ethnic group (Hirschman 1981), as well as their sense of belonging and pride (Phinney 1990). Researchers argue that a negative association is likely to exist between ethnic identification and identification with the host nation (Verkuyten and Yildiz 2007). A cluster analysis of immigrants shows that individuals with strong ethnic identity exhibit weak national identity (Berry et al. 2006). In addition, the

social identity theory proposes that the stronger the individuals' identification with their group, the more bias they develop in favor of their group, usually at the expense of outgroups (Tajfel and Turner 1986). Therefore, we also expect ethnic identification to be negatively associated with affinity with the host country and its people. Thus, we posit that:

H2a: Ethnic identification is negatively associated with identification with the host nation.
H2b: Ethnic identification is positively associated with disidentification with the host nation.
H2c: Ethnic identification is negatively associated with affinity with the host nation.

Country-induced biases may also have implications for consumer behavior. For example, the image people have about their country affects how they feel about the country's products (Masheswaran 1994; Verlegh and Steenkamp 1999). Consumer ethnocentrism—"beliefs held by consumers about the appropriateness and…morality of purchasing foreign-made products" (Shimp and Sharma 1987, p. 280)—is another consumer phenomenon that originates from country bias and is driven by people's views of their country as right and superior (Sumner 1906). Finally, consumers may reject products because of a history of tension, anger or conflict between their own country and those products' country of origin. These negative sentiments form the basis for the consumer animosity construct (Klein et al. 1998). In a similar vein, CDI originates from the construct of national disidentification and has implications for consumer behaviors (Josiassen 2011). Consumers with high levels of CDI do not identify with consumers in the country in which they live and categorize themselves as different from the majority group (Josiassen 2011). Like animosity, ethnocentrism and COO, CDI is driven by biases against the country from which a product or a business originates or against its domestic consumers. Moreover, by its very definition, CDI arises directly from individuals' disidentification with their host country, so aspects of the relationship between the individual and his/her national category are translated into a consumer disconnect (Josiassen 2011). Therefore, we posit that:

H3a: Identification with the host country is negatively associated with CDI.
H3b: Disidentification with the host country is positively associated with CDI.
H3c: Affinity with the host country is negatively associated with CDI.

Research shows that consumers' ethnocentrism and animosity influence their willingness to buy domestic products regardless of the product's quality or value (e.g., Klein et al. 2006; Sharma et al. 1995; Watson and Wright 2000). Disidentification with the national group also affects consumers' willingness to purchase products produced either in their host country or by firms in the host country (Josiassen 2011). A study of immigrant consumers' disidentification with the Netherlands shows that CDI has a direct negative effect on judgments about Dutch products and the willingness to buy them. Therefore, we hypothesize that:

H4a: CDI is negatively associated with judgments about the host country's products.

H4b: CDI is negatively associated with the willingness to buy the host country's products.

Studies confirm that country of origin image is an external cue on which consumers evaluate products from that country (Nguyen et al. 2008; Shin 2001). These studies establish a direct relationship between judgments about the quality of the products from their country of origin and their purchase of foreign products (Cheah and Phau 2006; Taewon and Ik-Whan 2002). Similarly, Zafar et al. (2013) demonstrated a positive link between judgments about foreign products and purchase behavior. Therefore, we posit that:

H5: Judgments about the products of the host country are positively associated with the willingness to buy these products.

## Methodology

A convenience sample of 555 adult respondents originally from Puerto Rico ($N=207$) and Cuba ($N=348$) constituted the sample. After Mexicans, these groups are the second and third largest Hispanic groups in the US (US Census 2010). The participants' average age in the Cuban sample was 37.05 (SD=15.00) and in the Puerto Rican sample 34.61 (SD=14.34). The samples included slightly more females (Cuba=57 %; Puerto Rico=54 %) than males. Data were collected from a self-administered survey with variables measured through previously validated 5-point Likert type scales with anchors of (1) "strongly disagree" and (5) "strongly agree." Surveys were available in English and Spanish. Acculturation was measured with Laroche et al.'s (2007) 3-item scale ($\alpha_{Cuba}=0.84$; $\alpha_{Puerto Rico}=0.85$). Ethnic identification was measured by Laroche et al.'s (2007) 6-item scale ($\alpha_{Cuba}=0.86$; $\alpha_{Puerto Rico}=0.91$). Identification with the host country was measured by Verlegh's (2007) 4-item scale ($\alpha_{Cuba}=0.83$; $\alpha_{Puerto Rico}=0.87$). Disidentification with the host country was measured by Verkuyten and Yildiz's (2007) 5-item scale ($\alpha_{Cuba}=0.78$; $\alpha_{Puerto Rico}=91$). Affinity with the host country was measured by a 14-item scale extracted from Oberecker et al. (2008) ($\alpha_{Cuba}=0.86$; $\alpha_{Puerto Rico}=0.93$). CDI was measured by Josiassen's (2011) 6-item scale ($\alpha_{Cuba}=0.73$; $\alpha_{Puerto Rico}=0.85$). Judgments about products were measured by Shoham et al.'s (2006) 6-item scale ($\alpha_{Cuba}=0.78$; $\alpha_{Puerto Rico}=0.85$), as was the willingness to buy them ($\alpha_{Cuba}=0.61$; $\alpha_{Puerto Rico}=0.74$). Demographic data were collected as well.

## Results and Discussion

Two measurement models were created to reflect the Cuban and the Puerto Rican samples. Both models showed acceptable fit measures (Cuba: $\chi^2_{(439)}=917$, $p \leq 0.01$, TLI=0.88, CFI=0.90, IFI=0.90, RMSEA=0.065; Puerto Rico: $\chi^2_{(439)}=917$,

$p \leq 0.01$, TLI$=0.88$, CFI$=0.90$, IFI$=0.90$, RMSEA$=0.073$). Results show that acculturation has a positive effect on identification and affinity with the host country, supporting H1a ($\beta_{\text{Cuba}}=0.73$; $\beta_{\text{Puerto-Rico}}=0.89$; $p<0.01$) and H1c ($\beta_{\text{Cuba}}=0.36$; $\beta_{\text{Puerto-Rico}}=0.52$; $p<0.01$). Acculturation has a negative effect on disidentification with the host country, supporting H1b ($\beta_{\text{Cuba}}=-0.46$; $\beta_{\text{Puerto-Rico}}=-0.64$; $p<0.01$). However, the results do not support H2a, as ethnic identification had a positive effect on identification with the host nation ($\beta_{\text{Cuba}}=0.12$; $\beta_{\text{Puerto-Rico}}=0.14$ $p<0.05$). Ethnic identification positively affected disidentification with the host nation in the Cuban sample ($\beta_{\text{Cuba}}=0.19$; $p<0.01$), but not in the Puerto Rican sample ($\beta_{\text{Puerto-Rico}}=0.04$; $p=0.27$), partially supporting H2b. No significant relationship was found between ethnic identification and affinity with the host country, so H2c was rejected. Identification and affinity with the host country were expected to have a negative effect on CDI (H3a and H3c, respectively). However, the results did not support H3a, showing a positive relationship between these variables in the Puerto Rican sample only ($\beta_{\text{Puerto-Rico}}=0.15$). H3c was partially supported in the Cuban sample only ($\beta_{\text{Cuba}}=-0.19$). Disidentification with the host country positively affected CDI in both samples, supporting H3b ($\beta_{\text{Cuba}}=0.83$; $\beta_{\text{Puerto-Rico}}=0.96$; $p<0.01$). In addition, CDI was negatively associated with judgments about product quality only in the Puerto Rican sample, partially supporting H4a ($\beta_{\text{Puerto-Rico}}=-0.56$; $p<0.01$). CDI was negatively associated with the willingness to buy products from the host country, supporting H4b ($\beta_{\text{Cuba}}=-0.39$; $\beta_{\text{Puerto-Rico}}=-0.66$; $p<0.01$). Finally, product quality was positively associated with the willingness to buy the host nation's products in the Cuban sample only ($\beta_{\text{Cuba}}=0.37$; $p<0.01$), partially supporting H5.

The results of this study confirm that disidentification with the host nation is the basis of CDI and both are distinct constructs as Josiassen (2011) suggested. Acculturation is the process through which disidentification with the host nation and the resulting CDI can be reduced. As expected, acculturation contributes to immigrants' self-categorization, sense of belonging, liking for, and identification with the host nation and its people. However, in both samples ethnic identification demonstrated an inconsistent relationship with identification, disidentification, and affinity with the host country, implying that in the reality of cultural pluralism, immigrants can maintain their identification with both their culture of origin and the host culture (Laroche et al. 1996), with the former not necessarily affecting their national commitment, sense of belonging to the host nation, or affinity (Parekh 2000). Compared to acculturation, ethnic identification seems to be less powerful in affecting CDI through host nation disidentification.

In both samples, CDI was negatively related to the willingness to buy US products. However, the effect of the latter based on product judgments showed to be inconsistent in both samples. These findings imply that immigrant consumers are realistic in their choices and understanding of the reality of the host market. While consumers may disidentify with the host consumer and the marketplace, this sentiment does not translate into evaluations about product quality (in the Cuban sample) or the willingness to buy them (in the Puerto Rican sample). Klein et al. (1998) explain that consumers' animosity toward a country could affect their willingness to purchase its products without affecting their product evaluations. Others suggest

that the way country-induced consumer bias affects the willingness to buy varies between consumers from advanced, developed countries and those from less developed countries who tend to view products from their countries of origin as lower in quality (e.g., Batra et al. 2000; Wang et al. 2000).

## Conclusions and Implications for Theory and Practice

The theoretical contribution of this study is threefold. First, it validates CDI, a relatively new construct, and its importance to consumer behavior in ethnically diverse markets. Addressing the call to expand CDI research and investigate it in other countries (Josiassen, 2011), this study proposes and tests a model for the antecedents and consumption-related outcomes of CDI among two major immigrant groups in the US. Second, this study explores the role of acculturation and ethnic identification in the mechanism that drives CDI. Third, while previous studies of consumer country-biases mostly focused on consumers' animosity toward foreign countries, this study investigates country-induced biases at the host nation level and includes the effect of affinity toward the host country as a possible driver of consumer sentiments, product evaluation and purchase behavior.

These results have useful implications for marketers in terms of segmentation, targeting and persuasive message design. Marketers should regard acculturation as a segmentation tool that may imply more national identification and affinity, making the emphasis on the fact that the products are made in the USA a positive factor. On the other hand, for less acculturated individuals, it might be more effective to either stress cues that are more general such as quality, price, and functionality or to emphasize cues that are associated with the consumers' original culture. Identifying the levels of CDI among immigrant consumers and segmenting them accordingly also provides opportunities for marketers of foreign products either from the consumer's country of origin or from other foreign countries. Given the effect of CDI on the willingness to buy brands from the host country, foreign brands might have an advantage over domestic brands. Marketers can also position brands as global rather than associating them with the host nation. Given that consumer culture is becoming more global (Cleveland and Laroche 2007), positioning a brand as global (such as Apple or Nike) rather than identifying it with a specific country might be more appealing to individuals with high levels of CDI.

**References available upon request.**

# Session 3.4
# Promotion and Brand Management

# Decoding the Effects of a Product's Cast Shadow on Brand Evaluations in Promotional Contexts: A Structured Abstract

**Nazuk Sharma**

## Introduction

Advertisements commonly employ visual imagery to not only demonstrate the functional aspects of a product, but also to emphasize its visually pleasing aspects such as style, look, and appeal. For instance, Apple's recent launch, iWatch, was seen advertised at an angle such that it cast a shadow on the white space around it. Consistent with Apple's design-centric branding strategy, its adverts portray the brand as visually esthetic. It is interesting to note that while some brands use the product's shadow as a part of the visual imagery, others do not. Research under visual imagery in advertising has explored changes in product evaluations, attitudes, affect, emotional appeal, purchase intentions, and information processing (Rossiter and Percy 1980; Janiszewski 1990; Levy and Perachhio 1992). Surprisingly, however, the downstream effects of a product's shadow when present in a brand-oriented ad frame have yet to be explored. This research attempts to systematically test the effects of the presence or absence of a product's shadow on its brand evaluations. In doing so, it employs experimental design to test the impact of product's shadow on the consumer perceived brand image.

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# Background

Marketing research suggests that "brand image" (i.e., "consumer perceptions about a brand, as reflected by brand associations held in consumer memory"—Keller 2008), can be fostered through visual imagery. These associations do not need to be product specific and can be completely independent of the product. They continue to affect long-term brand perceptions, as well as the consumer–brand relationship (Keller 2008). These associations are defined by a firm from a strategic standpoint such that they help in fostering a unified brand image in the consumer's mind. Such a specific, unified association that forms an umbrella around a firm's product positioning and communication strategies is termed as a "brand concept" (Park et al. 1986).

Literature on object shadows in visual arts, cognition, and visual perception and experimental psychology discusses two types of shadows. An "attached" shadow is formed when a surface obstructs light falling on itself while a "cast" shadow is formed when one surface occludes another from the light source (Mamassian et al. 1998). Of particular interest to this research is the "cast" shadow as it has been demonstrated to strongly influence perceptions of spatial layout, enhance perceptual saliency of the field of vision, add depth to an object, and evoke coarse or the more global features in the visual field of evaluation (Cavanagh and Leclerc 1989; Casati 2004; Mamassian 2004). It can be inferred that these cast shadows when present in an advertising frame can influence the evaluation of not just the product, but also the overall brand concept.

Brand concept selection as functional, symbolic, or experiential is a critical factor in determining a brand's market position (Park et al. 1986). Where a functional brand concept is designed to solve consumer problems, an experiential brand concept is designed to stimulate sensory pleasure. There should be a consistency between the brand concept communicated by the firm through an ad and the brand image formulated at the consumer end. Given the importance of creating a consistent, psychological brand image, the researcher proposes that the use of product's cast shadow in advertising would influence the consumer perceived brand image differently under a functional and an experiential brand positioning. Specifically, it is proposed that the presence of a cast shadow would hurt a functional brand concept through inconsistency of gestalts and difficulty in visual processing. On the other hand, it would facilitate an experiential "brand concept-image management" through consistency of gestalts and ease of processing (please note that the symbolic dimension of the brand-concept has not been included in this discussion as it is not conceptually predicted to be affected by the presence or absence of a product's cast shadow based on a comprehensive literature review).

# Research Model

Construal theory suggests that a lower level and detailed visual orientation relates to "feasibility," "functional" or the "how" aspects whereas a higher level, global, and an abstract visual construal corresponds to "desirability," "pleasurable" or the

"why" aspects (Liberman and Trope 1998). Additionally, the processing fluency model suggests that advertising exposures that enhance "perceptual fluency" (i.e., "the ease with which the physical characteristics of a stimulus are perceived and identified") lead to more favorable attitudes toward the brand (Lee and Labroo 2004). A functional brand concept is focused on problem solving based on its product feature details and performance aspects. When cast shadow is present, it typically touches the object's surface and diminishes the vividness of the product itself in that gestalt (Mamassian 2004). Cast shadows also create a visual slowdown and impede the lower level feature search and recognition (Rensink and Cavanagh 2004). Therefore, in the functional brand's case, a shadow's presence would conflict with the required processing construal (i.e., concrete). Furthermore, the researcher predicts that the cast shadow would hurt the perceptual fluency (as viewers cannot easily process the functional details of the product through its image), thereby diminishing its overall brand evaluation and perceived brand image.

On the other hand, it is important for an experiential brand concept that an individual "desires" the product based on sensory stimulation. Visual research states that shadows are low spatial frequency content which correspond to the coarse scale, global features of an image. For an experiential brand product, a match between the abstractness of the brand concept and the presence of product's cast shadow (that helps focus on the global/coarse features of the image) would lead to a higher brand evaluation and perceived image. In addition, the presence of a cast shadow when slowing down the retinal system, would help reflect on the more meaningful "why" aspects of this brand concept (Rensink and Cavanagh 2004). Accordingly, processing fluency would also be enhanced for an experiential brand product presented with a shadow. Based on the above discussion, it is proposed that the presence of a shadow would enhance the brand evaluation and perceived brand image for the same product portraying an experiential brand concept, while it would lower its evaluation and image when depicting a functional brand concept. In addition, these effects are qualified by an individual's Style of Processing (SOP), i.e., whether the viewer is more of a verbalizer or a visualizer (higher proposed effects for visualizers based on the visual emphasis of the study).

## Methodology

To test the above propositions, two studies were designed and executed by employing respondents from a large US based online recruiting platform. Study 1 was designed to measure the corresponding visual processing construal of a consumer when evaluating product images with and without shadows through an Implicit Association Test, IAT ($N = 144$). IAT is considered to be a strong measure of implicit mental associations in behavioral sciences (Nosek, Greenwald and Banaji 2005). Visual perception literature states that object shadows are intuitively discounted when evaluating an image and constitute a subtle visual element (Mamassian 2004). Therefore, IAT was employed to gage the subliminal associations of shadows in product images to concrete/abstract visual construals. Study 2 was targeted to

manipulate the product's cast shadow and the brand concept using a 2 (Shadow: Absent/Present)×2 (Brand Concept: Functional/Experiential—manipulated through verbal claims) experimental design with individual Style of Processing, SOP (verbalizer/visualizer) as a measured variable (N=268).

The outcome variables of interest for study 1 included response latencies and general perceptions regarding product images with shadows. In a 2 (Pairing Order: Compatible before Incompatible/Incompatible before Compatible)×2 (Target Attribute Presentation Order: Left/Right) nested design, participants responded to randomly presented target-concepts, i.e., "abstract" or "concrete." The images for this task were adapted from established gestalt completion tests that require visual abstraction (Trope and Liberman 2010). Using the standard IAT protocol, in the first set of trials, respondents were asked to perform a quick target-concept discrimination by using the keys, "e" (left) or "i" (right) (Greenwald et al. 2003). After the first task, they performed a second attribute discrimination task by quickly sorting product images randomly presented under the attribute dimensions of "shadow" or "no shadow."

Following the discrimination tasks, a combined task was performed by participants, where the target-concept and the attribute tags were presented together. In the next tasks, the order of the target-concept tags was reversed and participants were requested to sort the same images using a reversed order. All the images were randomly presented and the response and error latencies were recorded. It was proposed that response latencies and errors will be lower in compatible conditions (concrete/no-shadow; abstract/shadow) and higher in the incompatible conditions (concrete/shadow; abstract/no-shadow). In addition, study 1 measured general consumer perceptions about the advertised product in the presence of shadow (4 item, 7-point scale—e.g., bad/good, unpleasant/pleasant; $\alpha=0.872$).

For study 2, the subjects were randomly presented with one of the manipulated conditions (no-shadow/functional, shadow/functional, no-shadow/experiential, and shadow/experiential) and an internal timer captured the amount of time spent on the ad (Stimuli—a mini tot stapler). Each respondent was then guided through a series of response measures from overall ad evaluation to measures of brand evaluation (8 item, 7-point scale—e.g., Bad/Good, Dislike/Like, Low Quality/High Quality; $\alpha=0.964$) and perceptions of brand image (12 item, 5-point scale—Not descriptive at all/Extremely descriptive—e.g., reliable, functional, stimulating, desirable; $\alpha=0.931$) along with some standard covariates such as gender, age, and familiarity (Sujan and Bettman 1989; Keller and Aaker 1992; Ramaseshan and Tsao 2007). The SOP items were adapted from the classic 22-item scale, with 3 items under each of the verbalizer and visualizer dimensions (Childers et al. 1985). In addition, study 2 also captured some processing fluency measures (4 item, 7-point scale—e.g., ease of processing claims).

# Results

Considering multiple candidate measures used in IAT analyses (median, mean, log, reciprocal, and D); the D measure was used for final comparison of the relevant IAT stages based on its robustness to response biases (Nosek et al. 2005). Correcting for

the number of missed response classifications, a final D value (the equivalent of effect size—Cohen's d) was calculated. As predicted, the mean effect size was positive for the compatible conditions ($M_{Compatible} = 0.1921$). On the other hand, the mean effect size was negative for the incompatible conditions ($M_{Incompatible} = -0.0733$). A test of mean difference between compatible and incompatible pairs was statistically significant [$t(140) = 0.2655$, $p < 0.05$]. Overall, the average effect size came out to be significant and positive ($M_d = 0.132$ corresponds to a small effect size, i.e., $d = 0.1$–$0.2$—Cohen, 1992). It is established through this IAT that consumers associate product images with shadow to an abstract gestalt and product images without them to a concrete construal. In addition, one sample $t$-test on shadow perceptions revealed that the mean difference between positive and negative perceptions was 0.627 [$t(138) = 6.968$, $p < 0.01$]. Hence, there seems to be evidence that the overall perceptions about products presented with shadows are positive when the respondents were asked explicitly.

For study 2, a 2 (No Shadow/Shadow) × 2 (Functional/Experiential) analysis of variance with individual SOP (higher score indicating more visualizer tendencies) (along with standard covariates—gender, age, and familiarity), on the overall brand evaluation index was statistically significant [$F(12, 255) = 2.582$, $p = 0.003$, $\eta^2 = 0.11$]. As proposed, there was a marginally significant main effect of the product's shadow [$F(1, 255) = 3.849$, $p = 0.051$, $\eta^2 = 0.015$] qualified by the interaction effect of the shadow with the individual SOP [$F(1, 255) = 3.946$, $p = 0.048$, $\eta^2 = 0.015$]. In the no-shadow condition, for a one unit increase on the SOP scale (toward visualizers), a consumer's brand evaluation went up by 1.235 ($\beta = 1.235$, $p = 0.044$). None of the other effects were significant except for that of age and familiarity ($p < 0.05$). The equivalent analysis on the brand image index also revealed a significant overall model fit [$F(12, 255) = 2.795$, $p = 0.001$, $\eta^2 = 0.12$]. There was a main effect of the product shadow [$F(1, 255) = 6.665$, $p = 0.010$, $\eta^2 = 0.025$], as well as a significant interaction of this factor with individual SOP [$F(1, 255) = 7.830$, $p = 0.006$, $\eta^2 = 0.03$]. Specifically, as an individual moved away from being a verbalizer to more of a visualizer, the brand image improved in the no-shadow condition ($\beta = 0.971$, $p = 0.010$).

The same analysis on the ease of processing brand claims was also statistically significant [$F(12, 255) = 2.241$, $p = 0.011$, $\eta^2 = 0.095$]. Pairwise comparisons showed that the ease of processing brand claims was higher in no-shadow condition compared to the shadow condition ($M_{diff} = 0.267$, $p = 0.080$, $\eta^2 = 0.012$). Post hoc analysis revealed that specifically under the functional brand concept, the no shadow condition ad was processed easier than the shadow condition ad ($M_{diff} = 0.436$, $p = 0.040$, $\eta^2 = 0.017$). The mean difference between no shadow and shadow conditions under the experiential brand concept factor was not statistically significant ($p > 0.05$). A 2 (No-Shadow/Shadow) × 2 (Functional/Experiential) analysis of variance on the time spent evaluating the ad revealed a marginally significant interaction between shadow's presence or absence and the brand concept [$F(3, 264) = 3.621$, $p = 0.058$]. Participants in the no-shadow/functional condition spent significantly lower time viewing the ad than those in the shadow/functional condition ($M_{diff} = -14.229$, $p = 0.027$). Another contrast between shadow/functional and shadow/experiential was marginally significant ($M_{diff} = 12.322$, $p = 0.056$) suggesting that participants in

the former condition took more time to evaluate the ad than the ones in the latter condition. These effects follow to the ease of processing and the visual slowdown explanations.

## Discussion

Overall, the above results provide support that the brand image for a functional brand product is enhanced in the absence of shadow, especially for a visualizer. This is corroborated by visual fluency or ease of processing in the functional/no-shadow condition, as well as the concrete gestalt perspective that focuses on functional aspects focal to this brand concept. The results did not hold as strongly under the experiential manipulation (perhaps due to stimuli limitations). However, there is proof for less time spent in experiential/shadow condition when compared to functional/shadow condition suggesting that processing may be easier when the shadow is presented in an experiential brand concept. Future research can be built upon the current limitations as well as to further these findings. Overall, these studies suggest that even though the general perceptions about products presented with shadows are positive, it may hurt certain brand concepts (i.e., functional) to use shadows in their visual promotional contexts.

**References available upon request.**

# The Brand-As-Verb Phenomenon, Our Genericidal Pastime: Searching for the Truth Behind Googling, Xeroxing, Fedexing, and Much More

**R. Wixel Barnwell and Kevin J. Shanahan**

## Introduction

Though much of the marketing literature has focused upon brand names and the importance of preventing genericization, this perception not only fails to take into account the value created by brand genericization, but also specifically to address the value created by the phenomenon known as "brand-as-verb." This phenomenon offers not only insight into customer co-creation, but the fundamental premises of Service Dominant Logic, namely the concept that the category of products traditionally labeled, "goods," subsumes into that of services (Vargo and Lusch 2004).

The goal of this manuscript is twofold. First it is to perform an in depth literature review of the phenomenon referred to as "brand-as-verb" and related issues, such as ethics and usage. In this context, the brand-as-verb phenomenon occurs when a brand name not only undergoes genericization, moving from the syntactic category of adjective to a noun, but transitions even further to become a verb. Examples of this phenomenon include Xeroxing, Googling, Fedexing, Photoshopping, Rollerblading, and even Spamming.

In addition to this, the secondary goal of this manuscript is to review this literature from the perspectives of Service Dominant Logic and one of its underlying tenants, customer co-creation. These constructs advocate the principle that the firm can never do more than present a value proposal, for it is the consumer population that ultimately determines the value. The implications of this will be presented in the generalized conclusions and future research portions of this manuscript, which will also include a proposal for further study and a suggestion as to methodology.

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# Background

A brand name is more than letters on a page, a package, or a billboard (Gardner and Levy 1955). If it works well it is a timeless summation of all the aspects, attributes, values, and benefits that a company hopes a customer attributes to that company's products or services (Gardner and Levy 1955; King 1973). Brand names are considered to be among a firm's most valuable assets (Kohli and Thakor 1997). Yet questions abound for scholars and practitioners alike.

What makes a good brand name? How does a brand name gain top of mind recognition? Does the mind process brand names differently from other words? Why, if using a brand name as a verb is a bad thing, would Microsoft adopt the slogan, "Bing It On," to promote its Bing Search Engine and even acquires the web address, "www.bingiton.com?"

These are all questions that marketing scholars and marketing practitioners have confronted in a variety of ways. To pursue answers, some have employed text analysis (i.e., Clankie 2000, 2002; Stvan 2006), consumer surveys (i.e., Chiang 2009), recall testing (Lowery et al. 2003; Harrison 2013), street signs, linguistic landscape analysis (i.e., Tufi and Blackwood 2010), and even brain scans (i.e., Gontijo et al. 2002). Considering the vital role that brands play in consumer decision making and other aspects of the commercial and cultural environment, this attention is well deserved.

Yet, according to the legal perspective focused upon trademarks, the transition of a brand name into the cultural lexicon and changing lexical categories is a phenomenon to be prevented at all costs. Such a transition will allow competitors and those in the public at large to adopt and utilize the brand name in ways that the brand's owner may not have intended. In fact, the term "genericide" has even been coined to describe this death of control by the brand's owner as the brand's very meaning is transformed by usage (i.e., Dick 2004; Moore 2003). However, this is far from the whole story.

## *Linguistics and Branding*

The brand-as-verb phenomenon could be considered a subset of the larger brand genericization phenomenon described by Clankie (2000, 2002). Four things set brand names apart from other naming nouns that appear in linguistics (Clankie 2000). These four things are as follows.

– A Clear Point of Origin of the Name (Clankie 2000)
– A Proprietary Status by Which an Entity "Owns" the Name (Clankie 2000)
– Brand Name Creation is Relatively Independent of the Rules of Language (Clankie 2000)
– Rather than being a Proper Noun, Brand Names are Proper Adjectives (Clankie 2000)

Though, one might argue that Clankie's third tenant is flawed in light of the findings of Pinker related to words like Walkman, Pinker's argument makes the point that the rules that apply are in fact the rules that apply to names as opposed to nouns in general. For example, the Miami baseball team is correctly referred to as the Miami Marlins, even though marlin is the correct plural form for the fish (Pinker 2000).

Recognizing these key differences between brand names and other names and supported by a text analysis of more than 100 brand names taken from English-speaking markets and markets in Japan, Clankie proposed a theory of genericization (Clankie 2000). Under this theory, genericization is not defined as a change of meaning, but rather a broadening of meaning. This broadening allows for the brand name to be applied to the entire category, thus all nasal tissues become Kleenex, all photocopies become Xeroxes, and all undersized swimsuits for men become Speedos (Clankie 2000).

This theory goes on to identify four characteristics that enable a brand to become genericized (Clankie 2000). These are as follows.

– The Brand Name is Novel and Not Derivative of Other Terms
– The Brand Name is Shorter than the Term for the Overall Class
– The Brand Name Usage Shifts from Adjective to Noun
– The Brand Name is Clearly Identified with Only a Single Product

Interestingly, Clankie acknowledged another change that in fact undermines the premise that genericization is only a broadening, rather than changing of meaning. This change is not to become a verb, but rather a fundamental change of meaning (Clankie 2000). The cases cited are those of Spam and Oreo, where one becomes synonymous with unwanted emails and the other becomes a derogatory name for an African-American who, in the opinion of other African-Americans, reflects too many characteristics of the Caucasian culture (Clankie 2000). These are identified as areas for future study.

In addition to recognizing the linguistic aspects of genericization, genericide, too, has gained the attention of linguists. The role of the public in taking ownership of brand names and using them will be noted as directly attributing to genericide (Moore 2003). Dr. Moore of the Department of Anthropology at the University of Chicago has documented in the journal, *Language and Communication*, how the use of brand names in customer-produced viral marketing, where the users themselves express their support online, further undermines the strict usage protections afforded by trademarks, as companies are confronted with the dilemma of prosecuting not only their critics and competitors, but also the customers who love their brand so much that they literally promote the brand through their own efforts. From this viewpoint, genericide might be described as death by success. It is the popularity of these brand names that makes them the names of choice for those attempting to describe the category or service.

## Marketing and Linguistics

Considering that building strong, memorable brands and understanding the dynamics of doing so are among the most important issues facing both marketing scholars and practitioners, it is no wonder that marketing scholars have adopted linguistic tools to analyze brand names and have tried to find characteristics to increase the value of these names. From linguistically analyzing brand names to making them memorable (Lowry et al. 2003) to exploring what linguistic characteristics might be capitalized upon to increase their perceived trustworthiness (Yorkston and Menon 2004) or international appeal (Usunier and Shaner 2002), marketing scholars have employed methods and theories from linguistics to exploring the attributes of brand names.

In addition to this, cultivating brands to gain top-of-mind awareness among consumers can be a multibillion-dollar endeavor (Kohli and Tahkor 1997). For example, Nestle's acquisition of the Perrier brand name alone cost $2.5 billion (Kohli and Tahkor 1997). In this context, top-of-mind awareness refers to being among the first options considered by a potential customer when thinking about an approaching purchase decision (O'Guinn et al. 2009). Gaining such awareness is extremely important, for it serves not only to inform the consumer's decision, but also increases the likelihood consumers will chose that option rather than a less familiar option, even if the less familiar option might offer advantages related to cost or performance (Bansal et al. 2005).

While these findings support the value that companies place upon the creation, cultivation and protection of brand names, as in the linguistics literature, this focus on protection might be called into question. It is only the leading brands with top-of-mind awareness that face such genericization (Clankie 2002).

Perhaps this might explain Microsoft's deliberate attempt with the search engine, Bing, to make it a verb, even though status as a verb would fundamentally undermine its trademark protection (Cohen 2009). The motivation for these actions by Microsoft is even clearer when seen through the context of co-creation (Prahalad and Ramaswamy 2004) and Service Dominant Logic (Vargo and Lusch 2004).

## Co-Creation and Service Dominant Logic

Under the perspective of co-creation, in which a company does not determine a product's or brand's value in a vacuum, but rather that value is arrived at in combination with the intended consumer (Vargo et al. 2008; Merz et al. 2009). In fact, according to Service Dominant Logic, a firm can at most propose a potential value for anything they offer, but only the consumer can determine that value (Vargo et al. 2008).

This perspective is not without controversy. Since Service Dominant Logic was first proposed in 2004 it has attracted both praise and criticism (Vargo and Lusch 2004). This logic synthesizes a variety of trends and other phenomena in the mar-

keting literature to propose that in the modern age all products, be they goods or services, are in fact services (Vargo and Lusch 2004). Vargo and Lusch state that this is the end result of a progression starting in 1776 with Adams Smith's Wealth of Nations (Smith 1776), when a Goods Dominant Logic undervalued the importance of services and service-related expertise, and thus, in effect, perceived even services as if they were in fact goods.

The importance of this perspective in the context of the brand-as-verb phenomenon is twofold. First, if the brand-as-verb and all genericizations are outgrowths of brand co-creation, then attempting to prevent such a phenomenon is either futile or self-destructive. For if such genericization is the outgrowth of co-creation and a growing feeling of consumer ownership of the brand (Moore 2003) then discouraging it would be akin to telling customers to go away.

Second, if Service Dominant Logic is correct and even goods are in fact service-delivery systems, thus services themselves, then why has not this phenomenon reached outside of traditionally defined service firms? For example, while overnight delivery has become "Fedexing" and photocopying continues to be "Xeroxing," eating a burger is not "McDonalding."

## Methodology

Using Amazon Mechanical Turk, a series of qualitative online data collections will be performed. Subjects will be surveyed as to the brand names they have used as verbs. In addition to this, qualitative questions will be asked to see how strongly linked to the brand a branded verb is perceived once the branded verb becomes synonymous with the category, such as Xeroxing for photocopying.

In addition to this the brand names utilized will include both traditional services and traditional goods. The age of the subjects and other demographic information will also be collected in order to gain insight as to how usage of such terms might vary based upon demographic distinctions.

Once variables are appropriately identified, quantitative methods will be employed to verify insights pertaining to brand recognition and good/service distinctions. This information is also likely to be collected online via Amazon Mechanical Turk or a similar data collection tool.

## Future Research

Future research efforts into the brand-as-verb phenomenon and its value might be best segregated into three areas. These areas are value, circumstances, and policy.

First, there is the question of whether there is more value in diligently protecting trademarks or in allowing the brand-as-verb transition to occur to establish top-of-mind awareness in the target market. Such techniques as opened surveys and

recall testing might serve to shed light on this question. Established scales for purchase intention and recall will be valuable in this regard.

Second, though exciting work has begun in identifying the circumstance in which a brand transitions lexical categories from an adjective to a noun and thus becomes genericized for their category, additional work remains to be done into those brands that make the additional transition into verbs. Further, if this transition is found to be solely the domain of those brand names traditionally categorized as services, then this case potentially becomes a persuasive argument against Service Dominant Logic, which claims such traditional distinctions are false by their nature in the modern age.

Third, considering that it is the nature of living languages and the words that compose them to change over time, then trademark law that insists upon the static categorization of a word becomes an example of the failure of proscriptive grammar to accurately describe descriptive circumstances. Given that this is the case, legal research into the precedent of protected properties that change over time could prove invaluable for creating a more applicable set of regulations that might allow such lexical changes in categorization without the firm losing complete control of their brand names.

In each of these cases, there is much work to do, but exciting possibilities abound for marketing scholars, linguistic scholars, and legal scholars alike. Thus, though a rose by another name might smell as sweet, would a Fedex by another name be as punctual?

**References available upon request.**

# How Does Brand Age Influence Consumers' Attitudes to Firm's Unethical Behaviors?

**Chi Zhang, Saim Kashmiri, and Melissa Cinelli**

## Abstract

While there is a significant amount of research investigating the impact of firm's unethical behaviors on consumers' attitudes, limited amount examines the effect of brand age, which is a potential powerful contributor to consumers' brand evaluations, on consumers' attitudes to firm's unethical behaviors. The purpose of this chapter is to investigate the effect of brand age on consumers' perceptions of the brand (e.g., brand personality) and its impact on consumers' attitudes toward firm's unethical behaviors.

The authors test hypotheses with data from 168 participants enrolled on Mturk. Participants were randomly assigned to 2 (low involvement condition: Ad fraud vs. high involvement condition: food safety) × 2 (old brand: *Since 1952* vs. young brand: *Since 2012*) between-subject designs. In order to rule out the consumers' previous brand experiences, a fictitious food brand was used in the experiment. Brand personality, brand credibility before and after the negative news, and consumers' attitudes toward the firm's unethical behaviors were measured.

The results demonstrate that brand age can influence firm's brand personality and brand credibility. Old brand is perceived more sincere and also has higher brand credibility than young brand. The relationship between brand age and brand credibility is mediated by the perceived sincerity of a brand. Moreover, the effect of brand age on consumers' attitudes toward firm's unethical behaviors differed depending on consumers' perceived involvements of firm's unethical behaviors. When consumers are in the low involvement condition (e.g., a firm is involved in Ad fraud), they are more likely to forgive the firm with old brand age. However, when consumers are in the high involvement condition (e.g., food safety), they are less likely to forgive the firm with old brand age.

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# The Third Time Is the Charm: Proposing and Validating an Abbreviated Brand Love Scale

**Phillip Hartley and Luis Torres**

## Introduction

As anyone who has experienced it can surely attest, love is an extremely complex emotional state. Traditionally reserved for those closest to us—family, friends, significant others, or pets—recent years have witnessed the incorporation of love into the marketing discipline's attempts to understand consumers' experiences of brands. Empirically, brand love has been associated with important outcomes such as word-of-mouth behavior, brand loyalty, increased willingness to pay, and even forgiveness of brand failures. In contrast to the research that established these relationships, this manuscript seeks to address a fundamental issue related to brand love: how it should be measured.

Study in the area of branding has long focused on consumers' attitudes toward the brand. As the literature has grown, the focus has shifted from assessing and predicting attitudes toward understanding the complex nature of individuals' interactions with brands. Over time, the discipline has come to accept the notion of relationships between consumers and brands. In the extreme case, these relationships foster feelings strong enough to qualify as love.

Early work defined brand love as "the degree of passionate emotional attachment a satisfied consumer has for a particular trade name". The scale developed from this definition is subject to criticism for at least two reasons. First, the definition may seem conceptually appropriate; however, its vague reference to "passionate emotional attachment" provides little guidance with regard to operationalizing the construct. Also, as the authors acknowledge, difficulty arises from the tendency of

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individuals to use the term loosely when referring to commercial brands. This tendency creates problems with direct self-reporting one's level of brand love that stem from discrepant views of what constitutes "love." As the 10-item scale is very direct in nature and does not, in itself, define "love" despite its use of the term, it does not account for these concerns.

Perhaps in an effort to address the issues described above, more recent work on the construct has yielded a different approach to measurement. In this research, the complexity of brand love is more effectively accounted for by means of prototypically defining the construct. In other words, brand love is "conceived of in terms of close antecedents, the phenomenon itself, and proximal consequences" (Batra et al. 2012). What the previous approach boasted in simplicity, this one makes up for in effort to truly capture the total experience of loving a brand including related emotions, attitudes, and behaviors…with nearly 90 questions that constitute 14 sub-factors of the overall construct. Through its sophistication, this scale avoids any issues related to interpretation of love by posing much more specific questions to respondents. Of course, an instrument that consists of so many items presents practical concerns with survey length, especially given that most researchers would likely want to measure brand love along with additional constructs and considering the fact that long questionnaires often yield lower response rates.

In essence, the two scales described above represent two wildly different approaches to measuring brand love. The first is a relatively succinct instrument, but the convenience it offers comes at the price of bias and inaccuracy due to its reliance on a vague conceptualization and circular reasoning to operationalize the underlying construct. The other option avoids the issues that hamper the first through a kind of 360° approach to measurement. Unfortunately, the cumbersome length of the instrument calls into question the feasibility of its use.

The current research seeks to harness the strength of the more recently developed, more comprehensive brand love scale while repackaging it in an abbreviated form. Prior research offers support for the use of a minimal number of items to tap into certain well-defined concepts. In particular, using fewer indicators for latent variables has been found to yield better and more accurate results from the application of SEM to theoretically sophisticated conceptual models. Drawing from these methodological prescriptions and prior work in the area of brand love, this research seeks to identify a single best indicator for each sub-factor of Batra and company's brand love scale. The resulting subscale will thereby adhere to the factor structure of the original scale without requiring the use of the full set of items. Finally, the subscale will be validated through comparison first to the full scale and ultimately to the shorter brand love scale developed by Carroll and Ahuvia for nomological validity. A more complete explanation of the research methodology is provided below.

## Methodology

Students ($n = 553$) from a major Southeastern university responded to a computer-administered survey in exchange for partial course credit. In an effort to maximize subjects' involvement, subjects were first asked which topic area they preferred most among the choices hunting/fishing, women's fashion, cars/trucks, running/fitness, and technology. Subjects were then asked to report their favorite brand of products associated with that interest. The brand name provided by subjects was referenced in questions wherever appropriate to improve subjects' level of focus on the brand over the course of the remaining survey. Further, the question of their favorite brand was also used as a quality check for subjects' responses such that brands inaccurately listed as related to an area of interest or nonsensical responses served as a basis for omission of that subject from further analysis.

The sample was split so that roughly half of the resulting data ($n = 275$) will be subjected to CFA in the first study which seeks to validate the factor structure of the 88-item brand love scale and identify the item with the highest factor loading for each sub-factor. The resulting subscale will then be summated in accordance with the construct's factor structure and checked against the full scale by means of cross-tabulation based upon a median split of the scales. This technique is in accordance with the method of Hartley 2013.

To further validate the subscale, a second study utilizes the remaining sample ($n = 278$) to conduct SEM on a basic conceptual model intended to verify the subscale's appropriate representation of brand love in a basic nomological network as well as testing for convergent and discriminant validity of the subscale. An assessment of model fit indices and factor loadings in combination with a comparison of AVEs to factor correlations will allow for such a test. The established measurement scales for the additional constructs in the network, Brand Satisfaction, Purchase Intention, and Word of Mouth behavior, will be assessed for reliability in the context of the study.

## Results and Discussion

Data collection for both studies is complete and analysis is under way. To recap, the first study utilizes CFA to validate the 88-item brand love scale and to identify an abbreviated version of the scale then compares the abbreviated scale to the original one. The second study applies SEM to put the abbreviated scale to use and test it as part of a conceptual model. It is the authors' earnest expectation that all analyses will be complete prior to the annual AMS conference.

Preliminary results support the complex factor structure prescribed by Batra et al. (2012). The components of each of the second-order sub-factors of brand love

were subjected to confirmatory factor analysis to establish construct validity among the components. The first-order sub-factors were assessed in a similar fashion. The single item with the highest factor loading then served as indicators for the second-order sub-factors in further factor analysis that included both the first- and second-order sub-factors of brand love. Items that registered low factor loadings (<.700) and were associated with multiple modification indices greater than 4.00 were removed from their respective models, and analyses were reapplied. The lone exception to this was the final factor analysis in which deleting items would represent a departure from the factor structure developed by Batra and company. Ultimately, all models demonstrated acceptable fit indices (CFI ≥ .90, RMSEA < .10). As such, the factor structure of the mega-construct was validated.

## Conclusions and Implications for Theory and Practice

Brand Love is a construct with huge implications for the marketing discipline. Brand loyalty and brand identification are prolific topic areas and represent obvious opportunities for application of the construct, but they are not the only such areas. Sports marketing, political marketing, social media marketing, and cause-related marketing are other realms in which an effective and accurate means of measuring brand love could greatly contribute to understanding and knowledge development. Building from two prior attempts, this research endeavors to identify just such a means.

Moving forward, the abbreviated Brand Love scale should be revalidated with a non-student sample. Once this is accomplished, the scale could serve as a basis for profiling consumers in a host of contexts. Further, developing group level profiles based on Brand Love would allow for comparison of brands within and across product types. In essence, scholars and managers alike will have a powerful new tool for gaining insights into consumers' perceptions of and attitudes toward all types of brands.

# Session 3.5
# Channel Surfing and Disintermediation

# A Historical Examination of the Introduction of the Web as a Direct Marketing Channel

Joyce A. Young, R. Keith Tudor, and Ernest Capozzoli

## Abstract

With the existence of the Internet, manufacturers of goods and services can bypass channel intermediaries and sell directly to the final consumer. Since the mid-1990s, the Web has continued to play a greater role in channel management strategy. The purpose of this longitudinal study is to document usage of websites in terms of channel member support and vertical competition over time. We examined the websites of 251 *Fortune* 500 companies that produce goods and services in business-to-consumer industries. Data was collected in 1996, 2000, and 2004. The results of the study show good industries lagged behind service industries in initiating disintermediation. Overtime, however, disintermediation was equally prevalent in both industry segments. In terms of channel member support, both in initiating and overtime, firms using their websites to refer and/or connect end users to intermediaries for product purchase were equally prevalent for both industries. Finally, during the 1996 to 2000 period, the number of firms engaged in disintermediation grew faster than the number of firms providing channel member support.

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# Measuring B2B Relationship Quality in an Online Context: Exploring the Roles of Service Quality, Power, and Loyalty

**Róisín Vize, Joseph Coughlan, Alieen Keneedy, and Fiona Ellis-Chadwick**

## Abstract

Relationship Quality has emerged as an important lens in which to investigate the value of B2B relationships. It has recently been highlighted that while the relationship marketing paradigm has become a mainstay of marketing practice and research, its application in the emerging web services industry has been minimal despite its potential. The operationalization of this higher-order construct shows conflicting consensus on which dimensions make up RQ. The directional link between RQ and other relationship concepts such as loyalty is also unclear and under-researched. This paper theoretically and empirically examines the role of RQ as a determinant of loyalty in an online B2B context. Using a data set from the web services industry, an understudied industry in its own right, the analysis, using structural equation modelling, shows support for service quality and power as additional RQ components. The findings suggest that different aspects of RQ namely, trust, commitment, satisfaction, and power show significant links to differing aspects of loyalty. Trust and satisfaction impact advocacy (attitudinal loyalty) whereas commitment and power show a significant impact on willingness to pay more for web solution services (behavioral loyalty). Facets of these relationships are explored and managerial implications are highlighted.

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## Introduction

Research suggests that building collaborative relationships with a long-term focus is considered critical particularly when the service is perceived as complex and the relationship is highly dependent on dynamic technology in web driven environments (Eisingerich and Ball 2007). Some authors contend that the quality of a business relationship is a critical factor in building competitive advantage and that retaining customers over the long term yields greater profits particularly in relation to advocating the business and purchasing (Chien et al. 2012). Recent contributions to relationship marketing research indicate that our current understanding about the way relationships are fostered in an offline services setting may not translate directly to the online services setting (Walsh et al. 2010; Rafiq et al. 2013). That said, there is emerging evidence indicating that some overlap exists and several tenets of relationship marketing in the traditional sense can be transferred to the online domain as is evident in recent relationship quality (RQ) studies from an online B2C perspective (Brun et al. 2014; Rafiq et al. 2013).

However, there have been expressions of concern highlighting the deficiency of research exploring the development of loyalty in an online context (Rafiq et al. 2013; Rafiq and Fulford 2005; Walsh et al. 2010), its application in B2B relationships (Cater and Cater 2010) and in the context of a high credence service (Eisingerich and Ball 2007; Bardauskaite 2014). This paucity of research is surprising given that the credence aspect of professional services augments uncertainty for the buyer and increases perceptions of risk and opportunism, thus potentially inhibiting web adoption and innovation within a firm. In addressing these research deficiencies, this study adds to the literature and explores how relationship quality influences loyalty in an online B2B context. This study investigates small retail firms who have employed the services of web solution service providers (WSSPs) to test the hypotheses and measure perceptions of relationship quality and loyalty.

While previous studies have tested and empirically shown that relationship quality (RQ) traditionally consists of trust, commitment, and satisfaction (Vieira 2010; Athanasopoulou 2009), it is repeatedly suggested that the context in which a firm operates may have a significant impact on the operationalization of the RQ construct (Vieira 2009; Rafiq et al. 2013; Bardauskaite 2014). This study supports the supposition that relationship quality has a significant role in the virtual domain particularly where dynamic and multifaceted services underpin the relationship and argues that the current conceptualizations of B2B RQ do not completely capture the complexities of such relationships. This study proposes that RQ needs to be reexamined in this emerging industry context and considers service quality and power as additional RQ dimensions. A disaggregated RQ model aims to test the relationship between the RQ with loyalty, which will provide a deeper understanding of the relationships between the RQ components and their impact on loyalty. The paper is organized as follows: The next section provides a conceptual backdrop to the proposed RQ components, highlighting the hypotheses throughout the discussion,

which provides a platform for the conceptual model. The research methodology and analysis follow. The chapter concludes with a discussion of the results, the limitations and directions for future research are discussed.

## Conceptual Background and Hypotheses Development

Research asserts that loyal customers spend more than non-loyal customers, act as advocates by engaging in positive word of mouth, and are considered to be the heart of a company's most valuable customer group (Bardauskaite 2014). Loyalty is largely conceptualized as a behavioral concept focusing on repeat purchasing patterns (see Naumann et al. 2009); however, recent contributions operationalize loyalty as a composite construct recognizing that attitudinal components elicit a behavioral response (Walsh et al. 2010; Rauryruen and Miller 2007). Taking a composite approach to measuring loyalty also addresses issues pertaining to spurious loyalty as concerns have been highlighted that studies focusing purely on repeat purchasing patterns in service contexts may be too narrow a focus on what is essentially a dynamic process in an ongoing relationship (Eisingerich and Ball 2007; Bardauskaite 2014). For example, repeat purchasing may be based less on favorable dispositions towards a supplier, than on a lack of alternative suppliers or switching barriers. Recent research contends that product loyalty cannot be generalized to service loyalty (Fullerton 2014). The credence aspect of professional services augments perceived risk for the buyer, particularly in relation to complex, technology driven service industries (Harris and Goode 2004; Eisingerich and Ball 2007) in which case loyalty is more dependent on relationship development. However, the loyalty concept is largely studied in the consumer context leaving a dearth in our understanding of loyalty development in a B2B services context. This study adds to the loyalty literature and adopts a composite approach to measuring loyalty in an online services B2B context, where attitudinal loyalty measures positive word of mouth through customer advocacy and the behavioral dimension refers to a customer's intention to pay more for the service in the future (Fullerton 2003).

### Relationship Quality

Relationship Quality is considered a key pillar in the Relationship Marketing literature (Vieira 2010) and has generated major empirical research interest as a significant factor in developing long-term relationships (Ashnai et al. 2009). The credence aspect of professional services augments the relevance of examining relationship strength in a B2B context and is particularly relevant where the evaluation of the outcome of the service is difficult to predict or understand (Eisingerich and Ball 2007). From the buyers perspective the ambiguity and complexity that surround technology based services may encourage buyers to seek longer term relationships

than those seeking physical products, which may be motivated by fewer alternative suppliers and the perceived costs associated with switching. However, it is clearly evident that there is a high degree of ambiguity regarding the operationalization of the construct, which is due in part to different industry settings of research studies and a lack of consensus on a definition (Holmlund 2008) There is wide agreement that RQ is a higher order construct consisting of distinct yet related dimensions and repeated empirical evidence finds that trust, commitment, and satisfaction are considered central tenets to developing strong and loyal relations (Rauyruen and Miller 2007; Vieira 2010). These constructs have been validated in different industry settings and in offline B2B contexts (Cater and Cater 2010; Rauyruen and Miller 2007; Vieira 2009) thus reaffirming their strength and consistency as key RQ components (Chang et al. 2013; Cater and Cater 2010; Seto-Pamies 2012). Notwithstanding the numerous definitions and measures that constitute RQ, this study draws from Woo and Ennew (2004): 1256 definition and suggests that relationship quality is considered "an overall evaluation of the strength of a relationship between a buyer and seller." This study adopts the traditional RQ components and extends the construct to incorporate service quality and power dimensions. In so doing, it helps capture the service dominant aspect of the relationship and the uncertainty/complexity that lies therein but also answers repeated calls for the portfolio of relationship quality-related variables to be extended in a B2B context and in different industry settings (Dagger and David 2012; Walsh et al. 2010). In particular, it addresses the dearth of RQ research in an online context (Rafiq et al. 2013; Walsh et al. 2010; Brun et al. 2014), which will deepen our understanding of the current challenges and opportunities inherent in B2B relationships operating in this rapidly growing dynamic technology driven environments. Trust has recently been found to be the most significant defining construct in relationship marketing research (Bardauskaite 2014). Recent investigations have found trust to play a pivotal role in relationships operating in an online context (Chien et al. 2012; Brun et al. 2014). Given the growing significance of the online channel as a route to market, retailers need to feel that they can trust their suppliers and need assurances from their service providers that they have the skills, competencies, and resources necessary to fulfil their online ventures (Chien et al. 2012). Empirical evidence shows direct effects between trust and loyalty (Rauyruen and Miller 2007; Aurier and Goala 2010). Trust is considered a necessary ingredient for long-term orientation as it shifts the focus to future conditions and particularly in the context of online relationships (Harris and Goode 2004).

H1a: Trust relates positively to intention to pay more.
H1b: Trust relates positively to advocacy.

Research asserts that commitment to a supplier is an important driver of loyalty in B2B service settings (Cater and Cater 2010). A common theme that stems from committed relationships is a disincentive to replace relationship partners with some studies in an online context excluding commitment (Liang et al. 2008; Zhang et al. 2011). However, recent investigations strongly suggest that this dimension should not be ignored and needs to be regarded in an equal footing to stand-alone concepts such as trust and satisfaction (Brun et al. 2014), as it is considered a key element in

assessing the strength of an online relationship (Walsh et al. 2010; Rafiq et al. 2013). Research has also shown that relationship commitment has many benefits, including reducing uncertainty, increasing efficiency, satisfaction, and enhancing performance and profitability (Ganasen et al. 2010).

H2a: Commitment relates positively to intention to pay more.
H2b: Commitment relates positively to advocacy.

Research has empirically established links between satisfaction and loyalty in online and offline contexts (Rafiq et al. 2013; Seto-Pamies 2012; Keating et al. 2011). The positive link between customer satisfaction and loyalty intentions is considered a fundamental axiom of the relationship management concept. But the evidence lies predominantly in favor of B2C studies (see Naumann et al. 2009). Satisfaction has also gained recognition as a strong RQ variable in studies with an online focus (Walsh et al. 2010). Recent studies in high technology retail and services context have also asserted its importance with theoretical and empirical evidence showing a link between satisfaction and retention, repeat purchase and loyalty (Dagger and David 2012; Chen and Kaoa 2010).

H3a: Satisfaction relates positively to intention to pay more.
H3b: Satisfaction relates positively to advocacy.

Research has acknowledged that a feature of some B2B relationships is that one party can hold a dominant position due to expertise and their ability to influence the other party (Blois 2010), which results in one party having power over another party. The importance of including the concept of power in the RQ framework is significant when exploring the development of business relationships from a small firm perspective in a relatively new industry. The credence attributes in complex web based services create uncertainties and increase risk perceptions particularly for small firms operating in highly fragmented technology driven environments. Consequently as clients do not have a clear expectation or understanding of the service outcome they rely on extrinsic cues such as a firms' reputation, and cues relating to their expertise and knowledge in the field (Blois 2010). There is a significant dearth of research investigating the concept of power as an influencing strategy in services marketing relationships (Ashnai et al. 2009). This is surprising given that recent contributions have highlighted how a lack of well-established institutional rules and governance online can give rise to firms behaving opportunistically (Lin 2007; Pavlou and Gefen 2004).

H4a: Power relates negatively to intention to pay more.
H4b: Power relates negatively to advocacy.

Empirical findings strongly suggest that perceived service quality is a key contributor to relationship development and loyalty towards the service provider (Rauyruen and Miller 2007; Chenet et al. 2010; Molinari et al. 2008). Recent studies on service quality recommend that its operationalization should involve the development of industry-specific measures of service quality resulting in repeated calls for service quality models to be specifically tailored to the industry under

investigation (Gounaris et al. 2010; Gounaris 2005a). Gounaris (2005a) suggested that there are four determinants of service quality in a B2B environment. Potential quality relates to the search attributes consumers use to evaluate a provider's ability to provide a good quality service, while hard and soft process determinants refer, respectively, to what is performed during a service process and how it is performed, and output quality to the client's evaluations of the end results. There have been numerous calls for research to explore and extend the service quality concept into the online domain (Gounaris, et al. 2010; Rafiq et al. 2013) and particularly in the context of credence type services (Walsh et al. 2010; Vize et al. 2013). Research suggests that service organizations share various commonalities in terms of their service delivery process, both within and across industries. While Durvasula et al. (1999) echo this sentiment, they find that service quality measures developed for consumer services should be applied with caution in B2B context. Gounaris (2005a) concurs, highlighting that industrial markets are different from business services and are more complex as they are more specialized and technology driven.

H5a: Service quality relates positively to intention to pay more.
H5b: Service Quality relates positively to advocacy.

## Methodology

To address the research issues and test the hypotheses, this study investigates the relationship between retailers and their web solution service providers (WSSPs) (Vize et al. 2013). Small retailers with an online presence were selected as the research setting. A list of small (defined as less than 50 employees) Irish retailers was developed using commercial databases supplemented with Internet searches in key categories, which resulted in a total of 843 such organizations being sent a questionnaire (in hard copy) which included an invitation to complete the survey online. Respondents were only included in the final sample if they had used a web service solution provider to develop or manage their website—those who developed and managed their own websites were excluded from the sampled firms. A combined total of 133 valid responses from both paper and online versions were collected—a response rate of 16 %, which compares favorably to other B2B response rates. All respondents were either firm owners or senior managers directly responsible for their retail firms' online presence, so it is reasonable to expect that they are aware of the constructs in this study. No significant differences were found between the two modes of administration of the survey.

## Model Analysis and Results

Multi-item scales were adapted from previous studies with some minor modifications to suit the specific context as per Table 1. The study adopted the two-step approach for the measurement and structural model assessment using Lisrel 8.80

**Table 1** Relationship quality construct results

| Construct, items, and source of items | Loadings | *T* values | CR | AVE |
|---|---|---|---|---|
| *Commitment* (Fullerton 2003) | | | **0.94** | **0.8** |
| I feel like part of a family as a client of our WSSP | 0.8 | 11.12 | | |
| I feel emotionally attached to our WSSP | 0.91 | 13.6 | | |
| Our WSSP has a great deal of personal meaning to me | 0.97 | 15.19 | | |
| I feel a strong sense of identification with our WSSP | 0.9 | 13.31 | | |
| *Trust* (Ganesan 1994; Cho 2006) | | | **0.92** | **0.65** |
| Is frank in dealing with us | 0.8 | 10.99 | | |
| Makes promises that are reliable | 0.9 | 13.18 | | |
| Is honest about problems that arise | 0.88 | 12.63 | | |
| Operates their business with goodwill intention | 0.76 | 10.26 | | |
| Performs the role of providing web solution services very well | 0.88 | 12.73 | | |
| Are proficient | 0.82 | 11.42 | | |
| *Power* (Ramaseshan et al. 2006) | | | **0.87** | **0.63** |
| When I comply with my WSSPs suggestions, I get more favorable treatment from them | 0.79 | 10.3 | | |
| I receive benefits or services from my WSSP when I follow their recommendations, but not when I disregard their recommendations | 0.76 | 9.87 | | |
| If I do what my WSSP wants, they reward me | 0.83 | 11.04 | | |
| If I don't agree to their suggestions, the WSSP could make things difficult for me | 0.8 | 10.46 | | |
| *Satisfaction* | | | **0.87** | **0.57** |
| My relationship with our WSSP has provided our company with a dominant and profitable market position in our sales area. | 0.72 | 9.25 | | |
| My relationship with our WSSP is very attractive with respect to special offers | 0.63 | 7.77 | | |
| I am very pleased with the decision to adopt this WSSPs services since their high quality increases traffic. | 0.82 | 11.17 | | |
| The web marketing services of our WSSP enable me to get my work done effectively. | 0.84 | 11.56 | | |
| This WSSP provides me with marketing and selling support of high quality. | 0.78 | 10.34 | | |
| *Service Quality* (Gounaris 2005a) | | | **0.88** | **0.66** |
| PSQ | 0.85 | 11.88 | | |
| HSQ | 0.68 | 8.73 | | |
| SSQ | 0.91 | 13.38 | | |
| OSQ | 0.79 | 10.73 | | |
| *Pay More* (Fullerton 2003) | | | **0.87** | **0.69** |
| I would continue to do business with our WSSP if their prices increase | 0.9 | | 0.81 | |

**Table 1** (continued)

| Construct, items, and source of items | Loadings | T values | CR | AVE |
|---|---|---|---|---|
| I would pay higher price than other providers charge for the benefits I currently receive from our WSSP | 0.69 | 9.27 | 0.48 | |
| I would pay higher price than other providers if our WSSP raises their price | 0.9 | 13.25 | 0.81 | |
| *Advocate* (Fullerton 2003) | | | **0.96** | **0.91** |
| I would say positive things about our WSSP to other people (d) | 0.91 | | 0.83 | |
| I would recommend our WSSP to someone who seeks my advice (e) | 0.98 | 22.91 | 0.96 | |
| I would encourage other SMEs to do business with this WSSP (f) | 0.97 | 22.34 | 0.95 | |

(Bagozzi and Yi 2012). Confirmatory factor analysis (CFA) shows a one factor model for each component of RQ as per Table 1, which revealed a respectable model fit for the second order RQ model RMSEA = .06; chi-sq = 854.15/df = 552; chi-sq/df = 1.5, p = 0.0, SRMR = .08, GFI = .82, NFI = .94; CFI = .99. Construct validity tests were validated for all constructs (Bagozzi and Yi 2012). Common method bias (Podsakoff et al. 2003) was tested using Harman's Single Factor test. The resulting one factor measurement model shows an extremely poor fit (RMSEA = .156; chi-sq/df = 4.1; p = 0.0000; NFI = .87; SRMR = .011; GFI = .50). After evaluating the measurement model for each construct, the paths of the structural model hypothesized in Fig. 1 were then analyzed. Table 2 presents the results of the hypotheses. The results show support for four out of the ten hypotheses for the disaggregated RQ model and its effect on loyalty. While the overall model shows acceptable fit statistics RMSEA = .07; chi-sq = 622.11/df = 357; chi-sq/df = .57, p = 0.0, SRMR = .06, NFI = .94; CFI = .98 (Bagozzi and Yi 2012) indicating that RQ is a determinant of loyalty, the results show that four out of the five RQ dimensions have to some degree an influence on loyalty.

## Discussion and Managerial Implications

The SEM results for this study support the use of a five factor second-order relationship quality construct consisting of trust, commitment, satisfaction, service quality, and power dimensions as per Table 1. This study finds trust to be a unidimensional construct, which is in line with recent studies in B2B services (Doney et al. 2007; Gounaris 2005b). This study adds to the literature and finds the unidimensional component of trust is also applicable to a credence based web services context. Furthermore, the findings also show that trust in the service provider had the strongest influence on advocacy (attitudinal loyalty), which is in line with recent online
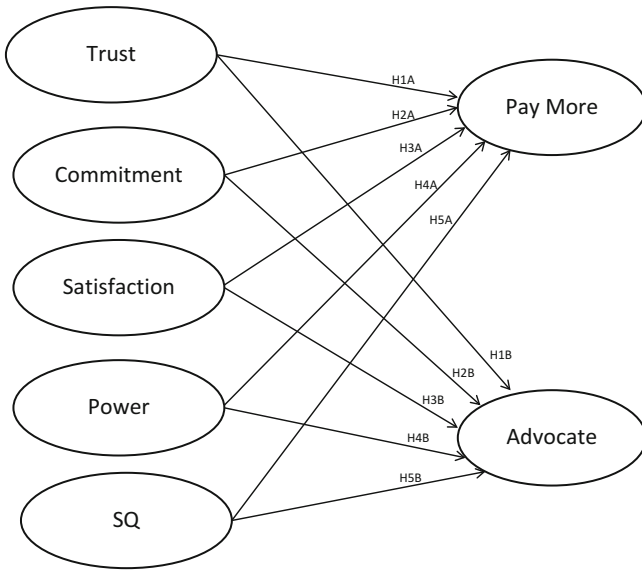
**Fig. 1** Hypothesized model

**Table 2** Model results

| Hypotheses | Structural paths | Path coefficients | Hypotheses supported |
|---|---|---|---|
| H1a | Trust Pay More | 0.128 | Not supported |
| H1b | Trust Advocate | 0.423** | Supported |
| H2a | Commitment Pay More | 0.303** | Supported |
| H2b | Commitment Advocate | 0.032 | Not supported |
| H3a | Satisfaction Pay More | 0.147 | Not supported |
| H3b | Satisfaction Advocate | 0.209* | Supported |
| H4a | Power Pay More | 0.043 | Not supported |
| H4b | Power Advocate | 0.126* | Supported |
| H5a | Service Quality Pay More | 0.207 | Not supported |
| H5b | Service Quality Advocate | 0.191 | Not supported |

RMSEA = .07, Chi-Sq/df = .57, P = 0.0, SRMR = .06, $*p < 0.05$, $**p < 0.01$

relationship quality studies (Rafiq et al. 2013) and contributes to our growing understanding of trust and its relationship to loyalty. Research finds affective commitment to be a stronger determinant of customer retention through attitudinal loyalty than continuance commitment (Fullerton 2003; Rauyruen and Miller 2007), as was found in this study. The social component of satisfaction performed very poorly on measurement analysis perhaps indicating its unsuitability in an online B2B context where social interaction is inhibited due to the intangible nature of the environment. It would therefore seem plausible that economic gains from the relationship supersede the need for social interaction.

The findings in relation to the power and service quality components make a contribution to RQ theory. Non-coercive power is found to be a component of RQ and a determinant of advocacy. Non-coercive influence strategies are found to facilitate noneconomic rewards for buyers, which are primarily derived from expertise, information exchange, recommendations, and critical competencies all of which are found to increase dependency. However, the results show this dimension to have a significant but negative influence on advocating the service, inferring that while non-coercive power strategies can influence attitudinal loyalty, they do not necessarily translate into a willingness to promote the service, which may be due to the high levels of uncertainty and limited understanding of web solution services. That said, the inclusion of this component not only successfully addresses the need to explore this phenomenon in service-oriented relationships but also extends its application as a component in the RQ framework and broadens the scope of the construct in the online domain. From a theoretical perspective, the adoption and validation of the INDSERV scale in the context of this study extend and deepen our understanding of service quality as a significant component within the RQ framework. Surprisingly though when modelled with loyalty (as a first order model), it showed no significant influence on either of the loyalty components. Drawing a similar conclusion to the outcome of the power component is that the increased complexity of this emerging service industry induces uncertainty and difficulty in evaluating the outcome of the service received. Moreover, the intangible nature of web services coupled with minimum physical contact throughout the service process can make it difficult for buyers to communicate the benefits to others or to fully realize the economic benefits of investing further into the relationship. Contributions to the loyalty research have highlighted an over reliance on repeat purchasing behavior and emphasized a need for more investigations to explore attitudinal dimensions in a service context. The findings from this study successfully address this issue and given the significance of the RQ dimensions influence on the attitudinal loyalty component reaffirms the need to explore attitudinal loyalty in credence based services. Interestingly, trust was found to be the most significant of RQ constructs and was the only component to influence behavioral loyalty, which shows the significance of developing trust in high credence based services and particularly those operating in online contexts, which has been repeatedly found in previous web-related studies (Harris and Goode 2004; Rafiq et al. 2013; Pavlou and Gefen 2004). The study suggests that developing trust is of paramount importance, which indicates that it is prudent for firms to develop procedures, and systems that are designed to generate trust and alleviate small firms risk perceptions. The significance of SQ in relation to RQ delivers considerable insight for managers of web solution firms to ensure high quality service delivery as a key factor in determining the strength of the relationship. However, service providers of web solution services perhaps need to pay more attention to the complexity and ambiguity in buyers understanding of the services they provide. By implementing strategies that address buyers' uncertainties before, during, and after the service purchase will help facilitate more satisfactory returns for the buyer and facilitate loyalty. In order to understand customer loyalty in the context of credence based B2B services, this research provides management with the ability to map out a typology of loyalty through the use of the

available composite measures of loyalty. In so doing, service providers will be able to manage their clients more effectively by being able to segment their customer base according to their loyalty position. The classification system can also be used by marketers to identify groups of customers based on loyalty status and develop strategies appropriate for further building loyalty.

## Limitations and Future Research Directions

This current study is constrained by sample size and the model developed is based on data from a small retailer. Given the significance technology is having on how service and retail businesses operate and on business relationships in general it would be interesting to investigate different professional providers of alternative technology solution services such as RFID (radio frequency identification) or mobile commerce solutions, to test the robustness of the proposed model.

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# Session 3.6
# Consumer Behavior I

# Hedonic Versus Utilitarian Products: The Dawn of Intra-Product Category Research

**Anh Dang**

## Abstract

Hedonic products have been found to be advantageous for firms over utilitarian products. However, some research conducted on this topic uses two products from two completely different categories (inter-product category research) rather than two products from the same category but different in terms of hedonic and utilitarian benefits (intra-product category research). This practice, unfortunately, poses three issues for hedonic consumption research: spurious relationships, limited types of products researched, and confusing implications for marketing practitioners. The present chapter examines these three issues in detail and underscores the dynamic nature of hedonic/utilitarian dimensions of any product category, which implies the advantages of intra-product category research over the pervasive inter-product category research. This chapter will also discuss four important strategies for firms to create competitive advantage through hedonic/utilitarian benefits.

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# Effects of Price/Quantity Presentation Order and Timing on Consumer Value Judgements

**Shuya Lu, Danny Weathers, and Juliana White**

## Abstract

Bundling is defined as products or services sold together with two or more items at an equivalent or a lower price (Guiltinan 1987). Bagchi and Davis (2012) have demonstrated that the presentation order (price first or quantity first) affects consumer perceptions of a multi-item package. In addition, they proposed that unit price calculation difficulty moderates the relationship between presentation order and consumer perceptions. This study offers an extension of these findings by considering presentation timing (sequentially or simultaneously) along with presentation order. Scarce that few studies in extant literature have considered both presentation order and presentation timing together. In this research, we hypothesized that consumers would evaluate a bundled offer higher if the offer was simultaneously presented with price information first and quantity information second. This is because simultaneous price/quantity presentation order is more consistent with promotions which consumers typically encounter in daily life. In addition, simultaneous presentation does not require memorization of the offer, leading consumers to reduce their mental effort. As such, we anticipate that consumers will evaluate these offers more favorably. A 2 (presentation order: price first or quantity first) × 2 (presentation timing: sequentially or simultaneously) factorial between subjects design was conducted using MTurk to gather data. Results showed that in scenarios with simultaneous presentation of offer information, consumers considered products with price information presented first as higher quality than those with quantity information presented first. This study demonstrated how presentation order and timing jointly influenced consumer value judgments of bundled offers. In future research, unit price calculation difficulty will be added to evaluate how presentation order and

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timing can influence consumer value judgments of the product offered. In addition, multiple offers will be provided to consumers to better understand their value judgments. Based on this investigation, meaningful suggestions can be offered to marketing managers as they consider various pricing strategies.

# Get Discount in Chocolate and Get More Toothpaste! The Effect of Product Preferences on Promotion About Price-Off and Value-Added According to Product Type: Focusing on Hedonic and Utilitarian Product

**Seolwoo Park**

## Abstract

Customers are usually confused with the difference between promotional price-off and value-added when they face with promotions for products. The author identifies a tendency among consumers to prefer which promotion when processing promotional extends change information and product price difference. In experimental studies, the author provides evidences in support of the effect and identifies managerially useful boundary conditions for when the effect is likely to manifest. Three studies reveal that customers prefer price-off for hedonic product (vs. Utilitarian product) and value-added for Utilitarian product (vs. Hedonic product) (H1, 2). Consumption guilty is used to explain these conditions (H3). Further, higher price and hedonic product, they tend to prefer higher price-off (H4). In utilitarian, on the other hand, customers tend to prefer higher value-added and lower price (H5). According to this state, I can find that the product preference is affected by promotions and price difference and the extent of promotional price discount and value-added is also changed on price in product type. The chapter concludes with a discussion of the theoretical and managerial implications of the findings.

**Keywords** Promotion • Price discount • Bonus pack • Guilty • Price sensitivity • Hedonic product • Utilitarian product

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# Introduction

The customers consider the product characteristic and reasonable cost in the process of comparing and evaluating the firm's marketing effort or many activities including the product of service. Many markets comprised the sale through the sales promotion; on the other hand, they provide the consumer satisfaction. There is the effect that it compensates the anxiety which is accompanied in using the new product as the low cost; in addition the promotion has an effect on the purchasing intention. Therefore, this has an effect on the repurchase and gives the compensation which the buyer or all sellers have much (Montgomery 1971). The promotion is the purpose for encouraging the sale of the product or service and purchase to the consumers or retailers. This is defined in being all marketing activities which are designed in the short term and in order to stimulate the great quantity of purchase about the specific product rapidly or promote the efficiency of the customer's purchase or contents provider except the human sale, advertisement, public relation, etc. (Kotler 2001). The stimuli, that is, the promotion can be said to be provided in order to obtain the best sales result. This research utilized opposing two products, hedonic products and utilitarian products, to show which promotion customers prefer between giving price discount promotion and giving extra quantity from regular amount.

Recently, the result of the Mishra and Mishra (2011) divided the product feature into the Vice food and Virtue food. They show that the consumers who buy vice food prefer price discount promotion in order to reduce the consumption guilty. Those who buy virtue food, on the other hand, prefer value-added promotion regardless of purchase because there was no guilty. In this research, I try to develop the research in terms of two following views. First, the products are extended and classify into the hedonic and utilitarian product. Second, it is not limited to the simple price discount and bonus pack and I assume that there is a difference according to the cost even in same product. By segmenting 50 %, 33 %, and 20 % in promotion conditions, author extends the results of Mishra and Mishra (2011). Furthermore, I can understand what promotions consumers usually prefer under two product types.

# Literature Review

## *Price Discount*

To improve sales for companies in the short term, price discount promotion is one of the favorite means of a promotion (Bitta et al. 1981). In particular, it is a fact that there is a price competition between companies providing the same quality and benefit of product in a same market. However, all consumers don't prefer the reduced price in all products. As there is the research that there is a negative effect that consumers doubt product quality and evaluate it when they look at the

discounted cost, rather the indiscriminate discounted price lowers the assessment of product (Madan and Suri 2001). The research that consumers tend to choose price discount promotion in order to reduce consumption guilty in a hedonic product which sensory stimuli are dominant and has symbolic value is already come out.

## Bonus Pack

The discounted price, originally, consumers can think that they desire the discounted price more because there is the advantage that it will cut down the anticipated cost and they can purchase the other products. However, in case in the consumer who is framed with "what is obtained," rather the value-added promotion is desired than those framed with "what is decreased" (Diamond and Sanyal 1990). Therefore, the consumers like the concept that it gives to the same cost for free and are due to think independent of this with the cost (Chandran and Morwitz 2006). This effect is expected in the utilitarian product which function or purpose of purchase is more obvious than in the hedonic product. The consumption guilty concept is caused in hedonic product purchase, but is not mediated in utilitarian product because there is a distinct purpose of the purchase.

## Price Sensitivity

The cost is the characteristic of paying in order to the goods but there is the difference for the consumers accepting the cost presented by the supplier or retailer (Zeithaml 1984). According to a kind of product, the consumers feel the price sensitivity differently (Lichtenstein, Bloch, and Black 1988). In addition, the advertisement emphasizing the product information among the advertisement emphasizing the information and cost on the product reduces the price sensitivity; on the other hand, the advertisement emphasizing the price can increase the consumer price sensitivity (Kalra and Goodstein 1998). Therefore, in case of emphasizing the discounted price when being the extent of the promotion different, the great interest will be made the consumers buying the hedonic product which consumption guilty is caused. In case of emphasizing the value-added that explains the product information and the feature of the product, the consumers will prefer to purchase the utilitarian product. In the hedonic product, moreover, the high reduced price will be preferred because the consumption guilty gives as the cost is high. In the practical product, the cheap product in which there is no relation with the consumption guilty at all will prefer the value-added promotion increasingly.

## Hypothesis

As following literature review, the author suggests four hypotheses.

**H1**: In the hedonic product (vs. utilitarian product), product preference increases more when being price discounted promotion rather than being value-added promotion.

**H2**: In the utilitarian product (vs. hedonic product), product preference increases more when being value-added promotion rather than being price discounted promotion.

Additionally, the hypothesis related to the consumption guilty causing the phenomenon of the hypothesis 1, 2 is suggested.

**H3**: The consumption guilty is mediated between product type and promotion choice.

**H4**: In the hedonic product, the high range of price discount is preferred as the higher price (vs. lower price).

**H5**: In the utilitarian product, the high range of value-added is preferred as the lower price (vs. higher price).

## Methodology

The three studies are designed to confirm the hypothesis. Because the lab study can control many independent variable, dependent variable, and confusion variables appropriately, it can secure the high internal validity (Singleton and Straits 1999). On the other hand, there could be the defect that the external validity is decreased. Therefore, following the method of the preceding research is used to minimize this problem.

The author conducted a pretest to ensure that the products used the three studies were viewed as hedonic and utilitarian products. I randomly showed 30 participants two products used across the experiments. For each product, I asked them to indicate how useful (or useless), beneficial (or harmful), agreeable (or disagreeable), and pleasant (or unpleasant) they would feel about the products on a seven point scale (1 = "not really," and 7 = "very really"). The participants were shown a chocolate and toothpaste. The result shows that a chocolate is represented hedonic product and toothpaste is represented utilitarian product.

The purpose of study 1 is to find that consumers' preference of promotion type according to product type. However, there will be some alternative accounts on the choice of promotion. After participants indicated their choice between a price discount and a bonus pack promotion, I asked them to list the reasons for their choice in study 2. Proposed justification-account suggests that participants prefer a price discount for hedonic product because it provides a more justifiable reason for purchase than a bonus pack and helps mitigate guilt. If this account is true, consumption guilty could mediate the proposed effect. In study 3, I provide different extent

of promotion (1 + 0.5/50 %, 1 + 0.33/33 %, 1 + 0.2/20 %) and find that is effects on the consumption-justification.

As to the whole experimental design, the Mixed Factorial Design method of 2 (the product type: Hedonic product and Utilitarian product) × 2 (Product price: High and Low) × 2 (Promotion: Price discount and Bonus pack) will be used.

## Anticipated Results

If the goods in which the cost is more expensive is consumed regardless of the product characteristic, it will have the large-scale guilty rather than consuming the less-expensive goods. Therefore, the large reduced price can be desired because the large-scale discount amount mitigates the guilty. In the case of the utilitarian product, more prefer the value-added promotion as product in which the cost is low (vs. low). The guilty scale considers as the continuous factor in this experiment. First, the guilty scale will not have an effect on purchasing intention former or after the experiment. Therefore, the question order condition does not matter if it removes.

It will be significant when I look at three-way interaction (the chocolate product × promotion × guilty) through ANOVA, but not be significant in three-way interaction (the toothpaste product × promotion × guilty). It is possible to check that the guilty effects on the choice between a price discount and a bonus pack through Preacher and Hayes (2004). In addition, the mediation effect of guilty could be check through Sobel test (Baron and Kenny 1986). That is, in the hedonic product, the price discount is selected with for justification to relieve the consumption guilty.

In summary, in the relationship about promotion, the hedonic product as the cost is high prefers the price discount to bonus pack. As product cost is low, on the contrary, the utilitarian product prefers the bonus pack to the price discount.

## Conclusion and Discussion

This research, through three studies, shows that the hedonic product more prefers price discount to bonus pack and the utilitarian product prefers bonus pack to price discount. Furthermore we can find that the product according to the price difference affects the promotion type.

In other words, when being the high cost in the case of the hedonic product, the highest price discount is more preferred, on the other hands, being the low cost in the case of the practical product, the bonus pack is liked. The first reason is that the consumers who select the expensive hedonic product want to reduce the consumption guilty about paying a lot of money and not being good for healthy, and then to find consumption-justification. On the other hand, although the consumers selecting the utilitarian product prefer both price discount and bonus pack in the highest price

due to consumption guilty, only bonus pack must be preferred in the lowest utilitarian product because there are no any other guilty.

This research has theoretical and managerial implications. First, in the previous research, the preference of the promotion was looked at in the food type choice but the products group is expanded in this research and the promotion preference in the hedonic and utilitarian product selection is seen. Second, it is not limited to the simple price discount and bonus pack and we assume that there is a difference according to the cost even in same product by segmenting 50, 33, and 20 % in promotion conditions.

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# Luxury? Necessity! How the Cell Phone Became Indispensible in Today's Consumer Culture: A Structured Abstract

**Jakob Braun**

## Abstract

This research examines the movement of cell phones from not being perceived as necessities to being perceived as such by consumers over time. Thus far, research has greatly disregarded this movement and focused on classificatory explorations. The predominant focus in marketing research has been on the necessity–luxury and needs–wants dichotomies. We build on social constructionist literature (e.g., Firat 1988) to augment our understanding of consumer necessities and the process of becoming such concurring that necessities are not given by nature but are rather socially influenced. A qualitative approach is employed aiming to obtain a rich account of the movement towards becoming necessities. In particular, discourses in advertisements of the Rolling Stone magazine and consumer narratives are analyzed.

It is suggested that cell phones becoming necessities is dominated by the connectivity discourse in advertisements. Over the years, connecting is facilitated for an increasingly large audience. The desire for connectivity goes back to the need of human beings for belongingness. Human behavior can typically be explained through an effort to develop and maintain strong emotional bonds with others. Therefore, humans are constantly monitoring how others respond to their actions. It seems that there is no other product better suited to satisfy this need for belongingness than the cell phone. It encompasses many ways to accomplish connectivity, which facilitates the pursuit of belongingness.

These ideas of connectivity and inherent strive for belongingness are also reflected in consumer texts. They confirm that no other product can satisfy the need for connectivity better than the cell phone. For many, the phone is an aid in belonging to

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certain groups because it represents them or is an extension of them. Possibilities to connect are ubiquitous today. If you want to belong, there is no excuse not to do your best in connecting with the people that are of interest to you. The cell phone serves as a medium to do so.

This study has important implications. It offers a foundation and starting point to further our understanding of necessities as products of social and historical formations. Furthermore, understanding such a change towards becoming necessities is of great interest to marketers in creating effective strategies.

# Session 3.7
# Teaching Award Winners

# Use of In-Class Experiential Learning to Promote Student Engagement

**Jane Z. Sojka**

The current reality for many large, public higher education institutions is that mega-sections of traditional lecture classes are needed to balance increasingly-shrinking educational budgets. Furthermore, while "A" students are highly moved to learn and enter the classroom prepared to succeed, other students may feel over-whelmed or lost in a large class. As a teacher of large (200+), Introduction to Marketing classes, I have incorporated in-class experiential learning techniques to engage and excite students. Students' responses to the in-class experiential learning activities were so positive, that I adapted a similar interactive teaching style to build a professional selling curriculum within our marketing department. Engaging students through in-class experiential learning has resulted in positive student feedback, an increase in student enrollment and ultimate success in job placement for students.

## In-Class Experiential Learning in a Large (200+ Students) Introductory Marketing Course

Use of experiential learning to engage students in a large class can be illustrated by my approach to teaching introductory marketing students about the BCG Matrix. First, I briefly outline the key points in the matrix: the axis, the quadrants, the purpose, etc. (concept). Then, I ask the class to think about the Coke-a-Cola Company and all of the different beverages it produces. Together as a class, we list all the beverage products marketed by Coke on the screen. Then, I ask students to work in

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small groups and spend the next 5–10 min classifying Coke products into the four quadrants of the BCG matrix (practice). After the small group time, I reconvene the large class and ask where students classified the Coke products. Almost immediately the controversy starts as different small groups classified products differently. This leads to a class discussion on the challenges and shortcomings of the BCG matrix (reflect). The module concludes with a summary and review. In this example, students are exposed to the concept, practice applying the concept, and then reflect on what they learned.

## Experiential Learning Using Marketing Projects in Large Classes

In addition to in-class experiential activities, I also incorporate a simple, university-related marketing project where students can apply the concepts they've studied in class. For example, in Fall 2013, the class worked with the UC Football program to "fill the stadium" for the final football game which would be televised on national TV. Each student was required to interview three people about why they would or would not attend the game. Then using the data collected, each student made a recommendation designed to attract fans. Written assignments were submitted via Blackboard on templates to simplify grading. Throughout the course, class discussions (first in small groups, then with the entire group) were held so that students could share information. Representatives from the UC Football program and athletic department attended to hear the students discuss their research and recommendations. Students were able to see the fruits of their labor; game attendance reached an all-time high in spite of freezing weather.

Student reaction to these in-class experiential learning in large class settings has been positive. The number of marketing majors continues to increase and we are currently the largest (1150 majors) department at the University of Cincinnati. But even more important, students report that they "enjoy" coming to class and they take pride in their project they produced for their school. Engaging students through in-class experiential learning has helped create a positive learning environment for our students.

# Extending Experiential Learning: Blending Theory with Practical Applications

**Dipayan Biswas**

## Abstract

*We learn by example and by direct experience because there are limits to the adequacy of verbal instruction.* (Malcolm Gladwell)

In keeping with the spirit of the above quote, my teaching philosophy centers on student engagement, experiential learning, and interactive methodologies as means to facilitate overall learning. I also blend theory with practice, along with incorporating the latest cutting-edge research findings. These broad teaching philosophies have shaped my approach in the courses that I have taught so far (Sensory Marketing, Brand Management, Basic Marketing, Marketing Research, Marketing Management, Global Marketing, and Digital Marketing, among others).

To elaborate, I have attempted to facilitate student engagement and experiential learning through the use of a variety of different teaching methods and approaches. Perhaps the most distinctive aspect of my teaching philosophy is that I emphasize experiential-oriented teaching, whereby for many of my courses, I would partner up with a company and have the students from my class apply the concepts learned in class to actual real-world marketing issues/problems encountered by the company. Incidentally, the recommendations made by the student groups have often led to changes in marketing strategies by these companies. These real-world projects also often lead to paid internships and job offers. So not only do students get to apply the concepts learned in the classroom to real-world problems, on many occasions, they get to actually work with the company to practically implement their ideas.

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As part of the experiential learning focus, I employ a variety of different teaching methods to enrich the overall student-learning experience. For instance, I use a mix of lectures, interactive class discussions, and brainstorming sessions. I also incorporate the findings from recent research. For instance, my class materials often include synthesized materials based on recent research published in top journals (e.g., *HBR/JCR/JM/JMR*). Such an approach helps students to be updated on the latest research and give them a competitive edge in their careers. While practical implications are of immense importance, it is equally important to understand the phenomenon and theory behind the practice. At the same time though, I blend ideas related to best practices. Pretty much everything I teach in class is almost always linked to some actual real-world business practices.

I should also emphasize that I encourage diverse ideas, and my philosophy is that there are often multiple paths towards solutions for marketing problems. In that regard, I encourage students to think critically and indulge in out-of-the-box thinking to come up with creative solutions to problems. They are encouraged to apply their creative solutions not only to class discussions but also to the projects related to the companies involved with the course.

In conclusion, experiential learning and involving companies and actual real-world projects in the course curriculum are integral aspects of my courses and overall teaching orientation.

# Session 4.1
# International Marketing
# Part 2: Tales from Africa

# How Retailers in Ghana Position Themselves

**Michael Nkrumah, Gertrude Osae-Addo, Charles Blankson, and Seth Ketron**

## Introduction

The contemporary landscape of the Ghanaian business environment is very different from the landscape of over 20 years ago; therefore, determining how firms pursue positioning strategies in Ghana is an important research task yet to be explored. In addition, the relative congruence among intended, conveyed, and perceived brand positioning has received meager attention in international marketing and business literature. Relying on the concepts of positioning and congruence, the purpose of this study is (1) to examine positioning strategies of indigenous and foreign retailers in Ghana, an emerging sub-Saharan African country, and (2) to explore whether there is evidence of fit among managerial decisions, actual firm practices, and target audience perceptions of positioning strategies.

Accepting Hooley et al.'s (2012) assertion that positioning aligns consumers' perceptions of competing offerings with respective firms' unique strategies for differentiation, managers have no choice but ensure fit between their actions and consumers' perceptions. Without congruence, positioning activities may not be effective in achieving desired objectives (Young et al. 2009). The importance of examining congruence in positioning activities of firms irrespective of the environment is long overdue (Blankson et al. 2014) and provides much of the inspiration for this study.

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The study is also a step forward in the operationalization of the concept of positioning in an emerging sub-Saharan African economy. This is the first comparative study determining indigenous and foreign firms' positioning strategies in an international marketing context and is the first of its kind to diagnose congruence in the positioning activities between managers, firms' practices, and customers' perceptions in an African context. Without this knowledge, international marketers interested in the Ghanaian marketplace may encounter difficulties and challenges in their efforts of establishing, maintaining, or reframing market positions for their offerings.

Using the Ghanaian retail domain as the context, we seek to address three research questions: (1) what positioning strategies do firms pursue? (2) What are the differences between foreign and indigenous firms' positioning strategies? (3) Is there evidence of fit between managerial intentions about their positioning strategies, actual strategies employed, and target audience perceptions of firms' positioning strategies?

## Background

Positioning concerns the investigation of consumers' perceptions with a view of exploiting them to project a positive image of and generate goodwill around an offering. Arnott (1992) claims that positioning encapsulates the deliberate, proactive, and iterative process of defining, measuring, modifying, and monitoring consumer perceptions of a marketable offering. Additionally, congruence (or fit) refers to the quality of agreeing or coinciding (Webster Dictionary 2004). Nadler and Tushman (1980) define congruence in the positioning context as "the degree to which the needs, goals, objectives, and/or structure of one component are consistent with the needs, demands, goals, objectives, and/or structure of another component" (p. 40). Eckstein et al. (1998) clarify this relationship by adding that "congruence requires 'contiguous' or 'proximate' social units" (p. 11). Eckstein (1998) claims that congruence creates a condition of being in agreement and that congruence sometimes denotes the act of being in harmony with something or being fit or suitable for a condition. In strategic marketing and specifically in the positioning realm, congruence concerns the magnitude of correlations in judgments brought about by activities that take place between intended and achieved brand positions.

The intention of marketers is to achieve congruence in positioning activities that are in sync with target audience perceptions. Moreover, the quest for fit and attempts at establishing and maintaining market positions for offerings reside among the most critical strategic marketing actions undertaken in marketing management (Hooley and Greenley 2005; Trout 2012). There is a paucity of research that empirically assesses the link among managers' *intended* positioning strategies, translation of strategies into *actual* marketing practices, and customers' *perceptions*. In order to predict the outcome of congruence, it is necessary to understand the existing scenario (e.g., strategies, phenomenon) in question and the context within which

congruity is being sought (Myers 2004; Young et al. 2009). Congruence in positioning activities thus involves a degree of fit (Milliman et al. 1991), which will result in improved performance (Hooley et al. 2012). Congruence in positioning activities prevents misunderstanding in brand management (de Chernatony and McDonald 1994). De Chernatony and McDonald (1994) write that a successful brand manager emphasizes matching products that the firm produces and sells with what the target audience actually wants.

Given that establishment of a brand's position in the marketplace is a long-term process that requires massive investment in finance, advertising, and managerial time, congruence in positioning strategies is not optional. In fact, congruence is paramount for the success of the firm (Ries and Trout 1986; Fuchs and Diamantopoulos 2010). Grounded on this rationale, although Blankson (2004) and Blankson and Kalafatis (2007) offer empirical insight into patterns of congruence among managerial decisions, communications, and target audience perceptions, they lack explanatory power in that they make no distinction in actual firm (i.e., case study) positioning practices, including those of foreign and indigenous firms in emerging sub-Saharan Africa.

## *Context*

Despite a weak infrastructure and economic challenges, recent indicators show that the Ghanaian economy is growing on average at 5 % per annum, and the level of inflation is now more manageable, around a 15–20 % annual average since 2000. Observation of the marketplace reveals an influx of foreign firms originating from China, France, India, Italy, the Netherlands, Turkey, the UK, and the USA, among others. The liberalization of the economy, the ease of doing business (Doing Business 2014), and the Ghanaian government's policy of positioning the country as a gateway to sub-Saharan Africa (Republic of Ghana 2014) appear to have paved the way for the influx of foreign firms into Ghana. The Ghanaian marketplace, a lower-middle income economy, thus represents a challenging but potentially fruitful research domain (World Bank 2014; Economist 2007).

## Methodology

Face-to-face interviews and overt, covert, and participant observation methods were employed across two studies to assess the positioning of firms in the Ghanaian marketplace, using a major mall in Accra as the location of these studies. Six in-depth case studies of retailers present in this mall formed the basis of the research. Three of these retailers are indigenous to Ghana, while the other three are foreign-based firms; the basis for this selection was to assess differences between domestic and foreign firms in positioning within the Ghanaian marketplace.

Study 1 involved covert, overt, and participant observation techniques. Following Blankson and Crawford (2012), estimates were made of the money spent on purchases. Prices and styles of clothing were assessed, and marketing collateral, store ambience, and store display were examined (Jarratt and Fayed 2001; Dubois and Gadde 2002). These observations provided implied knowledge about the relevance of positioning strategies (see Pieters et al. 2010) in the Ghanaian marketplace. The overt observations followed the face-to-face interviews and lasted 30 min each, while covert observations lasted 45 min each. The authors acted as customers during the participant observations, which lasted 45 min each.

Study 2 involved face-to-face interviews with 15 managers across 6 stores in addition to mall intercept surveys of target customers. The interviews were conducted in January 2013 and in September 2013. The retailers include three indigenous retailers: the Accra Mall Pharmacy, Life Healthcare Clinic, and Galaxy Perfumery. The three foreign retailers are Spendstre Photo Store, Shoprite, and Barcelos Restaurant. A semi-structured interview approach characterized the discussions; the interviewers ensured that the discussion centered on firms' positioning and marketing activities (Omar 1997). The interviews with the managers lasted between 30 min and 1 h and took place in the stores in non-contrived settings. With permission, we recorded and took notes of the interviews.

Interviews with customers centered on questions regarding customer service, responsiveness to customer queries and problems, attractiveness of service, products and fixtures, quality of products, branding, perceptions about store brands, features of product and customer service, stores' promotion and sales-inducing tactics, and general impression of the stores, including perceived marketing practices (Blankson and Crawford 2012). The mall intercept was undertaken first in front of the selected stores as customers entered and exited and second in the foyer of and entrance to the mall. A random selection of 22 customers who patronized the selected stores participated in the survey. Interviews lasted between 35 and 45 min.

In view of the criticisms leveled against extant typologies of positioning strategies (Kalafatis et al. 2000) because of the absence of empirically-derived consumer-generated positioning strategies (Aaker and Shansby 1982; Crawford 1985; Ries and Trout 2001), Blankson and Kalafatis's (2007) empirically-based generic consumer-derived typology of positioning strategies was adopted. Eisenhardt (1989) supports the adoption of a priori constructs for emerging theory as a means of shaping the initial design of theory building research. The rationale for adopting this typology stems from the fact that it has been applied in the managerial/corporate environment, and the typology exhibits reliability and explanatory power (Blankson et al. 2008). In addition, we followed practices of case study research and analysis suggested by Yin (2009) and Welch et al. (2010).

## Results and Discussion

The findings show that three key positioning strategies are consistently employed by the six retailers surveyed in this research: "service," "reliability," and "attractiveness." This reflects firms' targeting of lower to middle class customer groups.

With the exception of Galaxy Perfumery (an indigenous retailer), no other retailer pursues "top of the range" or "selectivity." In addition, none of the retailers use a "country of origin" positioning strategy. Incidentally, a comparison between the indigenous firms and the foreign firms shows that while all indigenous firms employ "brand name," foreign firms lead in the pursuit of "value for money." This shows that competitive activities of both indigenous and foreign firms serve the purpose of reaching the broader market and consequently achieving greater market share.

## Conclusions and Implications for Theory and Practice

While the results reflect observation of indigenous and foreign retailers' positioning strategies in Ghana, it is fair to acknowledge the study's descriptive and exploratory foundation. The results must therefore be considered as a preamble to a robust study aimed at providing normative guidelines for retailers. In addition, a longitudinal study of positioning strategies employed by indigenous and foreign firms in other industries in Ghana is recommended. Such data will provide rich information about positioning activities over time and will subsequently enhance suggestions for normative guidelines. This study deals with the aggregate behaviors of a selected number of retailers, so the findings may be difficult to generalize across all retailers in Ghana and emerging economies beyond. However, the remit of this study has been to study positioning strategies and activities in typical and specific firm contexts (i.e., using a case study approach), which has been overlooked in positioning research in sub-Saharan Africa. Continued refinement, replication, and validation of this study is important (Peterson and Merunka 2014) and could include a comparison of firms from several emerging economies, as in the case of Oyedele, Minor, and Ghanem (2009). Further study of this topic will extend knowledge of positioning congruency in emerging markets, which provide a lucrative frontier for firms looking to expand their international operations. Finally, future research should be directed at determining the performance outcomes of positioning strategies in Ghanaian firms.

# Brand Africa: We and They

**Penelope Muzanenhamo and David C. Arnott**

## Introduction

Research on consumer-brand interactions is often dedicated to the scrutiny of how consumers relate to their brands and other users within the context of tangible product (goods) brand usage, e.g., in subcultures of consumption (Schouten and McAlexander 1995), consumer tribes (Cova and Cova 2002), brand communities (Muñiz and O'Guinn 2001; Schau et al. 2009), and online communities (Kozinets 2010), *inter alia*. The tendency to focus on goods may be due to the capacity of such tangible products to embody and convey meanings more effectively than intangible, service brands. However even in this latter case, studies on consumer collectives appear to assume that intra-group brand interactions are voluntary, thereby neglecting the analysis of "forced" bonds. Investigating the less conventional but increasingly popular label "brand Africa," this chapter looks at how members of online African diaspora communities relate to the "brand" and make sense of other members' emotions and perceptions. Based on the conceptualization of brands as socially constructed phenomena, a netnographic, inductive theory development approach is adopted in this chapter.

## Background

There is brand America (Anholt and Hildreth 2010), brand Europe (van Ham 2002), the notion of Latin America which resembles a "brand" (O'Shaughnessy and O'Shaughnessy 2000), and now there is brand Africa (Danish Institute for

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International Studies 2012). The term "Brand Africa" is not only gaining popularity among social actors (from the United Nations down to individual Africans) but also increasingly equated to the continent's image. However, a brand is more than just its image. A brand is a meaning that is socially created by members of a collective (Muñiz and O'Guinn 2001) and ascribed to an entity such as place, person, idea, and thing (Stern 2006). It is created to serve specific socioeconomic functions for distinct individuals and signifies a degree of clarity for both its stakeholders and the brand's value. In brand Africa's case, it is semi-opaque or at best translucent as opposed to transparently clear. Multiple questions have still to be addressed: What does it mean? Who created it? Who owns it? Who most influences it? Who are its stakeholders? How do stakeholders relate to the brand? What is Africa's brand value? Who derives value from the brand? And so on. These are among the numerous questions deserving clarification, particularly because Africa is emerging as a potential market of almost a billion consumers (Mahajan 2011). The increasing attractiveness of Africa to global corporations and other investors provides a strong incentive for a more rigorous analysis of brand Africa as an international market participant. Furthermore, there is potential for the "brand" to contribute to marketing theory if questions pertaining to its potential value and stakeholders are researched. Not all of the stated questions can be addressed simultaneously, but clarity in the most basic issues concerning what the brand "is" and how its "stakeholders" relate to it may clear the path for further investigations.

## Research Methods

We conducted a 2-year, netnographic study of two online African diaspora communities. The underlying research question was "What does the word Africa mean?" and more specifically "What does it mean to its diaspora?" The African diaspora was purposefully selected as the population of interest due to its inclusive nature (investors, tourists, expatriates, students, professionals, "laymen," etc.) and its offering a pool of varied and rich insights on the term. The sample selection process lasted 8 months as the 150 potential sites were reduced to the two that best matched Kozinets' (2002) criteria of Relevance to the research question, High traffic flow, Volume of postings, Level of interaction among members, and Availability of richly descriptive data. Our selection of two communities was to permit a comparison of views on common issues, to identify similarities and discrepancies and to explore inconsistencies should they emerge. The communities are herein referred to as AFD1 and AFD2. The informants' ages ranged between 18 and 65 years old with an average of about 25 years. Most participants were based in the USA and UK with a few dispersed across Canada, China, continental Europe, and India. We adopted the netnographic approach since it allows easier, convenient but still substantive, and representative access to such a globally distributed population. Informed consent was sought within each community and pseudo names are used when referring to our informants. Our work applied the inductive theory development techniques of Glaser and Strauss (1967) to make sense of the accumulated data.

## Results and Discussion

Africa may be viewed as simply a cartographical label but the diaspora use the term to allude to the continental inhabitants. Diasporan references to Africa revolve around what the African people collectively do or do not do, which represents African's actions and ultimately what Africa is perceived to be. To exemplify:

> *… Africa could/should have it going on but honestly they lack the knowledge. I won't say they lack the intelligence… Their biggest issue is they don't understand how to grow food for themselves. Something that's simple for most people but they just don't have the creativity to start true farms and transport the food to their people in large scale… Africa is a continent that really should be doing well. They have EVERYTHING (sic) and yet they have nothing …* (Josh, Male, AFD2, 23/07/2011).

In his use of the term "Africa," Josh is clearly alluding to a group of people, people with the potential to prosper but who are hindered by a deficit of knowledge, innovativeness, and entrepreneurial capacities. One implication is that Africans' lack of human capital is a barrier to both self-sustainment and progress. Africa is viewed as being in a paradoxical situation where it is extremely deprived but in possession of sufficient resources for growth and development into a global economic power. Descriptions such as that offered by Josh (and not uncommon in the data set) reveal a complex anthropomorphosis of Africa from which the concepts of poverty and underdevelopment predominantly emerge. This process appears to blur the perceptual boundary between the indigenes and the place as a geographical entity. This is in line with Gundry's (1987) thesis that *"… A city, like a region or a country or even the whole world, may mean both its inhabitants and their dwelling place…"* (p. 25). More fundamentally, the diasporan portrayal of Africa highlights the symbolic relevance of collective actions in the construction of place meaning. Those actions signify something about the place which is then interpreted as what the place is. Metaphorically, *"…the people make the place…"* (Schneider 1987) through what they do and how they do it as perceived by outsiders. Fragmentation or social conflicts may typify the group of actors and their activities which give a place its visibility of, and then to perceptions about and meaning of, that place to outsiders. However, perceivers appear to then generalize (stereotype) the undertakings as having been enacted by the place as opposed to its people. To illustrate, we learn from mainstream discourses about "the US sending troops to a region X to fight war against terror," or the USA electing the first African American president, or Brazil electing the first female president, or of Scotland's voting "No" on independence from the UK (*inter alia*). These are all a blend of undertakings by political leaders and ordinary people but little thought is given to the closeness of a vote or the argument about a decision in such information. They are loosely interpreted as the actions of a place and therefore of what a place represents. Researchers may be compelled to draw a fine line between the actors and their actions but such attempts may have minimal, if any, impact on how individuals relate to the place in question. They are happy to refer to a collective of individuals and their actions by the name of their place of residence as if the actions were singular and unified, and viewing the people and the place as synonymous.

Linking our evidence in the field of branding, we claim that a collective brand such as Africa is a people-centric concept: The meaning attributed to Africa derives from the people and their actions (i.e., similar to how the meaning of a corporate services brand is based upon the organization's members and their behaviors as perceived by outsiders (cf. Dall'Olmo-Riley and de Chernatony 2000). It is our contention that brand Africa is primarily co-created by the Africans on the ground through their collective actions but as experienced and interpreted by outsiders. This is analogous to the evolution of a corporate services brand such JetBlue or Singapore Airlines, as essentially an outcome of the corporation's people and practices.

Our empirical analysis identifies two broad groups of diasporan individuals who relate to Africa in opposite ways. While one group declares love for the continent, another confesses hate. To cite one member: *"… I love Africa… I love being an African man but sadly so many of our brothers and sisters don't feel the same"* (Neil, Male, AFD1, 12/05/2012). In the most abstract sense, Neil feels a strong emotional bond to both Africa and his social identity as an African man. He finds it an unhappy experience that his love is not collectively shared among the African diaspora. Often, individuals like Neil are either offspring of African émigrés or they themselves were émigrés. By contrast, some of the diaspora particularly among African Americans have a strong inclination to dissociate themselves from the continent. As one of the individuals reveals: *"… I would never in my life claim anyone or anything in Africa. I'm not African but I am black… I hate Africans…" (Norman, Male, AFD1, USA, 17/10/2010).* Norman not only rejects any possible connection to Africa but also suggests that his skin pigment should not be seen as symbolic of his social origins or identity. He goes on to reveal his strong dislike for Africans in an apparent attempt to fortify his self-concept. In response to such views, another respondent points out that:

> *… I told you I have lived in the UK and USA before coming to Paris. I mix with both pure and other so-called Africans everyday. Pure Africans, we aren't ashamed of our continent. A lot of European Africans aren't either, but now go to the US, the African American has a big crisis. I bet more than 90% will be happy if African was legally dropped from African American. Why do I say that… An African American is ashamed of poverty… If Africa improves to US's standard of [life], all these AAs will walk around in an African flag. They will rap about Africa (Mia, Female, AFD2, 22/05/2012).*

Mia bases her assessment of diaspora–Africa interaction on the experiences she accumulated through residence in three "most developed" countries. Differentiating between "pure Africans" (i.e., African immigrants) and "other" Africans, Mia suggests that some African Americans' hate for and dissociation from Africa may be due to the continent's poverty. She attempts to make her belief more convincing by envisioning an assimilation of African ideas and regalia into the African American culture (e.g., music genre), likely to result from Africa's progress towards the same GDP level as the USA. It appears that an element of shame is an intertwining of an individual's self-awareness and self-concept with a sense of others like themselves having failed (Lewis 1995). However, the potential diasporan shame stems not from the idea that the person in question has failed, but instead from the knowledge that she/he is attached to an entity that is evaluated and perceived as being unsuccessful. Therefore, there is a strong desire to disconnect oneself from the failed object in a

quest to protect one's dignity and social status. The claim among some individuals that "I'm not African" is an attempt to position the self as different from and superior to impoverished "others," if not to establish oneself as a legitimate member of a society in which one finds her/himself. In the field of sports fan psychology, this idea has been labeled as CORFing or the casting or cutting off of reflective failure (Cialdini et al. 1976). To our knowledge, this is the first example of such a dissociative concept appearing in the place branding or international marketing literature.

Again, situating our findings within the context of branding, we argue that an individual's bond to a specific brand may not always be initiated by the individual but may be forced upon and cannot be terminated by that person. This resembles Fournier's (1998) notion of an arranged or forced marriage. Thus contrary to the relationship or identity link between a corporate service brand and an employee, in our context there is a form of permanence associated with an individual's identification with a place brand. This "forced marriage" may lead to repulsion and a continuous, publicly fought battle by the individual to eliminate or dissipate the effects of the undesired link. Some members of the African diaspora may despise their connection with the place brand associated with their origin. We argue that this dimension differentiates the individual–place brand interaction from other brand relationships, and therefore has unique implications for managing a brand such as Africa.

## Conclusion and Implications for Theory and Practice

Members of the African diaspora are often treated as key stakeholders with the potential to promote the continent's socioeconomic growth. However, it is evident from this research that diasporan views and emotions about Africa are far from homogenous. This observation implies that marketers and policy makers may need to perform more refined micro segmentation of the "diasporan market." More fundamentally, our analysis implies that collective actions are a source of brand value. The creation of a globally competitive brand Africa demands shaping what Africans do locally, regionally, nationally, and continentally in order to change perceptions within a global context. In successful corporate service brands, leaders regard their people as a strategic asset to be invested in—indeed most top management teams leverage their people's intellectual capital, skills, and competencies. African leaders may need to imagine Africa as a large corporation and commit resources to the development of its human capital, entrepreneurial capacities, innovativeness, and value creation. If the place is the people, leadership has a very crucial role in people-centric brand building. However, future studies may seek to evaluate how and whether leadership and ordinary people's actions have a different impact upon the meaning of a place and potential diaspora–place brand relationships. Another possible avenue of research might be the exploring and evaluating specific and critical factors affecting brand Africa. Our analysis, which is part of a 4-year research project, leaves us with the strong sense that like "the mother of all brands," i.e., America (Anholt and Hildreth 2004), the study of brand Africa will enhance our knowledge of such complex entities and their roles and market competitiveness in an era of increasing globalization.

# The Informal Economy and Marketing: Reviewing Multidisciplinary Literature and Advancing Future Research

**Syed Tariq Anwar**

## Abstract

The literature on the informal economy remains rich in social sciences. At the same time, the informal economy and its related topics have not been thoroughly investigated in marketing. This chapter lays the foundation for a multidisciplinary review that aims at multifaceted discourses and analysis. Future research in marketing can benefit by looking at the informal economy and its multidisciplinary studies that add value in research and practice. The informal economy can be defined as those unreported and hidden activities that take place outside the legal domains and standard practices and may encompass shadow economy, underground economy, parallel economy, illicit trade, black market, unregulated entrepreneurial activities, etc. The informal economy takes different forms and shapes in the world economy and impacts international markets and consumption.

The work reviews over 90 multidisciplinary investigations and their research contributions that relate to marketing. Our common denominator regarding finding studies was within the topic of the informal economy and its related areas. We also used Web-based searches and indexes that complemented the literature. These criteria helped in retrieving multidisciplinary literatures and reviews. The work specifically reviews and analyzes empirical and nonempirical investigations from the areas of case-based research, country-specific studies, entrepreneurial networks, institutions and regulatory issues, economic development, public policy, illicit trade, and consumption. Additional areas include poverty at the base-of-the-pyramid, economic development, and employment practices.

There are nine research topics in the informal economy that apply to marketing and can be explored because of their relevance and timeliness. The topics include consumers and consumption, employment and labor practices, entrepreneurship and networks, illicit trade, corruption and bribery, developed/developing economies, and emerging markets. Also important are institutions, governance and

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economic development, regulatory environment and competition, public policy, and poverty at the base-of-the-pyramid. Since research on the informal economy and marketing remains sparse and disjointed, it is important to use those disciplines in social sciences that add value to marketing. The informal economy spills over to many disciplines of social sciences and takes various forms at the global level. Preliminary findings of the work reveal that diverse array of investigations were conducted in the informal economy which can be applied to marketing.

# Service Firm Identification from an Outsider's Or Better Yet an Immigrant's Point of View

**Emeka Anaza and Nwamaka A. Anaza**

## Abstract

To identify or not to identify! This study addresses this issue as it relates to service firms, one's profession and workgroup from the perspective of immigrant workers in the USA.

## Introduction

Work-based identity creation and the process of identification have become important issues to study in both the management and marketing literatures (e.g., see Ashforth et al. 2008; Cooper and Thatcher 2010; Vough 2012). This increased focus on identity and identification research is largely due to the extant number of empirical studies that have associated employee identification with an array of beneficial individual and organizational-level outcomes such as self-esteem (e.g., Bergami and Bagozzi 2000), self-knowledge (e.g., Ashforth 2001), organizational citizenship behaviors (van Dick et al. 2006), job satisfaction (e.g., van Dick et al. 2008), and customer orientation (e.g., Anaza and Rutherford 2012). Understanding what, why, and how multiple identifications occur in the workplace have also become critical questions to ask as a way to better conceptualize the systematic process through which individuals scan, interpret, and take action or make adjustments in their decisions concerning work-related matters (Ashforth et al. 2008; Thomas et al. 1993; Vough 2012; Weick 1995). Despite the existing research on workplace identification, little is known about how the national identities of immigrant workers

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influence their workplace identification across multiple targets. This is particularly critical to understand in service sectors where an immigrant's identity is completely tied to their ability to deploy service offerings and solutions to internal and external customers. Since services are intangible, heterogeneous, inseparable, and perishable (Zeithaml et al. 1996), an immigrant's home-country identity is intertwined with their service performance, from the way they speak to the way they behave and interact with their customers, coworkers, and managers. Therefore, the current study attempts to identify the role of national identity as it relates to the identification of African immigrants living and working in service firms within the USA.

## Research Objective

To shed more light on this topic, the current study explores the underlying reasons why foreign-born Nigerian immigrants working in the USA identify with key collective and relational based targets. Two research questions are proposed to guide this study's investigation: (1) what are the accounts used to justify collective and relational identifications? and (2) what differences exist among the various workplace targets?

## Sample

Data was collected with the aid of purposive and snowball sampling. Purposive sampling was employed to recruit participants who are members of Nigerian and African associations in the USA, whereas snowball sampling permits participants to refer other Nigerian immigrants for the study. For eligibility, participants should identify as Nigerian immigrants who have spent at least 5 years living in the USA.

## Method

Based on the aim of this research study and its stated objectives, a qualitative research methodology was deemed suitable because qualitatively grounded inquiries allow for a logical and systematic research process that calls for close interactions with research participants. Semi-structured face-to-face and phone interviews were used to gather data from research participants.

**References available upon request**.

**Session 4.2**
# Retail Influences Up the Chain, Across the World, and Over to Other Retailers

# Protecting Retailers Against Contagion: Exploring the Shielding Role of Marketing in the Negative Spillover of the Target Customer Data Breach

**Saim Kashmiri, Cameron Duncan Nicol, and Liwu Hsu**

## Abstract

The authors examine the effect of a major customer data breach at a US retail firm on the market value of other US retailers. Using the massive breach at Target Corporation in the year 2013 as their empirical context, the authors discover the existence of a strong industry-wide contagion effect; the results from an event study of 168 publicly listed US retail firms indicate that the Target breach resulted in negative abnormal returns for other US retailers. The authors also explore the role played by marketing factors in insulating some retailers from this contagion effect. They find empirical evidence that retailers where the marketing function held a high degree of influence in the top management team (TMT), those with strong marketing capabilities, and those with strong corporate social performance (CSP), experienced less negative abnormal returns surrounding the news of the Target breach. These results highlight the shielding benefit that strong marketing resources and high corporate citizenship provide to retailers in the backdrop of an industry counterpart's customer data breach.

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# Capable, Caring, Culpable? Retailer and Supplier Responsibilities for Promoting Healthier Eating

**Marzena Nieroda, Peter McGoldrick, and Debbie Keeling**

## Abstract

Promotion of healthier eating (ProHE) gradually enters the range of perceived responsibilities for retailers and suppliers (Ye et al. 2014). This logical extension of CSR follows concerns about societal impacts of obesity, and mounting criticism of marketing resources directed at unhealthy food promotion (Chandon and Wansink 2012). As consumers grow more aware of firms' capabilities and CSR motives for caring, they form expectations for ProHE (Golab et al. 2008). Thus, food marketers have both need and competitive opportunities to be more proactive in their ProHE actions. Neglecting this emerging CSR initiative could damage consumer loyalty, corporate reputations, therefore long-term profits, while also risking further government regulation.

We develop an integrative theoretical framework, drawing on both firm-level and consumer-level theory. The resource-based view, CSR and blame attribution theory underpin the research propositions. Building on relevant health promotion and CSR literature, we identify relevant ProHE activities. Deploying blame attribution theory (Weiner 1980), we hypothesize blame attributed to retailers and suppliers. Using innovatively the tenets of resource-based view (RBV) (Wernerfelt 1984; Menguc and Auh 2006) at the *organization-type level*, we hypothesize that perceived resources and motives to "do good" of those different organization types will shape consumer expectations of ProHE actions. Based on RBV and CSR theories, we propose specific resources and motives of retailers and their suppliers that will affect consumer expectations for ProHE activities initiated by those organizations.

The results of a multi-method, multistage study: (1) identified the relevant ProHE activities for food retailers and suppliers; (2) indicated different levels of blame

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attributed to retailers and suppliers, thus supporting the strong relevance to these organizations of supporting ProHE; (3) from literature, expert discussions with a panel of food industry managers, and a "quasi-qualitative" study of 230 consumers, verified ProHE actions, perceived resources, and corporate motives with the potential to shape ProHE expectations; (4) based on a preliminary consumer survey of 734 cases and a national US survey of 1006 cases, explored differences in ProHE expectations relating to organization type (retailer and suppliers); (5) test the extent to which perceived resources and corporate motivations help explain expected ProHE actions; (6) suggest implications and opportunities for practitioners, policy makers, and researchers.

**References available upon request**.

# Exploring Factors that Influence US Consumers' International Online Outshopping (IOO) Intentions at E-Tailers in Developing Countries: Propositions

**Bharath Ramkumar and Byoungho Jin**

## Introduction

Outshopping, the physical movement of consumers from their local trade area to a neighboring region or oftentimes to a foreign country with the intention to shop for goods, has been well documented in literature (Herrmann and Beik 1968; Lee et al. 2009). An unprecedented access to consumer goods online has further impacted this phenomenon giving rise to International Online Outshopping (IOO), thereby enabling the virtual movement of consumers to distant global marketplaces with the click of a button. With online shopping increasing by the day among US consumers in search of better deals and products on the World Wide Web, online retailers (referred to as e-tailers from now on) in developing countries are successfully leveraging this opportunity to target these consumers effectively. The resulting IOO effect may leave domestic US retailers, both online and offline, with loss of sales from these outshoppers. Though studies addressing cross-border outshopping exist (Piron 2002), international outshopping through the Internet has been hardly examined. The purpose of this chapter is to identify and develop testable propositions of factors related to US consumers' intention to engage in IOO at e-tailers in developing countries. This study focuses on exploring factors influencing US consumers' IOO at developing countries' e-tailers only, because factors pertaining to other countries' e-tailers might be different (Lee et al. 2009).

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## Literature Review

This section first describes the three-phase evolution process of outshopping identified in literature. This is followed by the discussion of factors related to IOO intention and subsequent propositions.

*First phase—Outshopping*: Traditionally, outshopping was operationalized as the number of trips a consumer took outside the local market area in search of products (Reynolds and Darden 1972). A few decades ago, consumer and marketing research identified such consumer market-patronage patterns as a key area to investigate since consumers' switching behavior between local and neighboring marketplaces affected local businesses. Studies profiled outshoppers as having high income levels, no children, out-of-town charge bank accounts (Herrmann and Beik 1968). In addition, shoppers who owned a home, were educated, physically fit and formed negative attitudes towards local merchants were seen to indulge more in outshopping (Hawes and Lumpkin 1984). Apart from individual characteristics, marketplace characteristics such as inadequate assortment of products and dissatisfying service levels were also identified as factors contributing to consumer outshopping (Reidenbach et al. 1984). At this point, outshopping research was restricted to rural or urban regions in the USA.

*Second phase—Domestic online outshopping*: The domestication of Internet and the open access to a national marketplace resulted in the exponential increase in online shopping wherein online retail sales towards the end of the century crossed $15 billion annually (USDC 2001). With the Internet playing a major role in consumer shopping for various products, the outshopping phenomenon applied to online shopping activities as well, with similar consumer motivations and ill effects on local retailers. Studies identified in-home shopping preferences, negative support for local retailers, and time pressure as key factors contributing to online outshopping behavior (Lee et al. 2009). Additionally, the adverse effect of such online outshopping behaviors on brick-and-mortar retailers was also heightened. On the other hand, this new mode of economic trade also introduced emerging opportunities for retailers who could expand their operations through the new virtual medium (Lennon et al. 2009).

*Third phase—Cross-Border or International outshopping*: With globalization imminent, retailers increasingly exposed consumers to a variety of new and innovative products, the availability of which remained spread throughout the global marketplace (Alden et al. 2006). The decrease in global travel costs encouraged consumers' cross-border outshopping activity. The activity of cross-border shopping between the USA and Canada elicits this phenomenon where consumers from both countries consistently cross the border to shop for products like food, medicine, and gas that are relatively cheap in the other country owing to the temporary shifts in exchange rates (Asplund et al. 2007). Other factors related to such international outshopping behaviors observed in prior studies include quality of product, quality of service, fashion consciousness, perceived expressiveness towards foreign products, and outshopping enjoyment (Guo and Wang 2009; Wang et al. 2010).

*The emerging phase—International online outshopping* (*IOO*): A recent market report revealed that about 34.1 million US consumers engaged in IOO in 2013 spending close to $40.6 billion (Paypal 2013). This number is expected to rise to 41.8 million consumers spending $80.2 billion on foreign e-tailers by 2018. In realizing the opportunities posed by potential online shoppers in the USA, e-tailers in developing countries like China are increasingly targeting these consumers. Almost 60% of US online outshoppers purchased from developing countries' e-tailers such as Gofavor and Aliexpress.com in 2013. Considering these figures and the recent attention received from popular media, the impact of IOO on domestic US e-tailers and the economy could be overwhelming. However, there is a significant lack of studies that explore factors contributing to the IOO intentions of US consumers at these developing countries' e-tailers.

## Factors Influencing IOO and Propositions Development

This chapter identifies factors related to US consumers' IOO intentions at developing countries' e-tailers. Below discusses propositions using each factor.

*Brand Consciousness*: Brand consciousness refers to the tendency of a consumer to choose brand name products that are popular, well-known and highly advertised (Sproles and Kendall 1986). Online retailers in developing countries like China offer products originating from local manufacturers (Gu 2013), whose brand names are mostly unknown to the US consumer. This means that US consumers engaging in IOO are not necessarily looking for branded products since such products are readily available in their domestic marketplace. Therefore, it is postulated that US consumers' intention to purchase from a developing country's e-tailer may be inversely affected by their level of brand consciousness.

*P1: US consumers' brand consciousness will negatively influence their intention to engage in IOO at developing countries' e-tailers.*

*Price Consciousness*: Price conscious consumers are typically those who are primarily concerned with the cost associated with acquiring a product (Sproles and Kendall 1986). In outshopping literature, Piron (2002) found price to be a key reason for consumers to travel cross-border in order to shop for food-related products. The products sold by many e-tailers in developing countries are predominantly manufactured in their home country, enabling the price of goods to be relatively low. This makes it possible for these retailers to offer heavy price discounts and free shipping options, making the overall cost of acquisition of a product relatively low. Building on this, this study posits that price conscious US consumers, due to their access to low-priced products at developing countries' e-tailers, will have a higher IOO intention.

*P2: US consumers' price consciousness will positively influence their intention to engage in IOO at developing countries' e-tailers.*

*Desire for unique consumer products* (*DUCP*): "Consumers differ in the extent to which they hold as a personal goal the acquisition and possession of consumer

goods, services, and experiences that few others possess" (Lynn and Harris 1997, p. 602). This attraction towards unique products could trigger the need to reach out to newer venues to acquire these products. A study conducted by Burns and Warren (1995) showed that consumers' motivation to shop at a regional shopping mall outside of one's area of residence may be prompted as an expression of the individual's need for unique products not readily available in the local marketplace. Guo et al. (2006) suggested a similar relationship in the international outshopping motivations of Mexican consumers to the USA. Given the myriad product varieties available at developing countries' e-tailers, US consumer's desire for unique products can result in their engagement in IOO at those e-tailers.

*P3: The desire for unique consumer products will positively influence US consumer's intention to engage in IOO at developing countries' e-tailers.*

*Trust in foreign website*: A multidimensional concept, trust, has been shown in prior ecommerce studies to be an important factor that can decide consumers' proclivity to shop from a particular website. Studies have shown that the development of consumer trust on online retailers is substantially more difficult than on offline retailers (Bhattacherjee 2002), with perceived reliability of foreign retailers being a strong predictor of propensity to outshop (Wang et al. 2010). Moreover, Cyr et al. (2005) found that US consumers exhibited more trust on local websites than on foreign websites. This implies that consumers' engagement in IOO will be highly channeled by the level of trust that they perceive at a developing country's e-tailers. Therefore, the proposition follows that,

*P4: US consumers' trust in a foreign website will positively influence their intention to engage in IOO at developing countries' e-tailers.*

*Frequency of domestic online shopping*: In predicting consumers' intentions to purchase products through the internet, Balabanis and Vassileiou (1999) found that consumers who had a higher frequency of engaging in non-internet modes of shopping (in-store, catalog etc.) were more likely to purchase from a website. This finding suggests the influence of consumers' prior shopping experience in a familiar shopping mode (like domestic websites) on the acceptance of a newer mode of shopping (like foreign websites). Though domestic online shopping has been around for a couple of decades, international online shopping is relatively new. Stemming from this notion, the present study posits that US consumers' engagement in IOO at developing countries' e-tailers will be higher in those who have prior experience shopping through domestic websites than those who do not. Therefore the following is proposed.

*P5: US consumers' frequency of domestic online shopping positively influences their intention to engage in IOO at developing countries' e-tailers.*

*Ethnocentrism*: Consumer ethnocentrism is related to the beliefs held by consumers about the appropriateness, and morality of purchasing foreign-made products (Shimp and Sharma 1987). In previous studies, consumer ethnocentrism has been applied to explain consumers' approach towards outshopping. Frequent international outshoppers have been found to typically score low on ethnocentrism (Piron 2002), suggesting that US consumers who purchase foreign products do not necessarily support the notion that "purchasing a foreign-made product is

un-American." Based on this, this study posits that the same notion will apply to international online outshopping settings.

*P6: US consumers' ethnocentrism will negatively influence their intention to engage in IOO at developing countries' e-tailers.*

## Conclusion and Implications

This chapter identified brand consciousness, price consciousness, desire for unique consumer products, trust in a foreign website, the frequency of domestic online shopping, and ethnocentrism as possible predictors of US consumers' IOO intention at developing countries' e-tailers. In providing theoretical implications, these propositions will expand the understanding of predictors that may apply specifically to IOO namely, trust in foreign website and frequency of domestic online shopping. It is important to call for empirical studies in this newly emerging area of marketing research to test these factors, thereby adding substantive understanding to existing outshopping literature.

Future studies testing the proposed propositions will provide domestic e-tailers with ways to preventing domestic consumers from outshopping and encouraging international consumers to shop from US e-tailers. In specific, it will help US retailers pinpoint the characteristics of their customers who purchase from developing countries' e-tailers resulting in loss of potential revenues for the domestic retailers. In addition, US e-tailers can learn from the strategies of these foreign websites in targeting potential consumers in foreign markets thereby achieving economies of scale and scope. Though large American e-tailers like Amazon and eBay operate in foreign markets, there are a number of smaller e-tailers who, due to the lack of capital, are unable to do so. These smaller US e-tailers can gain insights as to selling products directly to foreign consumers the way developing countries' e-tailers successfully do.

**Reference available upon request.**

# Session 4.3
# Self, Identify

# An Examination of the Role of Objective Self-Awareness on Cosmetic Surgery Motivations

Atefeh Yazdanparast

## Abstract

Sociopsychological research over the past four decades provides robust evidence for the existence of a pervasive physical attractiveness stereotype, illustrated by the phrase *what is beautiful is good* (Dion, Berscied, and Walster 1972). Accordingly, individuals place particular importance on their personal appearance and try to improve their self-representations (Foustanos et al. 2007). Cosmetic surgery, considered to effectively contribute to the improvement of physical attractiveness, is one of the fastest-growing medical practices in the world (Pentina et al. 2009). However, consumer research literature on this topic is extremely sparse (Slevec and Tiggemann 2010). The present research aims to address the question of what motivates individuals to pursue cosmetic procedures. Objective self-awareness (OSA) is the theoretical basis for this research, as it provides a better understanding of the reasons why people conform their beliefs and behaviors to those of the larger society.

According to OSA theory, just as people can apprehend the existence of environmental stimuli, they can be aware of their own existence. The state of OSA initiates a self-standard comparison process in which individuals evaluate the self in relation to relevant standards (i.e., mental representation of correct behavior, attitudes, and traits). Congruity between self and standards generates positive affect, which rewards actions that established congruity (Duval and Silvia 2001), while discrepancy generates negative affect which motivates a different series of actions. In the context of cosmetic surgery decision-making, the discrepancy between one's appearance and standards of beauty may motivate the individual to pursue cosmetic procedures in order to close the experienced gap. The perceived gap, however, could depend on individual's body—esteem. Body esteem is related to chronic perceptions of one's appearance and is defined as individuals' general feelings and attitudes (as opposed to state opinions) about their body and appearance (Mendelson et al. 2001). Moreover, propensity for appearance enhancement, a surface trait that

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creates enduring dispositions to act within the specific context of appearance enhancement (Mowen 2000), influences the motivation to undergo cosmetic procedures and thus, is considered as the underlying mechanism.

The study was a 2 (OSA vs. no-OSA)×2 (low vs. high body-esteem) between subjects design in which objective self-awareness was manipulated and body esteem was measured ($N$=152 undergraduate students). The results indicated that individuals' body esteems interact with their state of objective self-awareness, and that individuals' enduring disposition to appearance enhancement is the underlying mechanism. For those with low body-esteem, increased focus on appearance (as a result of OSA) will lead to higher motivation to pursue cosmetic procedures. When low body-esteem individuals are not self-aware, however, their motivation to purse cosmetic procedures is significantly lower. The results contribute to extant research on cosmetic surgery decision-making and have practical contributions for consumer welfare.

**References are available upon request.**

# Activating Multiple Facets of the Self: Identity-Signaling and Brand Personality

**Marilyn Giroux and Bianca Grohmann**

## Abstract

With the growing importance of branding strategies, it is important for companies to connect more with consumers and to create emotional brand connections (Malär et al. 2011). In the past years, one strategy that companies widely used to stimulate brand connections was the symbolic and self-expressive purposes of their brands. Products present utilitarian and symbolic functions (Park et al. 1986) and consumers use and buy products to construct, confirm, and express their personal and social self-concepts (Kleine et al. 1993). Past research has demonstrated that individuals can use brands to identify with a specific reference group (Escalas and Bettman 2005), to differentiate themselves from undesired groups (Berger and Heath 2007; White and Dahl 2006) and to boost their self-esteem (Sirgy 1982).

In this perspective, it is essential to understand how brand personality can relate to the different facets of the individuals to increase the self-brand connections for the company and examine how consumers express different facets of their identity through diverse brand personalities to form connections with brands. For example, does the rugged and outlaw brand personality of Harley-Davidson reach more the dissociative part of our identities, while the exciting and cool aspect of Apple trigger more the in-group identification of consumers? Drawing on the literature on personal and social identity, this chapter investigates the effects of the desired facet of identity on the self-brand connections for different brand personalities to determine how brands can focalize on the bonding between the brand and the self-concept.

Two studies were conducted to test the diverse hypotheses. In the first study, a survey ($N=823$) was conducted with 20 real brands identified as representing strongly one dimension of the brand personality. Participants were randomly assigned to one brand that represents a particular brand personality. In the second study, the authors manipulated brand personality by asking people to think about a

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brand that has traits related to a specific brand personality. This experiment ($N = 164$) also examined the impact of the different facets of brand personality on self-brand connections. The results from these two studies demonstrated that all the identity facets have strong positive relationship with self-brand connections, except out-group differentiation. Specifically, actual self-congruence, ideal self, in-group association, and role identity positively influence consumers connections with brands. The results also demonstrate that the brand personality moderates the impact of each identity facet on self-brand connections. These two studies demonstrate that relating to identity facets is quite important in order to create strong self-brand connections, but the matchup between the right brand personality and the identity facet can result in deeper and richer self-brand connections.

In conclusion, the present research expands our knowledge about the role of self-expression motives by demonstrating that its effects on self-brand connections for different brand personalities. This chapter sheds light on the effect of self-expression motivations and identity facets on the self-brand connections for different brand personalities. Finally, from a managerial perspective, those findings could be interesting in terms of brand positioning and brand communications.

**References available upon request**.

# Absinthe: an Exploration of the Role of Mythology and Ritual in Market Revival

**Lauren I. Labrecque, Garret M. Warr, and Joseph Labrecque**

## Introduction

Absinthe, a once wildly popular spirit, was banned at the turn of the twentieth century as a consequence of its purported hallucinogenic effects. Now after nearly a century-long prohibition, recent de-restrictions in Europe and the Americas have allowed the opalescent green drink, nicknamed "the Green Fairy," to return to the marketplace. This research uses netnography and content analysis as tools to help understand the historic marketability and consumption of this product and to reveal current consumption behaviors.

## Brief History of Absinthe

Absinthe is a spirit made from distillation of a variety of herbs, which specifically includes Wormwood (Artemisia absinthium), green anise, and fennel. The birth of absinthe is commonly credited to the French physician Pierre Ordinaire; however, the medical consumption of Wormwood can be dated back to antiquity. According

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to legend, Dr. Ordinaire fled France during the revolution and settled in Val-de-Travers Switzerland, which became one of the epicenters of absinthe production. After the death of Dr. Ordinare, the recipe fell into the hands of Henri-Louis Pernod who then established commercial production in Pontarlier France in 1797. Fueled by a rising interest in anise-flavored spirits, which many attribute to wormwood spirits consumed during the French-Algerian war, coupled with a drastically reduced production of wine due to the devastation of vineyards by phylloxera insect, absinthe production and consumption exponentially grew throughout France and other parts of Europe (the annual per capita consumption of absinthe in France grew 15-fold from 1875 to 1913).

During its heyday, absinthe gained notoriety through the consumption by many famous literary and artistic figures. Literary figures who were inspired and included absinthe in their work include: Guillaume Apollinaire, Charles Baudelaire, Ernest Hemingway, Jack London, Arthur Rimbaud, Paul Verlaine, Oscar Wilde, and Emile Zola. Notable artists inspired by the Green Fairy include: Edgar Degas, Paul Gauguin, Edouard Manet, Pablo Picasso, Henri de Toulouse-Lautrec, and Vincent Van Gogh (some attribute his famous ear severing to absinthe consumption).

The temperance movement vilified the spirit and winegrowers supported their cause as the increase in absinthe consumption had taken a heavy toll on the wine industry. Support from the medical community coupled with the sensationalism of absinthe's role in a 1905 gruesome family murder by the family's drunken patriarch, Jean Lanfray, further fueled the movement to ban the Green Fairy. The movement was successful as countries across Europe began banning the spirit and by 1914 absinthe's major producer and consumer, France, followed suit essentially destroying the absinthe market.

## *Legalization and Resurgence*

Rekindled interest in absinthe began in the 1990s. During this time many countries across Europe reassessed wormwood's inclusion in food and beverage, resulting of a lift on the ban on absinthe. A lift of the US ban, mainly fueled by representatives from Lucid and Kübler brands, followed in 2007. See Fig. 1 for an overview of legalization.

## Research Methodology

For the first phase, framing theory and methods guided our data collection (Benford and Snow 2000; Humphreys 2010; Matthes and Kohring 2008). We selected this methodology and viewpoint as it allows us to examine changes in cultural and political discourse over a period of time. This suits our objective—to gain an

understanding of the creation, death, and rebirth of the absinthe market (Humphreys 2010). Data sources for this phase included newspapers, posters, and other print commentary related to absinthe from the pre-ban era (1908 ban in Switzerland—1914 ban in France) to the revival (late 1990s–current day).

In phase two, we utilize a netnographic approach (Kozinets 2002, 2009) to guide data collection, analysis, and interpretation. Online communities (e.g., http://wormwoodsociety.org and http://www.feeverte.net/) and social media groups (e.g., Absinthe Originals Facebook group) related to absinthe were selected as data collection sites. Our driving goal for this phase is to examine consumers' motivations for consuming absinthe and to gain an understanding of the absinthe community.

## Initial Findings

### *Mythology*

Many of our initial findings center around the importance of mythology (Belk and Tumat 2005; Levy 1981) in absinthe's revival. Modern absinthe consumers often remark how the intrigue of absinthe's origins, its ability to inspire famous artists and writers, along with proclamations of its adverse effects (hallucinogenic properties) and eventual ban fueled their desires to experience the drink. These myths continue to perpetuate through modern absinthe commentary primarily originating from media mentions (e.g., television news segments, New York Times articles) and inclusions in film (e.g., Moulin Rouge, Bram Stoker's Dracula).

### *The Importance of Ritual*

Community members often note the importance of ritual in absinthe consumption. It appears that many find the preparation ritual to be as important as the consumption of the product. The traditional ritual entails diluting the spirit with cold water by slowly dripping the water with the assistance of an absinthe fountain, pitcher, or brouilleur. As the water dilutes the spirit, oils are dispersed, resulting in the drink's hallmark opalescent appearance (louche). The process is often referred to as "louching." Optional to the ritual is the inclusion of a slotted spoon placed on the glass, which may be topped with a sugar cube for added sweetness. Community members will share images and descriptions of the ritual and their preparation accessories. Many members showcase their accessory collections (spoons, fountains, pitchers, etc.) and applaud other members for their presentation of the ritual.

## Community Role in Maintaining Authenticity and of Dispelling of Myths

Our netnographic research reveals the tight-knit nature of the absinthe community. Members are welcoming, but also play a serious role in maintaining the purity of information disseminated within the community and beyond by dispelling myths and misconceptions. Any false information, such as absinthe's ability to induce hallucinations, is quickly discredited. Our analysis highlights the communities members efforts to keep the product and consumption ritual authentic. Members will quickly warn newcomers regarding fake absinthe (absinthe not containing the quintessential trinity of base herbs, including *Artemisia absinthium*) or improperly created products using nontraditional methods of production. The authenticity of the ritual is another topic that community members attempt to protect. A secondary preparation method, popularized in the Czech Republic, the ignition of an absinthe soaked sugar cube atop of an absinthe spoon which is then mixed into the spirit, and the consumption of the unprepared extraction a shot glass. Members educate others on the authentic louching ritual and will share media mentions that purport the unauthentic Czech ritual.

## Marketer Capitalization of Myths

Lastly, initial findings of our framing analysis show that some manufacturers are capitalizing the purported psychotropic effects of the drink, which drove the initial ban, as a part of their marketing strategy. We find that while this effort to reestablish absinthe's former taboo reputation through misleading package design and advertising has helped fuel absinthe's resurgence in some markets, it may also be a hinder to widespread adoption.

**References available upon request.**

# Revisiting the Self and Exploring Its Role in Identity Formation

**Obinna Obilo, Bruce Alford, and David Locander**

**Abstract** Like all scientific endeavor, our quest for truth regarding **The Self** requires continuous successful approximations of some objective construct that is in fact the self. Many such approximations have been put forth over time, each contributing in a significant way, to our current understanding of the self. This research is one such endeavor that revisits the previous conceptions of the self (including views from behaviorism, psychoanalysis, social interaction, information processing, etc.), and tries to extract value from each in putting forth a more complete model of the self. The more complete explanation examines how the different posited sub-facets that constitute the self interact with each other, in the process of determining consumers' behaviors, and ultimately, their value-seeking endeavors on the path to consummation.

This research posits that the concept of **identity** consists of: a (1) **material facet** which comprises everything that makes up our physical being/body, including our physical possessions which are extensions of us Belk (1988), a (2) **cognitive facet** which contains all of our possible mental representations of what or who we are, and an (3) **affective facet** which includes our affective responses to different interactive contexts we encounter in our daily lives. In order to generalize identity then, we can assume that the facets are represented by the equations:

Identity **(I)** = Material **(M)** + Cognitive **(C)** + Affective **(A),** where:

$$M = \sum_{i=1}^{n} m_{i.}\ C = \sum_{i=1}^{n} c_i, A = \sum_{i=1}^{n} a_i$$

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Where $M$ represents the material facet and $m_i$ represents whatever aspects of that facet that a particular identity requires; similarly for the other two facets. To further generalize then, we posit that the self is the combination of all the different identities (in any combination of facets) that constitutes any individual:

$$SELF = \begin{cases} I_1 = \sum_{i=1}^{n} m_i + \sum_{i=1}^{n} c_i + \sum_{i=1}^{n} a_i \\ I_2 = \sum_{i=1}^{n} m_i + \sum_{i=1}^{n} c_i + \sum_{i=1}^{n} a_i \\ I_3 = \sum_{i=1}^{n} m_i + \sum_{i=1}^{n} c_i + \sum_{i=1}^{n} a_i \\ \quad . \\ \quad . \\ \quad . \\ I_n = \sum_{i=1}^{n} m_i + \sum_{i=1}^{n} c_i + \sum_{i=1}^{n} a_i \end{cases}$$

**\*\*References available upon request.**

# Session 4.4
# Marketing Communications:
# A Cultural Perspective

# Will They Walk or Will They Talk?
# Comparing Chinese and American Consumers

**Anjala S. Krishen, Han-fen Hu, and Jordan Gunderson**

## Abstract

As the business world becomes less company driven and more customer-oriented, increasing loyalty becomes a critical factor to building a successful company (Zahay et al. 2012). Such loyalty is not easy to earn, but in the increasingly socially connected world, customers who are brand advocates serve as a key marketing tool (Sen and Lerman 2007). In effect, as a free resource that consumers can avail of at any time and from multiple sources, word of mouth (WOM) not only allows customers to tell their consumption stories and share their opinions, but it also allows them to research a seemingly independent view of a business (Moore 2012). As such, research abounds on the motivations driving WOM, whether positive or negative, such as self-enhancement, anger and retaliation, altruism, brand love, and many others (De Angelis et al. 2012).

Our chapter builds on existing literature by comparing the triggers for consumer satisfaction and WOM between Chinese and American consumers. We seek to further understand the drivers for positive or negative WOM in the two distinct cultures. We conduct an experiment using consumption type (hedonic vs. utilitarian) and service experience (positive versus negative) as our between-subject manipulations on 137 Chinese and 130 American consumers. Our findings indicate that consumers perceive higher level of satisfaction and switching cost, as well as provide higher WOM for positive than for negative service experiences. The relationship between service experience and switching cost is further moderated by consumption type and culture. Overall, our research offers an experimental view of consumers and how they react to negative and positive service experiences and hedonic versus utilitarian consumption types.

**References available upon request.**

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# Integrated Marketing Communication (IMC): Conceptual and Theoretical Lacunae, Foundational Premises, and Framework

**Sreedhar Madhavaram, Vishag Badrinarayanan, and Pelin Bicen**

## Abstract

Over the last four decades, several researchers have investigated the concept of integrated marketing communication (IMC). Particularly, in the last decade, IMC as a research area has generated a lot of debate, led to intellectual discourse, and overall, contributed to the evolution of IMC. This is reflected in about 150 research articles, 400 books, three special issues by *Journal of Advertising*, *Journal of Advertising Research,* and *Journal of Business Research*, and a journal entitled *International Journal of Integrated Marketing Communications*. Furthermore, several universities (e.g., Florida State University, Northwestern University, University of Denver, and West Virginia University) have instituted undergraduate and graduate IMC programs. In fact, 31 universities across the world offer IMC programs (Kerr et al. 2008). However, these developments notwithstanding, IMC remains a controversial and theoretically underdeveloped domain within the marketing literature.

Overall, there is consensus that the area of IMC needs theoretical and empirical attention from researchers. Almost a decade since Schultz (2005) noted that IMC research is in the developmental stage, much work still remains. Duncan and Mulhern (2004) observe that it is important to advance the body of IMC knowledge through empirical research. In summary, while the concept of IMC and its broad scope enjoy considerable awareness and acceptance, there is little consensus among researchers on the conceptualization of IMC and the corresponding theoretical issues. Accordingly, IMC strategy that can assist decision-makers in accomplishing

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specific objectives is still in infancy. Therefore, there is a need for systematic research that answers the following questions: What are/ should be the foundational premises of IMC theory? What are the characteristics of IMC? What are the antecedents and consequences of IMC?

Toward answering these questions, this research is an attempt toward developing a theory of integrated marketing communication. After identifying several conceptual and theoretical lacunae in IMC research, this chapter provides a new conceptualization, foundational premises, characteristics, antecedents, and consequence of IMC. Specifically, we conceptualize IMC as *a set of processes that includes the planning, development, execution, and evaluation of coordinated, measurable, persuasive marketing communication programs for specific brands and target segments that, in turn, exhibit higher levels of consistency, interactivity, efficiency, and synergy*. This research provides a robust foundation for researchers to build on and for pedagogical purposes. In addition, the proposed IMC theory provides foundations for developing normative imperatives (prescriptive statements) that aid decision-makers in firms.

**References available upon request.**

# Session 4.5
# Developing New Offering:
# The Big Picture

# A Preliminary Examination into the Motivating Factors of Crowdfunding Backers

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## Abstract

Crowdfunding is a phenomenon in which entrepreneurs are able to garner financial backing for ideas from a nontraditional source. Entrepreneurs are no longer confined to seeking financing from large banks and (or) angel investors (i.e., venture capitalists). Rather, individuals with innovative ideas can now seek financial resources directly from the public through the practice of crowdfunding. Scholarly research in this emerging area has not kept pace with its growth in practice. Since crowdfunding cannot exist without the willingness of individuals to invest in projects, it is important to clearly understand the motivating factors of the investors. This research analyzes an important group of crowdfunding stakeholders—the backers or investors of the project. Understanding what motivates these individuals to support an entrepreneur is the guiding question of our research. The purpose of this chapter then is to provide insight into the phenomenon of crowdfunding by examining the factors that lead individuals to support projects developed by entrepreneurs.

This research develops original hypotheses on factors that affect one's decision to back. We suggest that variables central to the backers themselves influence the level of funding offered to a project. Additionally, how the backer perceives and evaluates the promoter are suggested to be important factors for backers. We also suggest how the project is structured, that is what the backer is going to receive will influence their level of funding. Based on a large-scale survey conducted with the Spanish crowdfunding platform, Lanzanos, our data analysis provides rich tests of theory in a substantive domain.

Turing to the hypothesized variables, we find that a backer's economic condition influences how much they will give to support a project. This suggests that promoters

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and platforms administrators alike should work to appeal to potential backers who are secure in terms of their personal finances. While a shared nationality with the promoter did not influence backers, individual backers did provide more funding to projects promoted by people they did not know (compared to those they did know). This finding suggests the success of individual projects and of crowdfunding as a whole may be predicated on attracting investments from individuals beyond the personal network of promoters. Promoters should work to create projects that can generate investments from strangers as opposed to soliciting backing from friends and family. Additionally, projects that involve a pre-order or option to purchase equity stake garner higher support from backers. The study provides several implications for entrepreneurs.

**References available upon request.**

# The Influence of Producer–Supplier Exchanges and Environmental Dynamics on NPD

**Ellen Thomas and Michael Obal**

## Introduction

The influence of producer–supplier collaboration on new product development (NPD) performance has increasingly become a popular topic in academe and practice. However, our understanding of what leads to collaboration success remains limited. While it is clear that suppliers are becoming an integral part of the design team (Enkel et al. 2009), research regarding performance benefits is fragmented (Johnsen 2009). Many studies find a positive relationship between supplier integration and performance (Lawson et al. 2009) while others show either no relationship or a negative relationship (Koufteros et al. 2005). Further, while external environmental factors may influence internal strategic decisions, it remains unclear how these antecedents influence producer–supplier relationship factors, such as trust and knowledge sharing, which subsequently influence NPD success (Bstieler 2006). A more nuanced understanding of how producer–supplier collaborations impact NPD performance is necessary.

For some time, scholars have relied on the resource-based view (RBV) of the firm to explain superior firm performance through unique, idiosyncratic, tacit, and inimitable resources (Barney 1991). Despite its contribution, RBV has been criticized because internal resources alone may not account for differences in firm performance (Lavie 2006). This chapter is consistent with those who claim that an expanded resource-based view (ERBV) of the firm should be used to account for

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organizations that operate in a networked environment (Squire et al. 2009). We use the ERBV to emphasize the need to consider the impact of producer–supplier integration on producer performance. We contribute to the ERBV framework by integrating knowledge sharing and new product development research.

To that end we address two important research questions in the hopes of better understanding collaborations in NPD. First, what type of knowledge sharing drives producer performance in producer–supplier collaborations, both in terms of the NPD process and market performance? Second, how do environmental factors affect knowledge sharing between producers and suppliers? Whereas most research has focused solely on high-tech industries (Gassmann et al. 2010), this study differentiates itself in one additional way by choosing as its context the US manufacturing industry.

## Hypothesis Development

Prior literature generally views a firm's trust in their supplier as a crucial element in the success of an interfirm relationship (Zaheer et al. 1998). It appears that in the face of technological or market uncertainty, firms have a tendency to rely more on their suppliers and ultimately place more trust in their suppliers (Katz and Tushman 1979). Firms rely on their trusted suppliers more so in times of uncertainty as a way of mitigating some of the risk they are facing (Ganesan 1994). Calantone et al. (2003) suggest that NPD teams perform at a higher level when they increase their integration efforts with outside personnel during turbulent environments. Therefore, we hypothesize that:

*H1a: Technology turbulence will have a positive influence on interorganizational trust*
*H1b: Market turbulence will have a positive influence on interorganizational trust*

During uncertain conditions, product development firms may find themselves looking for answers to new and difficult problems (Koufteros et al. 2005). When firms are faced with turbulent environments, managers may increase their communications with others (Katz and Tushman 1979; Van de Ven et al. 1976). Trkman and McCormack (2009) argue that market turbulence may encourage firms to increase communication and coordinate their efforts more closely. Further, Fynes and De Burca (2005) contend that firms must share important information more quickly in an environment with high levels of technological turbulence. Thus:

*H2a: Technology turbulence will have a positive influence on technical exchanges*
*H2b: Market turbulence will have a positive influence on technical exchanges*

While prior literature has shown that market and technological conditions may increase the level of communications between partnering firms (Trkman and McCormack 2009), we posit that the strength of the relationship is also a notable driver of interfirm communications. Squire et al. (2009) note that knowledge transfer

is heavily influenced by interfirm cooperation and trust. Similarly, Zaheer et al. (1998) find that interorganizational trust is the primary driver of exchange processes and outcomes between partner firms. Therefore, we hypothesize:

*H2c: Interorganizational trust will have a positive influence on technical exchanges.*

In some NPD cases, a carefully coordinated technology transfer between firms may be necessary. MacDuffie and Helper (1997) point out that suppliers are likely to first focus on smaller-scale technical exchanges before embarking on larger-scale technology transfers with partner firms. Further, technology transfers are most effective in longer lasting relationships (Kotabe et al. 2003). Thus:

*H3a: Technical exchanges will have a positive influence on technology transfer.*

As previously noted, interorganizational trust is a crucial driver of exchanges between partner firms (Zaheer et al. 1998). Burgess and Gules (1998) note that the strength of a buyer–supplier relationship has an important influence on implementation of collaborative technologies. Further, Gopalakrishnan and Santoro (2004) argue that trust is crucial in aiding the transfer of technologies between partner firms. Therefore, we hypothesize that:

*H3b: Interorganizational trust will have a positive influence on technology transfer.*

Next, we investigate the influence of supplier integration on new product development performance. Specific to technical exchanges, Lenox and Ehrenfeld (1997) argue that collaboration and the exchange of information between external actors is crucial to successful product development. Cousins et al. (2011) also state that supplier technical exchanges can lead to improved product development performance. Therefore, we hypothesize that:

*H4a: Technical exchanges will have a positive influence on producer NPD performance.*

Similar to technical exchanges, technology transfer may have a beneficial impact on new product performance (Kotabe et al. 2003). Technology transfer has been viewed as a driver of competitive advantages and financial performance (Zhao and Reisman 1992). Tatikonda and Stock (2003) posit that effective technology transfer should lead to product launch timeliness, reduced costs, and improved functional performance. Therefore, we hypothesize:

*H4b: Technology transfer will have a positive influence on producer NPD performance.*

In the new product development context, trust has been shown to drive the supplier's involvement in product creation (Walter 2003). Bstieler (2006) demonstrates that product developers who trust their suppliers are more likely to meet their deadline estimates and experience financial success. Further, Littler et al. (1995) note that trust between collaborative partners could increase the likelihood of new product success. Therefore, we hypothesize:

*H4c: Interorganizational trust will have a positive influence on producer NPD performance.*

While interorganizational trust and technical exchanges may directly influence producer NPD success, prior literature has suggested that these variables may interact with one another (Walter 2003). Jassawalla and Sashittal (1999) find that the most effective NPD teams were also the most synergistic and collaborative. Interestingly, knowledge transfers are more common in high trust interfirm relationships than in low trust relationships (Squire et al. 2008). We extend these findings and posit that technical exchanges will have a more positive impact on NPD performance when highly trusting relationship exists. Thus:

*H5: Interorganizational trust will positively moderate the influence of technical exchanges on producer NPD performance.*

Finally, we investigate the impact of producer new product development performance on producer market performance. Thomas (2013) finds that new product development performance, both in terms of effectiveness and efficiency, is positively related to market performance. Di Benedetto (1999) argues that product launch timeliness and efficiency can lead to new product success in the market. Therefore, we hypothesize that:

*H6: Producer NPD performance will have a positive influence on producer market performance.*


## Methodology

The context of this study is the US manufacturing industry. The unit of analysis was a recently completed (within the past five years) new product development project that involved collaborating with a major supplier. Project, program, or engineering leaders for new product development projects that collaborated with suppliers were surveyed. Access to respondents was provided through a market research company specializing in web-based surveys. Surveys were accessed by 185 panelists and completed surveys were received from 155 project managers from buyer firms. Respondents were from a wide range of industries, including: automotive, aerospace, defense, steel, medical device, and consumer products. Measures used for this study were based on established interval scales used in previous studies. First, market performance was measured using three subjective measures addressing profitability, sales, and market share goals met (Song and Parry 1997). NPD performance was assessed along the dimensions of prelaunch and launch activities as well as technical performance and meeting customer requirements (Mu et al. 2011). Knowledge exchange and technology transfer were measured using items developed by Kotabe et al. (2003), while trust was measured using four items from Bstieler (2006). Turbulence was measured using Calantone et al.'s (2003) scales of technological and market turbulence.

## Results

Survey data was analyzed using SPSS 22.0 and AMOS 18.0. In order to test for reliability and validity, a confirmatory factor analysis was conducted to test for the relative fit of the data to our hypothesized model (Kline 2010). Overall, the data demonstrated appropriate fit based on a variety of metrics ($\chi 2/df = 1.840$, RMSEA = .074, CFI = .942). Established tests for discriminant validity, convergent validity, and reliability were run and satisfied based on inter-item correlations, factor loadings, average variance extracted, Cronbach's alphas, and composite reliability (Fornell and Larcker 1981). To test for potential common method variance, Harman's single factor test and the common latent factor test were used. Results suggest that common method variance is not of great concern in this study (Podsakoff et al. 2003).

The hypotheses were tested using OLS regression analyses. Before conducting the analysis, the independent variables were mean-centered and subsequently multiplied in order to create the interaction term, interorganizational trust X technical exchanges (Aiken and West 1991). First, hypotheses 1a and 1b predicted that technology turbulence and market turbulence would positively influence interorganizational. The analysis found that market turbulence had a significant impact on interorganizational trust ($b = .359$, $p < .001$) while technology turbulence did not influence on trust ($b = .030$, $p = .673$). Therefore, H1a is not supported while H1b was supported. Second, we hypothesized that technical exchanges would be influenced by technology turbulence, market turbulence, and interorganizational trust. We found that technology turbulence ($b = .229$, $p < .001$) and interorganizational trust ($b = .376$, $p < .001$) both positively influenced technical exchanges while market turbulence did not have an impact ($b = .112$, $p = .149$). Therefore, H2a and H2c are supported while H2b is not. Third, we considered the impact of technical exchanges and interorganizational trust on technology transfer. H5a is supported as technical exchanges influence technology transfer ($b = .364$, $p < .001$). H5b is not supported as interorganizational trust did not impact technology transfer ($b = .150$, $p = .122$).

Fourth, we regress technical exchanges, technology transfer, and interorganizational trust onto new product performance. H4a and H4c are supported as technical exchanges ($b = .304$, $p = .001$) and interorganizational trust ($b = .215$, $p = .006$) positively influence new product performance. Interestingly, support for H4b is not found as technology transfer did not impact new product performance ($b = -.009$, $p = .129$). Tatikonda and Stock (2003) find that technology transfer can be a complex process and, as found in our results, may not directly affect the performance of a new product. After analyzing the main effects, we regress the interaction term, interorganizational trust X technical exchanges, onto new product performance. As predicted, interorganizational trust positively moderates the influence of technical exchanges onto new product performance ($b = .117$, $p = .050$), thereby supporting H5. Finally, we confirm H6 by finding that new product performance has a positive impact on market performance ($b = .582$, $p < .001$).

## Discussion and Conclusions

Perhaps the most interesting finding in this study is that NPD performance was driven by small-scale technical exchanges and not by technology transfer. This suggests that, while producer–supplier collaborations are important to the success of new products, the collaboration may have diminishing returns if the firms are too closely tied. Technical exchanges involve fewer problems related to integration because of narrow scope, therefore performance improvement is often more easily observed (Cai et al. 2013). Meanwhile, effectively transferring technologies between companies can be an incredibly complicated process that requires the right fit between technology uncertainty and interorganizational interaction (Tatikonda and Stock 2003). Given their complicated nature, it is likely that technology transfers will slow down the NPD process and are therefore not appropriate for many collaborative new product projects.

Trust was found to drive NPD performance and had a positive, moderating influence on the relationship between technical exchanges and NPD performance. Thus, knowledge exchanges are not only more common, but also more effective in high trust relationships (Squire et al. 2008). NPD performance subsequently had a positive influence on market performance. Considering the importance of technical exchanges on NPD success, we found that both technological turbulence and trust drive technical exchanges. During conditions of uncertainty, collaborating firms tend to adjust their knowledge base (Lee and Veloso 2008), thus explaining why technology turbulence leads to more technical exchanges. Further, buyers have a tendency to turn to their most trusted suppliers during times of technological uncertainty in order to mitigate some risk (Ganesan 1994). Market turbulence did not have the same influence on technical exchanges. These findings suggest that buyers may view technological turbulence as riskier than market turbulence, thus necessitating increased technical exchanges.

We found market turbulence drives a producer's trust in suppliers but technological uncertainty did not. This may be due to the fact that technological uncertainty, more so than market turbulence, increases difficulty in reaching consensus thereby increasing the propensity for conflict; conflict is detrimental to trust formation (Bstieler 2006). This finding also suggests that market turbulence and technological turbulence have differing effects on interorganizational relationships. Prior literature has shown that trust may be developed during times of market uncertainty, but may have less influence on performance during these times (Krishanan et al. 2006). Conversely, when technological uncertainty is high, cross-functional integration is a driver of competitive advantage and performance (Song and Montoya-Weiss 2001). Interestingly, we found no significant relationship between trust and technology transfer. One possible explanation is that trust is simply not enough and that technology transfers are really driven by each firm's technological capabilities (Iansiti 1998).

Based on our findings, product developers stand to benefit from collaborating with suppliers through exchanges of technical knowledge. Technology transfer, on

the other hand, does not have a positive influence on NPD performance. We also found that macro-environmental forces play on the well-being of the producer–supplier collaboration and the subsequent performance of the producer. Companies in turbulent environments would benefit from opening their innovation processes to their suppliers. However, whereas increased technical exchanges are likely to occur during technology turbulence, firms appear more likely to focus on trust development during market turbulence. While technical exchanges and trust both have a positive influence on NPD performance, they may occur during different environmental conditions.

**References available upon request.**

# Service Innovation: Taking Stock of Existing Literature

**Md Rokonuzzaman and Audhesh Paswan**

## Abstract

Most agree that innovation is crucial for enhancing competitive advantage. Further, Service-Dominant Logic (SDL) literature highlights the role of service in enhancing competitive advantage through value co-creation. Finally, most agree that services for a major part of most developed economies. Taken together, the topic of service innovation is critical, especially given the increasing prominence of service in most developed economies. While a lot of work has been done in this area, the literature on service innovation is somewhat scattered. This study attempts to integrate the existing literature and proposes a conceptual strategic framework highlighting the relationships between different domains of service innovation. In doing so, we also identify the gaps in the literature and suggest possible avenues for research. The proposed framework consists of three categories of antecedents that have been examined in the literature—internal to the firm, external to the firm, and interface dimensions. In addition, researchers have examined the outcomes of service innovation—the effect of service innovation on the process or the operations of service creation, nonfinancial outcomes, and financial outcomes. A key gap in the literature is the most studies have relied on product-based innovation studies to classify service innovation. We hope that study provides an impetus for more efforts in this area.

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# Session 4.6
# Consumer Behavior II

# Consumer Social Responsibility: a New Barrier for International Marketers?

**Jieqiong (Jeccy) Ma and Jie Yang**

## Abstract

As global consumers are more aware of the social consequences of their purchases, will consumer social responsibility become a new barrier for international marketers? To answer this question, we conduct a survey on 210 American consumers and find that consumers with high social responsibility tend to have negative attitudes towards foreign products. In addition, demographic segmentation such as gender, income, and race would strengthen such observation. Consumers' age and education have little impact on this trend. Marketing implications and future research directions are provided.

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# Review of the Incentive Literature

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## Abstract

This chapter is the incentive literature review. It focuses on analyzing extrinsic versus intrinsic incentives. Specifically, it investigates different types of extrinsic influence on intrinsic motivation. This study categorizes previous research into four areas to analyze the fundamental characteristics of monetary and non-monetary extrinsic incentives. These four areas include effort–reward relationship, social signaling effect, utility versus hedonic benefits, and post-reward effect. At the end, it brings the research question on how to increase brand–consumer relationships through social media context.

**References available upon request.**

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# Grip Your Mobile Phone If You Want to Control Your Impulsive Purchase: the Relationship Between Strength of Grip and Control of Impulsive Purchase

**Seolwoo Park**

## Introduction

The product which is the best used to our life can be said to be the smartphone. The people always do not place the cell phone in the hand and it means that cell phone is an essential part of their life. However, is it always bad? This research suggests that smartphone gives the benefit when we go shopping. Maybe some people guess that we can get a lot of information about products and promotion, but it leads to impulsive purchase because smartphone taught us to find out which store is selling cheap products and giving attractive promotion. This chapter does not focus on the application of smartphone but on the time how long we hold a smartphone. While the human technology has developed, the size of the electronic equipment becomes smaller. Cell phone also had become smaller as well. As smartphone had been introduced, however, the size has been bigger so people cannot put it in the pocket. The implication of this research is that first, as the customers make their grip strongly, this phenomena effects on their self-control. For this reason, this behavior leads impulsive purchase to be changed. The shop managers have to make their customers feel free while they are shopping. In a certain shop, the shop assistant gives their customer a shopping back when they come into the shop. According to this research, it is foolish behavior. In this case, the stores that greet the customers should try to empty the hands of most of customers at the most. They should make the customers putting down what they are holding on their hands instead of handing

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a shopping basket on their hands. This will lead to greater consumption than holding stuff on hands by increasing impulsivity. This may be an opportunity for the stores to change the customers' shopping style. People tend to grasp their fists firmly when they want to show a willingness to improve self-control. People can grasp the fist with greater force than just grasping their fist by reinforcing the grip of holding the stuff on their hands. It is a same logic as making a pregnant woman to clench her teeth by putting cloth into the mouth when she applies strain to give birth. When people always carry a cell phone on their hands, they will not consciously think about these grips. However, self-control is going to be increased naturally and impulsivity, which is one of characteristics of self-control, is going to be weakened when holding the stuff on hands routinely and habitually and grabbing the stuff firmly for an effort to not lose it.

## Literature Review

### *Muscle and Grip Strength*

According to Hung and Labroo's (2011) research on the relationship between firm muscle and willpower, making hard muscles leads to increase a firm will and this increases self-control. This has been proven through experiments such as clenching one's fist, stretching fingers, contracting the calf muscles, and making biceps tight. A paper, which examined the association of this research, predicts that reinforcement of grips that strengthen muscles increases the self-control. When holding stuff on hands, the self-control increases by the act of gripping firmly. In order to support this prediction, we will look at the contents of the self-control in the following.

### *Self-Control*

The self-control is essential when getting stress, controlling negative effects, and resisting not to succumb to temptation (Muraven and Baumeister 2000). This self-control is one of the models that explain human's behavior and they have appeared in a number of areas including psychology, economics, political science, and philosophy (Hofmann et al. 2009; Loewenstein and Elster 1992; Thaler 1990; Schelling 1984). Self-control particularly indicates the standards of human's regulations (Muraven and Baumeister 2000). It controls what humans have to do for the long term. The most important aspect of self-control is that it is a vigorous action that needs adjusting and paying attention to one's principles and will (Baumeister et al. 1994; Metcalfe and Mischel 1999). Self-control is attractive to researchers for two reasons. In theoretical dimension, self-control is important key to understand about own instincts and functions. In applied dimension, self-control has attraction that

can be studied in many contexts (Baumeister et al. 2007). The study of Baumeister et al. (1994) separated self-control into four parts. The four parts are control of the thoughts, emotions, impulsivity, and behavior, which are important factors to determine self-control in general. In particular, this chapter will focus on impulsivity to consider the regulations of the self-control.

## *Impulsivity*

According to Friese and Hofmann (2009), impulsivity occurs when implicit motivations are filled with active stimulation that satisfies those motivations. This specifically comes from the desire to do a specific action such as eating a hand full of potato chips (Baumeister et al. 1994). Impulsivity occurs automatically regardless of individual's effort. A person who has low self-control receives stronger impact of impulsivity than a person who has high self-control. Moreover, a person who has low characteristics of self-control has high risk to be affected by impulsivity and aggression. A person with high self-control can easily control but people with low self-control tend to do more actions that follow his or her impulsivity (Baumeister and Heatherton 1996).

## Method

The experiment examined how much participants feel impulsivity by making them to hold stuff on one hand and the state of the natural grip holding nothing on the other hand. Study 1 suggests a hypothetical scenario that investigates how much the participants feel impulsivity and study 2 examines how quickly they give up by making them to solve a problem that cannot be solved. We expect the results that show low impulsivity in a situation of holding stuff on hand through these experiments.

## *Grip Strength ↔ Grip Nature*

As examined in previous studies (Adams and Peterson 1986; Imrhan and Farahmand 1999; Kong and Freivalds 2003; Lee and Rim 1991), reinforcement of the grip depends on the size of the stuff grasping by hands and Wu et al. (2009) found that the most optimized grip is 31 mm in their experiments. However, this study will conduct an experiment based on a cell phone that people commonly carry around in daily life according to a previous study that found the grip can be enhanced by the weights of the stuff that already have been lifted as well as sensory signals (Johansson and Westling 1988). Therefore, the participants who are in a group of

"Grip Strength" will hold a cell phone while participating in the experiment. In contrast, the participants who are in a group of "Grip Nature" will not hold anything on their hands.

## Chip Consumption

In a study of Friese and Hofmann (2009), the researchers are stating that when potential motivations that want to do any action faces with stimulation that justify these motivations lead to impulsive behavior. And the researchers believe that this kind of behavior is caused by a desire to get the specific action, and they explain the experiment through potato chips. That is, potential motivation is fondness for potato chips and when this kind of motivation faces with stimulation (the potato chips put on a table at the party), shows a specific behavior (eating a handful of potato chips).

## Provide Information

The experiment is divided into two situations: giving information that there is an answer to suggested problem (e.g., maze problem that breaks the flow) and not giving any information to the participants.

## Duration (The Time to Give Up a Problem)

This represents the time it takes for participants to give up a problem based on the presence or absence of the information and grip strength.

## Self-Control

Self-Control Scale (SCS; Tangney et al. 2004) is a recently developed self-report measure that demonstrates transformed aspects including various factors such as satisfaction from relationship with others, low desire for death, and psychological well-being (Gailliot et al. 2006). As the paper-and-pencil measure, it has an advantage that the investigation is done easily (Tangney et al. 2004).

**Study 1**
The study runs a comprehensive test to determine the degree of self-control and impulsivity by making to read an imaginary scenario in the laboratory. First, it tells a cover story by telling a group of participants who hold stuff on their hands how

long they can last while they are doing something else. This is to not letting know the original experimental intention making the participants unable to predict of the results ahead. While holding stuff on hands, the participants read an imaginary scenario that contains one episode. The scenario is a story of a character's everyday life, which consists of information that causes impulsivity. The rough story is that hesitating to do the shopping because of the situation that need current shopping or several realistic constraints. Also, the story appears as a main character eating potato chips while watching the television and a friend boasting to the main character about buying thing that the main character always wanted to have. The story itself is stimulating impulsivity, and this study will conduct a pretest firstly against people who are not participating in the study in order to obtain validity.

The potato chips are being in front of participants while they are reading the scenarios. The degree of impulsivity is determined by examining how much potation chips were eaten during the experiment. The participants were told to eat freely during the experiment, giving them the relaxing environment. I expect the participants to be stimulated easily and friendly due to containing information about potato chips in the scenario.

The participants complete a survey after the experiment. It contains a question on which selection they would choose according to the flow of scenario and how focused they were while reading the scenario. It also contains questions to determine impulsivity and whether the self-control was done properly by putting the self-report of self-control scale. Lastly, they will complete the survey that has various kinds of responses by questioning sex, age, etc. to get demographic information. The participants would not easily predict a specific direction because the question is derived from various directions not a specific one.

### Study 2

I will determine the participant's impulsivity by letting them solve an unsolved problem. I will determine impulsivity through problem solutions and related problems because the characteristic of impulsivity has less commitment toward problem solving and hyper ingestion of food and alcohol and more (Tangney et al. 2004). Study 1 was related to consumption and study 2 was to determine impulsivity related to willingness. This experiment will tell a cover story as similar to study 1 suggesting to solve a problem by looking through the eyes without using any special tools. The difficulty of the problem is not that hard but it is no answer form, the example would be maze that breaks the flow.

## Expected Results and Discussion

### Study 1

There is a variable which is a tendency of consume preference we should check. As we grip the product intentionally or naturally, we should confirm that how the consumption of chip and impulsive consumption needs are different after reading

scenario. Furthermore, we should confirm that there is a difference of involvement additionally and it is identified in the other direction to the demography. First of all, the expectation of consuming chips is following,

## Chip Consumption
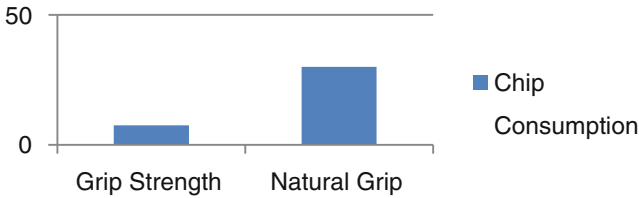


And I expect that impulsivity is following,

## Impulsivity
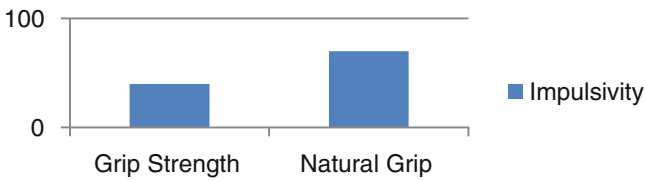


### Study 2

Study 2 is how long they try to solve the questions. The variable we want to get will be time. The case of grip strength or not and the result of unknowing or knowing that the question is not solved will be following,
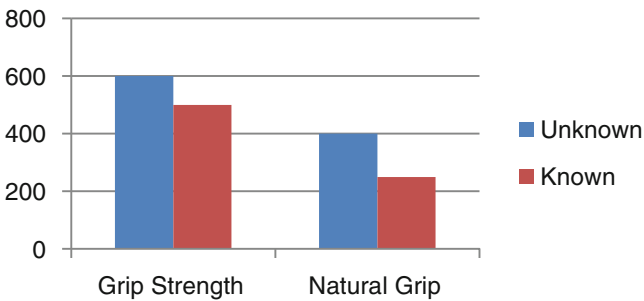


There is no any interaction but main effect. In addition, the result shows that the impulsivity can be controlled if the grip is enhanced in any case.

I explained that the relationship between firm muscle and willpower, making hard muscles leads to increase a firm will and this increases self-control. It expands

Hung and Labroo (2011)'s research. According to two experiments, I can show that reinforcement of grips that strengthen muscles increases the self-control. When holding stuff on hands, the self-control increases by the act of gripping firmly.

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# Online Advertising Using Facebook Photos: the Risk and Reward of Using Consumers' Profile Pictures

**McDowell Porter III and Matthew Lastner**

## Introduction

Recently, scholars have researched source effects of ambiguous or unidentified others on product evaluations in an online environment. For example, Holzwarth et al. (2006) found that using ambiguous avatars that represented service agents on a retailer's website led to more positive attitudes toward the product than not using an avatar. Similarly, Naylor et al. (2011) found that subjects had higher preferences for online products when the source of an online review was ambiguous compared to when a Facebook profile picture of the source was displayed. The question that motivates this study is how robust is this ambiguity effect? To answer this question, we set out to replicate a 2012 study of an article entitled "Beyond the 'Like' Button: The Impact of Mere Virtual Presence on Brand Evaluations and Purchase Intentions in Social Media Settings" (Naylor et al. 2012). Their findings demonstrated that the ambiguity of the age of a product's endorsers positively impacts the liking of the product. The purpose of this manuscript is to replicate the Naylor et al. (2012) findings and extend this research by examining an additional product type (Study 1) and a different operationalization of ambiguity (Study 2). We begin with a discussion of the pertinent literature related to source credibility; then the research design, method, and results sections are presented.

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## Theoretical Framework and Hypotheses

Source credibility literature will be used to predict the influence of a product user visibly endorsing a product on product evaluations. The source can include endorsers seen in the advertisement itself. Source credibility theory posits that message receivers are influenced by characteristics (i.e., expertise, trustworthiness, and similarity) of a message source (Hovland and Weiss 1951). It makes sense that a high perceived similarity between the consumer and an endorser would lead to higher product evaluations. However, there has been research that indicates that linking a source to a message allows consumers to discount the source, therefore discounting the message. Mares (1996) found that when subjects could attach a news report to an entertainment show host instead of a news reporter, the perceptions of the source's credibility were lower. She also found that when the source of the message was ambiguous, the credibility perceptions were higher. Without an identifiable source to evaluate, consumers were less likely to discount the message. Using social credibility theory, we predict that consumers will have higher product evaluations when viewing an advertisement that includes ambiguous endorsers because consumers will be less likely to discount a source that they cannot identify. Without clear source information to discount, the subjects will also infer that the ambiguous endorser will have credibility comparable to themselves and much higher than dissimilar others (i.e., old endorsers; Mares 1996). Since we are using a convenience sample of college students, we expect that the subjects would relate with young endorsers and judge their degree of credibility (i.e., trustworthiness and product expertise). Therefore, the level of source discounting will be more extreme for subjects in the young endorser age condition than those in the ambiguous (i.e., unidentifiable) endorser age condition, which would explain a predicted ambiguous endorsers, young endorsers, and older endorsers ordinal ranking of product evaluations. Thus,

H1: For upscale product types, participants in the ambiguous endorser age condition will have (a) higher attitudes toward the product than those in the older endorser age condition, but (b) no significantly higher attitudes toward the product compared to those in the younger endorser age condition.
H2: For casual product types, participants in the ambiguous endorser age condition will have (a) higher attitudes toward the product than those in the older endorser age condition, but (b) no significantly higher attitudes toward the product than those in the younger endorser age condition.
H3: Regardless of the product type, the effect of endorser age on attitude toward the product is mediated by source credibility.

Study 2 extends this research by including the ecologically valid use of endorser name as a method to vary the level of ambiguity by using full names, initials only, or no name information. The use of Facebook profiles includes not only the presence or absence of an individual's picture, but also the individual's name. Using social credibility theory, we predict that consumers will have higher product

evaluations when viewing an advertisement that includes no name information (full ambiguity) because consumers will be less likely to discount a source that they cannot fully identify compared to those with initials only or full named disclosure. Thus,

H4: Participants in the no name ambiguous condition will have (a) higher attitudes toward the product than those in the full name ambiguous condition, but (b) no significantly higher attitudes toward the product compared to those in the initials only ambiguous condition.

## Method

### Procedure

The participants were randomly assigned to 1 of 26 partitioned computer stations. Once the participants were seated, they were directed to attend to the computer screen in which all experimental materials were presented. Importantly, after consenting to the study, participants provided demographic information that was then used to match the gender of the endorsers to the gender of each participant. Finally, all participants read a scenario based on instructions that were adapted from Naylor et al. (2012).

### Manipulations

*Study 1.* Endorser age is defined as the number of years a perceived other has lived. We operationalized young endorser age to refer to the perceived other's number of years lived as fewer than 30 years. Older endorser age refers to the perceived other's age as equal to or greater than 30 years. Ambiguous endorser age refers to the inability to perceive the number of years lived of a perceived other. The young and old endorser age manipulation displayed six photos of different members of the website. Participants in the ambiguous endorser age condition viewed six photos of the same silhouette. Gender was held constant, whereby each participant was presented with stimuli of the same gender. Product type in this study refers to the perceived quality of a restaurant. An upscale product type is perceived as being a higher quality restaurant versus a casual product type, which is perceived as being a lower quality establishment. The restaurant stimuli were similar to the images used by Naylor et al. (2012). They included two restaurant photos of a higher quality product type: one photo depicting the dining area and the other photo depicting the bar area.

*Study 2—Name Ambiguity.* This study will use a silhouette as the base level of ambiguity as we did in Study 1. In the full ambiguous condition, there would be no

accompanying names attached to the six silhouette profiles. In the initials only ambiguous condition, the six silhouette profiles will include first and last initials only (i.e., X. K. and S. Z.). In the full name ambiguous condition, the full names will be presented with the silhouette profiles. All names and initials were developed to be dissimilar from the student pool, and gender was held constant.

## *Measures*

The dependent variable for our study is attitude toward the product and is defined as the overall evaluation of the good or service (Solomon 1992). To replicate the Naylor et al. (2012) study, we used the same single-item measure they used: "How much do you think you'd like the bar area at Restaurant X?" Source credibility is defined as the believability of the endorsers of a message (Hovland and Weiss 1953). An example of a source credibility item is as follows: "the members of the restaurant's website are competent." The seven source credibility items had a Cronbach's Alpha score of .91.

# Results

## *Study 1 Results*

Two hundred and fifty-six students from a southern university were randomly assigned into one condition in a two (product type: upscale, casual) by three (endorser age: young, old, ambiguous) between subjects experimental design. To assess the hypotheses, we conducted a planned comparison of the contrast. In the upscale product type condition, attitude toward the product was higher for those in the ambiguous endorser age condition ($M=5.74$) than those in the old endorser age condition ($M=5.03$; $t(1, 77)=-2.020$, $p=.047$). This result supports H1a. H1b was also supported. Attitude toward the product was not significantly different, but ordinally higher, in the ambiguous endorser condition ($M=5.74$) than those in the young endorser condition ($M=5.34$; $t(1, 78)=-1.329$, $p=.09$). The contrast codes for the casual product type condition showed that there was no significant difference in attitude toward the product between those in the ambiguous endorser condition ($M=5.48$) and those in the old endorser condition ($M=5.00$; $t(1, 86)=-1.479$, $p=.143$). This result does not support H2a. However, H2b was supported because for participants in the casual condition, attitude toward the product was not significantly different, but ordinally higher, for those in the ambiguous endorser age condition ($M=5.47$) than for those in the younger endorser age condition ($M=5.02$; $t(1,88)=-1.58$, $p=.06$).

*Mediation.* To assess H3 predicting that source credibility would mediate the effect of endorser age on attitude toward the product, we used Hayes' (2012) PROCESS bootstrapping technique. The conditional indirect effect of endorser age on attitude toward the product for the casual restaurant product type condition is significant (indirect effects point estimate = .08, SE = .0436, 95% CI = .0153–.01936). In the upscale restaurant product type condition, the conditional indirect effect of endorser age on attitude toward the product was also significant (indirect effects point estimate = .1067, SE = .0543, 95% CI = .0239–.2588). The tests reveal that source credibility mediated the relationship between endorser age and attitude toward the product regardless of the product type. Thus, H3 is supported.

## Study 2 Results

Two hundred and thirty-two students from a southern university were randomly assigned into one condition in a two (mere virtual presence: silhouette present, silhouette absent) by three (ambiguity: full name, initials only, no name) between subjects experimental design. To assess the hypotheses that the no name condition would have higher evaluations than the full name condition (H4a), but no significantly higher evaluations than the initials only condition (H4b), we conducted a planned comparison of the contrasts. Attitude toward the product was not significantly higher in the no name condition ($M = 5.98$) than in the full name condition ($M = 5.88$; $t(1, 79) = .396$, $p = .693$). This result does not support H1a. However, H1b was supported; attitude toward the product was significantly different (but not ordinally higher) in the no name condition ($M = 5.98$) than those in the initials only condition ($M = 6.25$; $t(1,79) = -1.194$, $p = .236$). Interestingly, attitude toward the product was significantly higher for those in the initials only condition ($M = 6.25$) than those in the full name condition ($M = 5.88$; $t(1, 73) = -2.267$, $p = .036$).

## General Discussion

The overall results demonstrate that the findings of Naylor et al. (2012) did replicate using a similar high quality product type. However, their findings only partially replicated using a lower quality product type, because the ambiguous endorser age condition was not significantly different than the old endorser age condition. Source credibility mediated the relationship between endorser age and product evaluations, regardless of the product type. In study 1, there was a robust finding that the ambiguous endorser age condition had the highest product evaluations over the other endorser age conditions, in both the upscale and casual product types. However, in study 2, the full ambiguous (no name) condition did not have a significant difference over the initials only or full name conditions. In fact, there appears to be an

inverse U effect in which there is a point at which higher levels of ambiguity diminish favorable product evaluations. The initials only condition suggests that there is an ideal point between full no name ambiguity and full name disclosure. These findings give managers insight not only into what type of profiles (ambiguous or identifiable pictures) should be shown on certain product type advertisements, but also what level of name disclosure to use to influence product evaluations.

**References Available Upon Request.**

# Session 4.7
# Corporations and CSR

# CSR as an Adaptive Selling Tool: a Novel Framework and a Robust Analysis Proposal

**Jorge Fresneda, Daniel Korschun, and Prabakar Kothandaraman**

**Abstract** In this working chapter the authors document an additional way that CSR can be used by employees to improve customer relationships. That is, employees can use CSR as an adaptive selling tool. Employees use CSR as an adaptive selling tool to the extent that CSR fits with what their understanding of the company identity is, and to the degree that customers support the CSR program.

This study proposes and tests empirically a novel framework that is linked to former research through the use of two control variables already existing in the literature. Additionally and based in their findings, the authors propose an empirical model intended to predict the extent to what employees would make use of CSR as an adaptive selling tool, in order to help assessing if a specific CSR initiative is worth to be developed within a company.

**Keywords** CSR • Adaptive selling • Sales strategy • Strategic marketing • Robust statistics

## Introduction

Currently, the number of companies engaged in Corporate Social Responsibility (hereafter CSR) initiatives is countless, as well as the resources employed to those initiatives. Some authors have highlighted the increasing interest on CSR from both business practitioner and the academia perspectives (e.g., Lin-Hi and Müller 2013). In addition to this, previous literature shows that one of the most compelling

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reasons why companies embark in CSR activities is the strong relationships that those activities can develop between customers and firms (e.g., Becker-Olsen et al. 2006; Homburg et al. 2013).

Unfortunately and despite this finding, preceding literature also exhibits that frontline employees don't always use CSR enough during customer interactions (Korschun et al. 2014). Hence, the purpose of this study is to contribute to identify under what circumstances the company can promote the use of CSR as an adapting selling tool during sales encounters with customers. To the best of our knowledge, no previous research has addressed the use of CSR as an additional element that can be employed during the interaction between customers and salesforce.

In order to study this usage, a CSR initiative within the US car dealership environment was selected due to some important characteristics of the automobile industry context. Among them, previous literature has highlighted that, in contrast with other environments, the salespeople can adapt to their customers during a sales situation (Gengler et al. 1995) and in fact, some authors contend that adaptive selling is used extensively within this industry (Park and Holloway 2003).

Our study is organized as follows: first, we'll briefly define the CSR concept as well as CSR initiatives; after that, the theoretical model will be described along with the constructs employed in this theoretical framework and our hypotheses; in a subsequent section, the methodology utilized for this work will be presented, as well as the results and their discussion.

## Theoretical Background

CSR and the Service Profit Chain: One of the most important critics to the CSR concept and theory is the lack of consensus in its definition, with more than 40 different wordings of what this conception means (e.g., Prasad and Holzinger 2013). For instance, some authors defined CSR as "a commitment to improve community well-being through discretionary business practices and contributions of corporate resources" (Kotler and Lee 2005, p. 3). But beyond the regular approaches to the CSR concept, a more strategic vision is possible, where CSR initiatives could be considered as a competitive asset capable of improving corporate performance.

Of special importance to attain this strategic status is the role of employees and customers. In that sense, CSR initiatives have been proven to influence customer relationships, especially when the staff is highly attached to those activities (Larson et al. 2008). In addition to this, high levels of consistency among expectations, information, associations, activities, and capabilities from a company and a CSR initiative can be integrated more easily into consumer's cognitive structure, leading to a stronger bond between the company aim and the CSR initiative (Bazinska et al. 1998; Becker-Olsen et al. 2006; Taylor and Fiske 1991). Finally, CSR initiatives were defined as "discrete undertakings, intended to improve societal welfare and being supported by corporate resources (e.g., money, labor)" (Bhattacharya et al. 2009, p. 260).

CSR as an adaptive selling tool: The most widely accepted definition of adaptive selling is "the altering of sales behaviors during a customer interaction or across customer interactions based on perceived information about the nature of the selling situation" (Weitz et al. 1986, p. 175).

Despite the fact that adaptive selling is notably costly (Román and Martín 2008), it is considered extremely effective and it has a strong impact on sales performance (Franke and Park 2006).

The adaptive selling research has examined different antecedents proven to intensify its use. Those antecedents are related to the salespersons' characteristics (e.g., Boorom et al. 1998; Park and Holloway 2003) and existing characteristics or firm's traits to be promoted within an organization (e.g., Rapp et al. 2008). Besides, some consequences have been studied, such as sales performance (e.g., Spiro and Weitz 1990; Román and Iacobucci 2010) and customer satisfaction (e.g., Oliver 2010).

In our study, the focus of this construct is on the use of CSR initiatives as an adaptive selling tool, and it refers to the employ of a CSR activity as an additional resource or asset during a selling situation with a potential customer.

## Theoretical Model Description and Hypotheses Development

An open question, based on the previous section, is when and why will an employee use CSR as an adaptive selling tool. The literature suggests that there are two categories of contributors to such adaptive selling behaviors: organizational and relational. Thus, Fit and Organizational Identification (Organizational ID) are grouped under the label of organizational factors because of their actual linkage to the firm and its characteristics. Additionally, customer support for the CSR initiative and employee CSR importance are grouped under relationship factors category, because both constructs are connected to the seller–customer interaction. The theoretical model includes two control variables that link our work with previous research: Salesforce's ability to construe and salesperson's gender. The model is depicted graphically in Fig. 1.

### *Organizational Factors*

*Effect of Fit on CSR as an Adaptive Selling Tool*: Fit refers to the perception of a coherent linkage between the CSR initiative and the firm's business core, which includes goods/services sold, brand image, positioning strategy, and/or target market (Becker-Olsen et al. 2006). There are at least three levels of CSR consistency. At the lower level, external fit or fit between the CSR initiative and the surrounding stakeholders' demands is met. At the middle level, a CSR initiative achieves consistency with the business practice core of the company. And finally, at the highest level, a CSR initiative achieves a coherence level due to its fit with other CSR
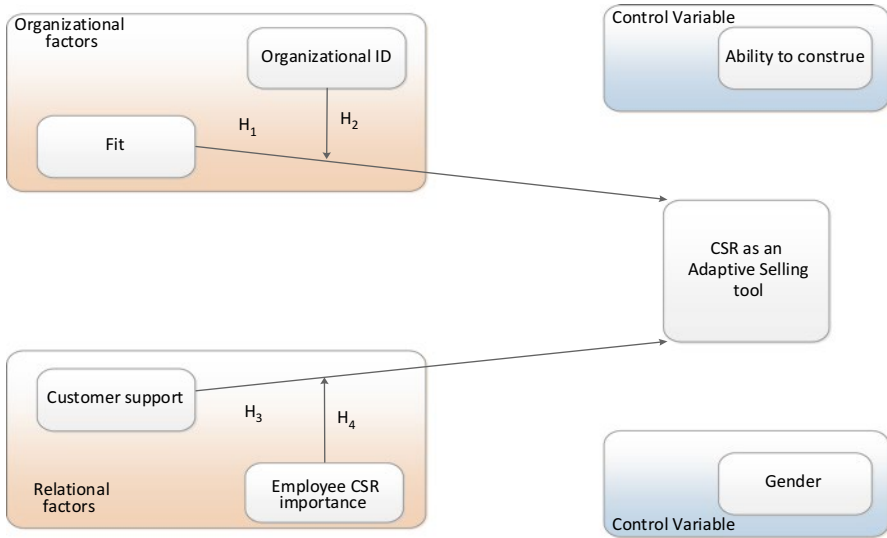
**Fig. 1** Conceptual framework

practices of the company (Yuan et al. 2011). Thus, CSR initiatives can be classified as: High-fit initiatives, when there's a high level of perceived consistency with consumer's previous assumptions and actions between the CSR initiative and the firm, strengthening the company's position in the market; or low-fit CSR initiatives that show low level of perceived consistency, which makes harder to add new knowledge into existing memory structures (Becker-Olsen et al. 2006; Keller 1993). Even though a CSR initiative can be categorized as high-fit initiative by consumers, there is some variance in the extent to which employees perceive that the initiative matches the idea that they have about the firm.

The CSR activity under study can be classified as a high-fit initiative, due to the high level of perceived consistency, based in the relationship between the nature of the initiative and the fit with the company product portfolio and the fact that the CSR initiative is strategically oriented to achieve customer's purchases from different segments as well as customer's satisfaction through buyer's involvement (Luo and Bhattacharya 2006).

*H₁—Higher level of fit between the CSR initiative and the firm business core is positively related to higher Use of CSR as an Adaptive Selling Tool.*

*The influence of Organizational Identification*: Some authors conceptualize this element as a cognitive construct, by stating that Organizational ID is the degree to which an individual perceives that the organization is defined by the same traits as he or she defines him or herself (Dutton et al. 1994). On the other hand, other authors define the same construct in affective-motivational terms, by asserting that

Organizational ID is related to the inclination and aspiration to keep an emotional satisfying auto-expressive relationship with the organization (O'Reilly and Chatman 1986).

Following this conceptions, we contend that the positive relationship between the fit construct and the use of CSR as an Adaptive Selling Tool depends on the congruency of the values between employees and their organizations. Thus, a high level of agreement between firm's characteristics and shared values with other organizational members affects the extension to which the CSR activity is potentially used as an adaptive selling tool. Therefore, high levels of congruency allow a more positive coupling between the CSR initiative fit and its use as an adaptive selling tool and on the contrary, a low level of agreement leads to a less positive relationship between the fit construct and the use of CSR initiative as an adaptive selling tool.

$H_2$—*The positive relationship between higher level of fit between the CSR initiative and the firm business core with higher Use of CSR as an Adaptive Selling Tool is moderated by the level of Organizational ID of the employee. Hence, as Organizational ID increases that leads to a more positive relationship between high-fit CSR initiatives and higher Use of CSR as an Adaptive Selling Tool.*

## Relational Factors

*Effect of Customer Support on CSR as an Adaptive Selling Tool*: Customer Support on CSR refers to the extent to which customers perceive that a specific CSR activity can positively impact him or herself, the remaining stakeholders of a company, or society in general. CSR has been demonstrated to influence consumer's opinions, buying intentions, consumer-firm identification, satisfaction, and loyalty (e.g., Korschun et al. 2014). In addition to that, previous research shows that consumers take CSR initiatives into account when they assess a firm and its products (Öberseder et al. 2013).

The perception of the reasons why one firm engages in CSR initiatives influences customer's assessment and appreciation of those activities (Becker-Olsen et al. 2006), this lead consumers to distinguish among other-centered, self-centered, and win-win reasons, assuming that firms have various motives to carry out their CSR initiatives (Öberseder et al. 2013).

So, if CSR can influence customer's opinion about a company and affect his or her buying intention as well, this factor should be taken into account when studying the different elements that contribute to the use of the CSR activities as an adaptive selling tool.

The CSR initiative under study demands a high level of customer involvement due to the high level of buyers' self-expression in the interaction with this CSR activity. Additionally, with respect to the perceived reasons of why the company

was engaged in this CSR initiative, there are no straight relation for customers between the CSR activity and the company sales. Consequently, the only allowed perceived reasons for the firm to engage in this CSR initiative are other-centered or win-win reasons, in the worst-case scenario.

$H_3$—*Higher level of Customer Support for the CSR Initiative is positively related to higher Use of CSR as an Adaptive Selling Tool.*

*The influence of Employee Importance for CSR*: The strategic use of the CSR activities, thanks to their alignment with the business core, with the corporate culture, and with the stakeholders social demands (Porter and Kramer 2006), leads to a more positive perception of those CSR initiatives from employees (Lee et al. 2013) making more likely the staff involvement and the success of those initiatives. So for the purpose of this work, employee importance for CSR can be defined as the extent to which an employee identifies him or herself with the role of CSR, not only as a mean to progress social welfare but also to improve firm's performance.

Therefore, as employees sense the importance of the CSR initiative for the potential customer, their own recognition of the strategic role and the potential performance improvement of the CSR activity leads to a higher use of CSR as an Adaptive Selling Tool. Thus, we contend that a higher level of this support accentuates the role of the customer importance for the use of the CSR initiative as an adaptive selling tool; on the contrary, a lower level of this backing affects negatively the relationship between the potential buying support for the CSR activity and the use of the CSR initiative as an adaptive selling tool.

$H_4$—*The positive relationship between higher levels of Customer Support for the CSR Initiative with higher Use of CSR as an Adaptive Selling Tool is moderated by the level of Employee Importance for CSR. As CSR importance to the employee increases, the effect of perceived customer support on CSR as an Adaptive Selling Tool becomes stronger.*

## Methodology

There are additional reasons to think that the vehicle dealership industry is a suitable context to test our hypotheses. Thus, the last available sectorial report exhibits that car dealers experienced an important growth in sales during 2012 in different categories, such as new-light-vehicles and used-vehicles. But on the other hand, there were some additional pessimistic figures, depicting the situation of an industry in the middle of an economic recovery process. For instance, there was a decline in the total dealership gross margins from 14.4 % in 2011 to 13.7 % in 2012 or an increase of 4 % of total dealership expenses during the same period (NADA 2013).

These opposing economic results bring support to the fact that the automobile industry is immersed in a hypercompetitive environment as many other US sectors (Wiggins and Ruefli 2005), characterized by "intense and rapid competitive moves,

in which competitors must move quickly to build advantage and erode the advantage of their rivals" (D'Aveni 1994, pp. 217–218). This context results in less sustainable advantages, and higher hostility, unpredictability, and dynamism (D'Aveni et al. 1995; Wiggins and Ruefli 2005), increasing the likelihood of using a new instrument, such as a CSR initiative, that could lead to better sales performance. Finally, the CSR initiative implemented by the car dealer company consists of different activities focused on increasing teenagers' driving safety such as education, advocacy, driving training, and parental involvement.

Within this car dealership environment, we implemented a qualitative pretest, composed of twenty in-depth interviews with randomly selected salespeople from different car dealerships of the firm. The interviews lasted between 40 min to a maximum of 60 min, and they were designed with a double purpose: On the one hand, achieve an appropriate level of familiarity with the company, its environment, and the CSR initiative carried out; and on the other hand, develop a suitable questionnaire to reach a bigger salesforce group of the same firm. Because the CSR initiative was released in 2012, the questionnaire developed was then distributed among the total population of salespeople of the company with a service record of more than three years in this firm. The survey was electronically circulated among those employees with a cover letter from the HR manager of the firm.

From a total population of 319 salespeople, 195 questionnaires were returned. From those questionnaires, 55 were discarded due to missing answers to some of the questions included. Thus 140 questionnaires were returned with no missing information, for a total response rate of 43.89 %, a figure considered standard for Internet-based surveys (Cook et al. 2000). In addition to the hypotheses testing, this survey has been employed to build an empirical model intended to forecast the likelihood of using CSR as an adaptive selling tool within the salesforce personnel of the firm. The motivation to develop this empirical model comes from the important role that the employee involvement plays in the success of a CSR initiative both from academic and practitioner's standpoints (e.g., Chong 2009; Hohnen 2007).

In order to achieve this, a dummy variable was created from the questionnaire, reflecting the likelihood of using CSR as an adaptive selling tool. To test the impact of the variables under study on the likelihood of using CSR as an adaptive selling tool, we ran the following logistic regression model:

$$y_i = \frac{\exp\left(\beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4\right)}{\left(1 + \exp\left(\beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4\right)\right)} \tag{1}$$

where:

$y_i$ = Dummy variable, Use of CSR as an Adaptive Selling Tool (0 = unlikely, 1 = likely to use it)

$x_1$ = Employee CSR importance X Custom support for CSR

$x_2$ = Organizational ID X Fit

$x_3$ = Ability to Construe

$x_4$ = Gender (0 = male, 1 = female)

Unfortunately, our data shows an unbalanced number of outputs (123 dummy variables are 1, and only 17 are 0), so this could lead to a violation of the underlying distributional assumptions for logistic regression (Hauser and Booth 2011), leading to inconsistency when maximum likelihood is used to estimate the coefficients for the logistic regression (Bianco and Martínez 2009). Therefore, three additional methods are proposed: Bootstrap interval estimation of coefficients with $R = 1000$ groups; robust estimation using "Mallows Class" approach; and robust estimation using consistent estimate based on the misclassification model (Carroll and Pederson 1993; Wang et al. 2014). For some authors, the last two methods have been proposed as good logistic regression coefficient estimators in the case of rare-event data sets (Carroll and Pederson 1993). The Mallows Class estimator is a Maximum Likelihood estimator computed with weights depending on a robust estimation of the center and scatter matrix of the covariates and on a particular weight function. The consistent estimate based on the misclassification model is concerned not only with the usual logistic model, but also with every response, which is misclassified with probability $\gamma$ using a misclassification function. The model estimates the coefficients based on an M-estimator and previous literature shows that it should perform worse in small samples than the Mallows' approach (Carroll and Pederson 1993; Croux and Haesbroeck 2003; Wang et al. 2014).

Following, we tested the model reflected on Eq. (1) over our whole sample computing the hit ratio of outputs as the goodness-of-fit measure. In addition to that, a coefficient estimation using bootstrap ($R = 1000$ groups) was tested over the 140 cases as well.

A problem that follows when logistic regression is used in the case of rare-event data sets is the interpretation of these goodness-of-fit outputs, which can be misleading in the case of large relative ratio of outcomes. Hence, some authors recommend computing the hit ratio for each of those outcomes as a better goodness-of-fit measure (Wooldridge 2009). Under this premise, the ability of the model to correctly classify the two different outputs from a logistic regression will be employed as a means to evaluate the different approaches for robust estimation as well as for the regular logistic regression model and the bootstrap approach.

Furthermore, the robust approaches will be put to the test by splitting the sample into a feed sample and a holdout sample of different sizes (Sample40 and Sample50), so a hit ratio over the holdout sample will be computed as a goodness-of-fit measure. Finally, and in order to test the performance of the two robust approaches with a very small sample size, a third subsample was employed with balanced number of outcomes (Sample10). All the four samples characteristics are shown in Table 2.

Finally, our study includes two additional elements, considered as control variables: Salesperson's ability to construe and salesperson's gender.

Salesforce ability to construe: This construct is a higher-order construct that includes three dimensions related to the listening process, such as sensing, evaluation, and responding from the salesperson interaction with the customer, along with the capability of the salesperson to categorize those potential buyers during the evaluation phase.

The sensing component of listening includes not only the perception of sound stimuli from the customer, but also the perception of the nonverbal language, voice tone, and gestures (Mead and Rubin 1985). The evaluation component includes all the cognitive procedures that lead the salesperson to attribute meaning to the all the stimuli perceived and assign its relevance (Leong et al. 1989). Especially important is the customer categorization during the evaluation stage, because it is responsible for a better organization, assessment, and interpretation of the sales interaction, for a superior customer classification, and for a more precise use of sales strategies (Leong et al. 1989). Finally, the responding phase has the purpose of inform, control, exchange opinions and sentiments, or ritualize (Mead and Rubin 1985). Unless the selling interaction is finished, the salesperson's responding stage requires some action from the potential buyer. Thus, the higher the ability to construe from salespeople, the higher their capability to practice adaptive selling in general (Sharma and Levy 1995), and the use of a CSR initiative as an adaptive selling tool, so we decided to include this construct as a control variable in our research.

Gender — Sex differences affect both the CSR-related constructs (e.g., Arredondo-Trapero et al. 2011) as well as the adaptive selling-related constructs (e.g., Moncrief et al. 2000), although the current trend in gender differences research denotes a reduction in those differences from the early investigation on this topic (Moncrief et al. 2000). Thus, we decided to control for gender in our study, with the purpose of elucidating in what extension this variable affects the use of CSR as an Adaptive Selling tool.

## Results

For the purpose of testing hypotheses $H_1$, $H_2$, $H_3$, and $H_4$, the authors ran series of linear regressions on the use of CSR as an Adaptive Selling Tool. The first theoretical model (Model 1) includes: Ability to Construe, Gender, Fit, and Customer Support for CSR as independent variables; the second theoretical model (Model 2) includes also the interactions showed in Fig. 1: Ability to construe, Gender, Organizational ID X Fit, and Employee importance for CSR X Custom Support for CSR as independent variables (see Table 1).

Our results show a positive relationship between a higher level of fit between the CSR initiative and the firm business core with a higher Use of CSR as an Adaptive Selling Tool as predicted. And therefore, hypothesis $H_1$ is supported and its effect is significant ($p < .05$). Additionally, there is a positive relationship between higher level of Customer Support for the CSR Initiative and higher Use of CSR as an Adaptive Selling Tool, supporting $H_3$ ($p < .05$).

Table 1 shows also support for the moderating effect of Organizational ID and Employee Importance for CSR as their inclusion increases significantly the fit of Model 2, from an R square value of 0.402 for the no moderating effect, to a value of 0.420 for the complete theoretical model. Thus, hypotheses $H_2$ and $H_4$ are also supported ($p < .05$).

**Table 1** Samples employed for the empirical model tests

| Total Sample | Feed | Ho |
|---|---|---|
| | 140 | 0 |
| | **#0** | **#0** |
| | 17 | 0 |
| Sample40 | **Feed** | **Ho** |
| | 100 | 40 |
| | **#0** | **#0** |
| | 11 | 6 |
| Sample50 | **Feed** | **Ho** |
| | 90 | 50 |
| | **#0** | **#0** |
| | 10 | 7 |
| Sample10 | **Feed** | **Ho** |
| | 24 | 10 |
| | **#0** | **#0** |
| | 12 | 5 |

The negative sign of the gender variable coefficient supports the idea that men are more likely than women to use a CSR initiative as an adaptive selling tool, and the strong bond between the Ability to Construe and the Use of CSR as an Adaptive Selling Tool should be also highlighted.

Following our study, Table 3 shows the comparative results of the four empirical model approaches. Although the regular logistic regression achieves a global hit ratio of 84 %, its performance regarding the 0 outputs classification is the poorest one among all the approaches. The bootstrap global performance increases until an 87 % of correct classification but fails to improve the 0 outputs prediction.

Both robust approaches achieve better results than the former methods in classifying correctly 0 outputs, especially in the case of Sample40, which means that the model has been fed with a bigger sample than Sample50. It has to be highlighted that both robust methods are tested over holdout samples, carrying out actual predictions and using a smaller number of cases to calculate the different variable coefficients than in the case of the regular logistic regression and bootstrap. At this level, no great differences can be found between the two robust approaches.

On the contrary, in the case of a very small sample such as Sample10 (see Table 4), both the misclassification model approach and the regular logistic regression model achieve poor results comparing to those from the Mallows approach. Because this sample is totally balanced, the goodness-of-fit measure should be the total hit ratio and both the misclassification model approach and the regular logistic regression model attain a 50 %, which matches the .5 probability of a series of random Bernoulli trials. By contrast, the Mallows robust approach accomplishes a 70 % hit ratio for such a small sample. For the future improvement of this working chapter we expect to validate these proposed approaches with brand-new data from a new different firm.

**Table 2** Model summaries, estimated coefficients, and standard errors

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Unstandardized Coefficients (std. Error) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Constant | CustCSRsupp | Fit | Gender | Ability to construe |
| 1 | .634 | .402 | .384 | 1.160 | .455 (.783)<br>sig. .562 | .407 (.125)<br>sig. .001 | .247(.099)<br>sig. .014 | −.472 (.207)<br>sig. .024 | .333 (.081)<br>sig. .000 |

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Unstandardized Coefficients (std. Error) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Constant | EmployCSRimp X CustCSRsupp | Org ID X Fit | Gender | Ability to construe |
| 2 | .648 | .420 | .403 | 1.142 | 1.853 (.556)<br>sig. .001 | .050 (.015)<br>sig. .001 | .023 (.009)<br>sig. 008 | −.515 (.202)<br>sig. .012 | .308 (.080)<br>sig. .000 |

**Table 3** Comparison of hit ratios for the total sample, Sample40, and Sample50

| Hit ratio | | |
|---|---|---|
| **No Robust** | | |
| **Total** | **Output 0** | **Output 1** |
| 84.286 | 23.529 | 92.683 |
| | **No Robust-Bootstrap ($R=1000$)** | |
| **Total** | **Output 0** | **Output 1** |
| 87.143 | 23.529 | 95.935 |
| **Hit ratio** | | |
| | **Sample40 Mallows** | |
| **Total** | **Output 0** | **Output 1** |
| 87.5 | 33.333 | 97.059 |
| | **Sample50 Mallows** | |
| **Total** | **Output 0** | **Output 1** |
| 78 | 28.571 | 86.047 |
| | **Sample40 Misclass** | |
| **Total** | **Output 0** | **Output 1** |
| 85 | 50 | 94.118 |
| | **Sample50 Misclass** | |
| **Total** | **Output 0** | **Output 1** |
| 80 | 28.571 | 88.372 |

**Table 4** Comparison of hit ratios for Sample10

| Hit ratio | | |
|---|---|---|
| | **Sample10 No Robust** | |
| **Total** | **Output 0** | **Output 1** |
| 50 | 80 | 20 |
| **Hit ratio** | | |
| | **Sample10 Mallows** | |
| **Total** | **Output 0** | **Output 1** |
| 70 | 60 | 80 |
| | **Sample10 Misclass** | |
| **Total** | **Output 0** | **Output 1** |
| 50 | 80 | 20 |

# Conclusions

This working chapter documents how CSR initiatives can also be used in an additional way to how they were usually employed in the past. Likewise, a high-fit CSR activity in addition to customer support for that CSR initiative leads to its use as an adaptive selling tool and the causal relationship between these two variables and the use of CSR as an adaptive selling tool is moderated by the employee's organizational identification and the employee's importance for CSR, respectively.

Our analysis also shows a great relevance of the ability to construe from the salespeople. The higher level constructs put into play, such as the perceived

customer support for the CSR activity, in addition to the use of a completely new adaptive selling tool demand a higher capability from the salesforce to assess the usefulness of that CSR activity during the selling interaction with the customer.

Furthermore, our analysis emphasizes the higher likelihood of men to use CSR as an adaptive selling tool. This fact could be related to the specific context of our research, which was extensively dominated by male salesforce in the past, justifying a natural evolution towards more sophisticated selling techniques than the lately joined women.

This study also highlights the important role of both customers and employees. In order to succeed in the use of CSR as an adaptive selling tool, the initiative has to be relevant for these two groups: Customer's support and employee's support have to be granted. Additionally, this fact emphasizes the role of fit and the role of a proper external communication to customers and an appropriate internal communication to employees.

Finally, this working chapter suggests an empirical robust logistic regression model that can be employed to forecast the use of CSR initiatives as an adaptive selling tool among the salesforce members of a firm. From all the four approaches, both robust methods perform better over smaller samples than the regular logistic regression or bootstrap coefficient estimation. Especially, the Mallows Class robust estimation seems to be promising in the case of very small sample sizes. This tool could be linked in future research to the salesforce performance, in order to help forecasting the expected revenues from implementing a CSR initiative within a company and to help on evaluating the actual bond between CSR and CFP.

# Appendix

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# Performance Outcome of CSR Behavior: Moderating Role of Motivations to Engage

**Chitra Srivastava Dabas and Brenda Sternquist**

## Introduction

The new trend in the CSR practices reflects a shift from quantity (degree) of CSR actions to quality of such efforts. Instead of maximizing the number of CSR issues addressed, firms are identifying key strategic issues that also align with their business actions. For example, Coca-Cola invests in several African and Southeast Asian countries with an intention to increase brand penetration in the region and develop future consumers of their product in these countries (Sohn 2014). Similarly, Cargill Inc., one of the world leaders in processed food market, closely works with farmers in Ghana to improve their living conditions and provide education. Ghana is a huge cocoa production base for Cargill. By investing there, Cargill protects its own supply base for future (Sohn 2014). A report by *As You Sow*, a nonprofit organization, stated that retailers like *GAP Inc*., *Timberland, Nike*, and *Nordstrom* use internal organizational strategies to streamline CSR efforts. They are increasingly adopting responsible purchasing practices and have made changes in five areas of corporate culture: designing and buying, forecasting, production management, and pricing. These efforts have resulted in improved working conditions along with cost reductions (CSR Wire 2010).

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## CSR Motivations

CSR actions can either be strategically or altruistically driven (McWilliams and Siegel 2001; Porter and Kramer 2002, 2006). And then there are firms who may choose to adopt socially responsive practices that enhance firm performance and contribute to society at the same time (Porter and Kramer 2006). In this research, we focus on the outcome of strategic and altruistic CSR. Altruistic CSR is socialist in nature and focuses on "giving back" of time and money to the society so as to promote social and environmental well-being (Lantos 2002). Altruistically motivated CSR is also comparable to philanthropic CSR which is purely voluntary and is directed towards improving the overall quality of people and the environment (Lii and Lee 2012). Firms may even be willing to sacrifice a part of profitability when engaging in such philanthropic actions (Lantos 2002). Strategically driven CSR, on the other hand, is very closely aligned with firm performance. Social and environmental actions are only undertaken if they make business sense. In fact, not all CSR actions are altruistically driven. Organizations engage in socially responsible behavior because they anticipate the long-term strategic benefit of such actions like supply chain efficiencies, superior brand image, better relations with suppliers and customers, and a better work force (Porter and Kramer 2002; Brammer et al. 2007; Collier and Esteban 2007). When organizations engage in CSR actions with the goal of achieving profitability, they are more likely to streamline such actions with other organizational strategies and have a more focused approach towards application and evaluation of socially responsible behavior. All CSR actions should not be evaluated through the same lens, as the underlying motivation may differ across organizations. Hillman and Keim (2001) recommend that CSR actions should be disaggregated into strategic and altruistic dimensions.

The question now is: should CSR practices be adopted because of moral obligations of businesses towards the society, or should they be adopted because such initiatives have the potential to increase the bottom line? These two different motivations would lead to differences in firm level outcomes because of the differences in desired goals (profitability vs. unselfish social welfare). Analysis of strategically versus altruistically motivated CSR is likely to provide better insights into the relationship between corporate social performance (CSP) and business performance than a homogenous model of CSR motivations. The objective of this research is to explore how strategic versus altruistic motivations for engaging in CSR behavior affects firm performance.

## Proposed Hypotheses

In this chapter, we suggest that the depth of socially responsible behavior can be captured by two constructs: *the CSR actions* or the specific social and environmental endeavors undertaken by a firm and an adaptation mechanism, *corporate social*

*responsiveness*, which reflects a firms' ability to monitor, measure, and adapt CSR actions to increase future effectiveness. We argue that though the level of engagement in CSR actions may not be different between the two motivations, strategically motivated firms are more likely to engage in corporate social responsiveness. We also hypothesize that the relationship between socially responsible behavior and financial performance is mediated by market performance. Further, motivation to engage in CSR action is suggested to be a moderator for the proposed relationship in the first part. Specifically, we propose that the relationship between corporate social responsiveness and performance will be stronger for strategically motivated firms than for altruistically motivated firms.

## Methodology

Data is collected in the United States via online surveys. In total, 358 useable responses from retail store managers in the United States were collected. The proposed model was tested using structural equation modeling in AMOS 19.0. A two-step approach was used to test the validity of the factor structure followed by path analysis, as proposed by Anderson and Gerbing (1988). ML estimation method is used to calculate parameter estimates and fit the data to the proposed model. Responses were also tested for single informant bias because the information of dependent as well as independent variables was collected from the same respondent (retail store managers). Harman's single factor test and single factor confirmatory factor analysis were conducted to test the presence of common method bias. These two tests suggest that single informant bias is not a major concern and is unlikely to confound the findings of this study. Mediation effect was tested using four-step approach suggested by Baron and Kenny (1989). Moderation effect was tested using two group analysis in AMOS.

## Results and Discussion

The results of this study confirm the influence of CSR actions and corporate social responsiveness on financial performance (Margolis et al. 2007; Orlitzky et al. 2003; Wu 2006) but only for strategically motivated firms. The mediation effect of market performance for strategically motivated firms indicates that performance-motivated CSR actions can influence customer satisfaction and strengthen brand image. These results align with the findings of Nan and Heo (2007) who indicated that the level of fit between firms and social issues is positively related to favorable consumer-based brand performance. Becker-Olsen et al. (2006) also found that high-fit initiatives align with consumer favorability towards a firm. Consumer favorability can lead to firm profitability and better firm performance. Thus, tactical integration of

CSR actions with overall business strategy can influence market performance. Market performance, in turn, increases the likelihood of purchase, thereby contributing to firm profitability.

Results also indicate that corporate social responsiveness demonstrated by altruistically motivated firms may influence market performance. For the firms that engage in CSR actions driven by altruistic motivations, the insignificant effect of CSR actions on market performance and financial performance should be considered eye-opening. The belief that social sanctions may arise out of the fulfillment of moral duties towards society may not be true. Customers may no longer be fooled or be satisfied by an unstructured approach to corporate social responsibility. For example, philanthropic donations, which have no relevance to business strategies, do not contribute to firm performance. In a meta-analytic study, Allouche and Laroche (2005) found that charitable donations have minimal effect on financial performance. Orlitzky et al. (2003) argue that low impact actions like charitable donations are perceived as an attempt to manage firms' external image and therefore are likely to be punished by capital markets. Our results corroborate these findings and indicate that strategically motivated CSR is better for businesses than altruistically motivated CSR.

The current study represents the first empirically based analysis that confirms the role of strategic focus on CSR actions in determining firm performance. The importance of developing a strategic orientation towards CSR actions cannot be ignored any further. Firms that are not yet convinced about the fruitfulness of CSR are missing a prospective opportunity. Additionally, findings of this study suggest several implications for practitioners as well.

**References available upon request.**

# Session 5.1
## International Marketing
## Part 3: A Global Perspective

# Chief Marketing Officers and Firm Performance: A Multinational Perspective on the Value Relevance of the Chief Marketer

**Atanas Nik Nikolov, Mihail Miletkov, and Plamen Peev**

## Abstract

We examine the effect of the marketing function of the firm, operationalized as the existence of a marketing executive position (CMO, VP of Marketing), on financial performance (return on assets) in a large global cross-sectional time-series dataset of publicly traded companies. We draw on literature on top management team influence within the firm, and theorize that the CMO, as the consumer advocate within the firm is tasked with a myriad of functions such as advertising, new marketing staff hiring, sales forecasting, marketing research and marketing planning, advising senior managers, and coordinating and controlling marketing activities at the divisional level, all of which require cross-unit and cross-functional integration across the firm. Thus, we hypothesize that as the complexity of the environment that a firm operates in increases, so does the value-added of the chief marketers' role.

While previous research has found mixed evidence for any link between the role of the chief marketer and firm performance metrics, we find evidence of strong and positive association between the presence of a chief marketing officer in the top management team and firm performance. Using panel data regression methods, and controlling for industry, country, and time effects, we find support for our hypotheses that CMO presence manifests into superior bottom line performance as (1) a direct effect, and also as (2) a corporate response to an increase in the complexity of the operating environment, operationalized as an increase in firm scope.

Furthermore, the results suggest that the mechanism through which the effect takes place varies across world regions. While the presence of a chief marketing

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officer in the top management team of public firms is directly and positively related to firm performance in Latin America and the USA, a more indirect pattern of influence emerges in Europe and Asia, namely, through the moderating role of complexity. Overall, we add to the fledgling literature on the importance of the CMO's influence in affecting firm performance by demonstrating that CMOs do have a large and positive impact on firm performance, both directly and indirectly through their ability to manage complex marketing organizations, and these effects vary systematically across the world regions. Finally, we believe that the findings are encouraging for marketing research and practice as they provide more evidence of a positive link between the marketing function and overall firm profitability.

**References Available Upon Request.**

# Innovation as a Dynamic Capability and Its Link to Performance in the Multinational Corporation: An Integrative Framework and Propositions for Research

**Nayyer Naseem, Swati Verma, and Attila Yaprak**

**Abstract** Global integration of knowledge and innovation transfers in the internationalizing firm has inspired a growing literature in the international business literature. Several streams of studies examined interesting dimensions of this phenomenon, but extant literature is still weak in research that focuses on how knowledge sharing among the headquarters and subsidiaries of the multinational firm can boost performance. In this chapter, we present propositions for future research based on a review of the strands of literature that have addressed innovation in the multinational firm and explore how the firm can utilize innovation as a dynamic capability in driving positional advantage, and by extension improved firm performance.

**Keywords** Innovation • Subsidiary • Dynamic capability • Multinational corporation

## Introduction

Global integration of knowledge and the roles of headquarters and subsidiaries in generating, transferring, and managing innovation in the multinational enterprise (MNE) has been receiving increasing research attention in the marketing and international business literatures recently (see for example, Ambos et al. 2006; Lahiri 2010; Dellestrand and Kappen 2011; Engel and Del-Palacio 2011; Meyer et al. 2011; Mudambi 2011; Nell et al. 2011; Berry 2014; Reilly and Sharkey Scott 2014; Berry 2014). This interest has found expression in at least four streams of research.

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The first of these has focused on the formation of international innovation networks in the multinational firm (Zander 2002) and the role of subsidiary capabilities in this effort (Phene and Almeida 2008). The second has focused on the geographic clustering of innovation, specifically on sources of subsidiary innovations (Frost 2001), communication and control patterns that foster innovation (Nobel and Birkinshaw 1998), how global engagement facilitates the innovation activities of firms (Criscuolo et al. 2010), and the role of social interaction within the MNC in knowledge sharing among the subsidiaries (Noorderhaven and Harzing (2009). The third has explored innovation processes, for example, whether cultural fit between the MNC and the geographic location of its innovation activity will enhance corporate performance (Ambos and Schlegelmilch 2008), whether globality of the innovation process will generate and deliver cross-national innovation opportunities (Doz et al. 2001), and whether cross-border innovation collaborations with universities (Sherwood and Covin 2008), suppliers (Song and Di Benedetto 2008), competitors (Dittrich and Duysters 2007), or customers (Un and Cuervo-Cazzura 2008) will yield new sources of sustainable competitive advantage (SCA) for the firm (MacCormack et al. 2007). Finally, the fourth has focused on global integration of innovation within the internationalizing firm, with special interest on global knowledge generation vs subsidiary mandates for innovation, reverse knowledge transfers from the subsidiary to the headquarters, how internal vs external embeddedness of subsidiaries and unique knowledge combinations of subsidiaries and the headquarters will influence innovation quality, local sourcing types and patterns, and maintaining balance in knowledge exchanges between interfirm and intra-firm networks (Yamin and Andersson 2011; Zander 2011; Reilly and Sharkey Scott 2014; Song 2014; Berry 2014).

Yet, even with this emerging literature on innovation in the internationalizing firm, we know very little about the roles of subsidiaries and headquarters resources and their joint impacts on innovation, whether and how these might help create a dynamic capability in the firm that will help it develop a positional advantage, and how this innovation-based advantage might foster improved performance at the subsidiary and throughout the MNC network. The purpose of this chapter is to help address this void by developing a bird's eye view of the innovation-in-the-MNE landscape to inspire future study. To achieve this purpose, we present a conceptual model that shows the different clusters of studies and how they might be interrelated, present propositions on each of these dimensions, and offer avenues for future research.

## Relevant Literature

### *Managing and Globalizing Innovation*

Innovation can be a major source of sustainable competitive advantage (SCA) for the multinational firm; indeed, some argue that it is the raison d'etre of multinational activity and internationalization (Bartlett and Ghoshal 1990). Yet, from the perspective of the headquarters in the traditional view of the MNC, *managing*

innovation in the MNC network is difficult since it presents managers with organizational, managerial, and strategic dilemmas. For example, gaining subsidiary participation in the innovative effort, achieving subsidiary buy-in for R&D collaborations, and managing dispersed resources of the MNC while assuring decentralized authority can be daunting managerial tasks. Synthesizing the technical (R&D, engineering) with the nontechnical (marketing, new product development) functions in each subsidiary and coordinating these across the MNC network and leveraging and utilizing interdependent resources from each geographic location while blending these for corporate advantage can also be overwhelming. Optimally leveraging the MNC's organizational capabilities can be demanding (Kuemmerle 1997). Managing innovation activities distributed across knowledge clusters, bundling complementary sources of knowledge into meaningful packages, effectively harnessing diverse skills, and mobilizing the MNC's knowledge through cost-effective mechanisms so as to create and deliver the greatest possible value present other challenges in managing innovation in the MNC (Doz et al. 2001).

The recent dispersion of MNC innovative activity and capabilities worldwide and the resulting globally-integrated innovation projects have introduced new problems in *globalizing* innovation. For example, while integration of globally dispersed innovative projects has expanded opportunities to gain leverage from internationally distributed resources, transforming these opportunities into MNC-wide SCAs has been cumbersome (Zander 2002). This is because, globalizing innovation now requires a managerial mind-set open to continuous interaction with and input from suppliers, customers, and competitors; it necessitates designing and implementing innovation processes that will assure the most effective distribution of innovation and knowledge resources and gains from innovation, and it demands establishing a knowledge footprint that will effectively feed innovation in the firm. It also demands building mechanisms and organizational forms with which the new knowledge the innovation helps create can be most effectively integrated, internalized, mobilized, and appropriated across the MNC's global network (Doz et al. 2001). Research shows that, while difficult, this is increasingly accomplished, and most effectively, through networks of firms (Gulati et al. 2000; Grant 1996) that come together strategically, preferably from different parts of the world, to utilize unique capabilities and operate in a coordinated manner to achieve collaborative returns (MacCormack et al. 2007). This research also shows that there is little known about how to conceptualize, develop, and deploy this capability, when in fact such collaboration could help lower innovation costs, leverage the superior capabilities of cooperation, access local context knowledge more easily, and aid management in thinking strategically (MacCormack et al. 2007). Studies also show that having a global footprint produces improved performance: globally engaged firms innovate more as they learn from more (and diverse) sources, use more (and diversified) portfolios of inputs, produce more knowledge-related outputs, and interact with greater ranges of suppliers, competitors, distributors, and customers. They learn more, not only from their intra-MNC pools of information and supplier and distributor networks, but also from their competitors', collabora-

tors', and customers' alliances; this helps them create and deliver superior value by developing and deploying many types of innovation (Criscuolo et al. 2010). They learn based on knowledge absorbed by their subsidiaries from host countries, shared by sister subsidiaries operating in other local markets, and delivered to subsidiaries by MNC headquarters in the home country (Phene and Almeida 2008; Singh 2007). They learn through both *exploration* and *exploitation*, that is, by exploiting existing assets and capabilities and by exploring new assets and capabilities in foreign markets (Yalcinkaya et al. 2007; Ozsomer and Gencturk 2003; Frost 2001). These processes are driven by the interplay between the subsidiary's innovation strategy, its evolving technical and marketing capabilities, and its membership in the local knowledge-sharing community (Frost 2001). They also learn through enhancing their *combinative* and *replicative* capabilities (Kogut and Zander 2002), and by developing dynamic capabilities that help them transform what they have learned into useful new resources (Augier and Teece 2007).

These interactions among capability generation and deployment, between strategy and institutional dynamics in the local market and global geographies, and between organizational traits and managerial competencies make the MNC an ideal research context for advancing understanding of innovation and knowledge flow processes in the internationalizing enterprise.

## *Types of Innovation and Innovation Processes*

The innovation streams in the literature distinguish between at least two types of innovations. One of these makes a distinction between *incremental* and *radical* innovations, a second between *autonomous* and *systemic* innovations, and still another between *adaptive* and *creative* innovations. In the international business literature (Bartlett and Ghoshal 1990), adaptive innovations are those that are tailored by the subsidiary to suit the demands, needs, and preferences of the local market, while creative innovations are those that are generated by the subsidiary from scratch. Local subsidiaries play one or a combination of several roles in the MNC innovation process. They can be creators of new products, processes, or systems locally; they can adopt innovations that are developed by the parent company or a central R&D facility or sister subsidiaries; they can help diffuse local innovations to the parent or through the sister subsidiary network; or they can participate in the innovations that are jointly developed and deployed by the parent and/or the sister subsidiaries, and/or alliance partners (Bartlett and Ghoshal 1990). For example, Kuemmerle (1997) has shown that R&D subsidiaries specializing in the creation of new technologies outside of their home countries are typically established to access new knowledge and different systems of innovation unavailable to the MNC in its home market. Nobel and Birkinshaw (1998) offer a typology of roles for R&D units in an MNC to underscore this point. Based on a sample of 110 R&D units from 15 MNCs, they identify three such roles for R&D subsidiaries, i.e., local adapters (28), international adapters (40), and global creators (41),

underlining that many subsidiaries are now becoming participators in global innovations because global creators possess and draw from strong internal and external networks of relationships.

## Innovation's Link to Performance in the MNC: an Integrative Framework

Based on this brief summary of the innovation and the MNC literature, we offer a framework that comprehensively illustrates innovation's link to both focal subsidiary and network performance in the MNC network (Fig. 1). In this model, we posit that the focal subsidiary (FS) will combine its own resources and capabilities, along with those it will acquire from, and share with, its parent and sister subsidiaries to generate innovation (I) as a dynamic capability (DC). This newly-created DC, when distributed throughout the MNC network, will render the FS a positional advantage (PA) that will enhance its own performance (FSP) and the MNC's network performance (MNCP). The diffusion of innovation will be moderated by environmental turbulence (ET), typically manifested in technological and market turbulence. Our rationale is based on the Resource-Based View of the firm (Barney et al. 2001), dynamic capabilities (Teece et al. 1997; Augier and Teece 2007), exploration and exploitation (March 1991; Ozsomer and Gencturk 2003), positional advantage (Hult and Ketchen 2001), and environmental turbulence (Eisenhardt and Martin 2000), all of which we explore later in this chapter.
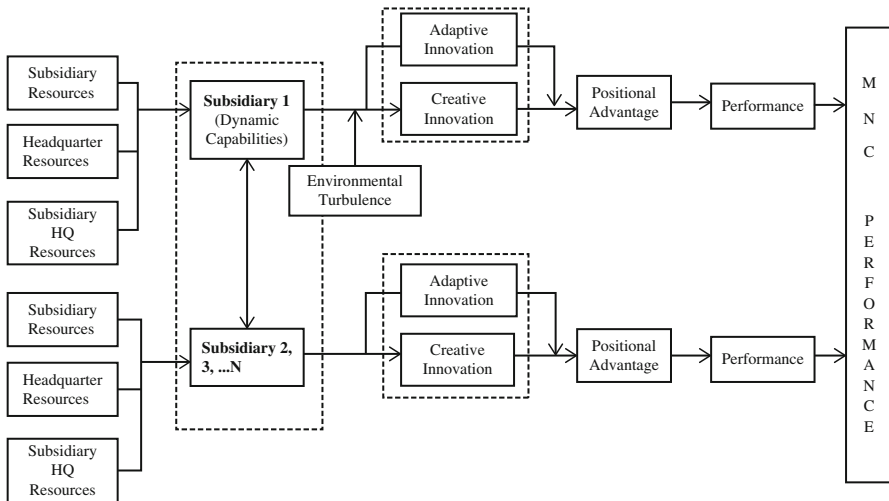


**Fig. 1** Conceptual model

The FS's innovative capability, an inimitable capacity, will help it shape, reshape, configure, and reconfigure its organizational and innovative resources, knowledge, and other asset bases to respond more swiftly and proactively to changing technologies and markets around it (Augier and Teece 2007). This *dynamic capability* will be augmented by the FS's skill in enhancing its absorptive capacity (Lichtenthaler 2009), exploiting its innovative resources, and exploring new technological possibilities (Ozsomer and Gencturk 2003). While moving toward improved market response, the level of turbulence in the FS, and by extension its collaborators' consumer and technological markets, will moderate (curb and/or enhance) the FS's positional advantage. For example, highly turbulent markets will demand the creation of new, situation-specific innovations and their market introduction quickly; require closer monitoring of technological and market developments; heighten both the need for and formation of collaborative innovation ventures; and raise opportunities for experimentation with novel resource combinations. These will help boost the FS's market performance, and by extension, MNC performance. The higher the FS's capabilities in acquiring, absorbing, internalizing, and appropriating its own, its sister subsidiaries', and its parent's resources and in transforming these into dynamic innovation capabilities, the greater will be its chances of establishing a positional advantage vis-à-vis its most relevant rivals, and thereby bolstering its own and its MNC network's performance.

**P1:** *The deeper the FS's dynamic capability in exploiting its resources and exploring new innovation possibilities, the greater its potential in moving its positional advantage toward improved performance and the greater its potential in contributing to improved performance of the MNC network.*

## Subsidiary Size, Experience, and Market Orientation

Generation, acquisition, combination, deployment, and utilization of resources are the lifeblood of any productive enterprise. Among the resources that are essential to subsidiary innovation, subsidiary size, local market knowledge, and marketing experience in the local geography are perhaps the most significant. What is critical in this context in fostering greater innovation in the subsidiary are the degree of embeddedness of the knowledge the subsidiary possesses in its creative routines and how effectively this is applied in facilitating local market-based and MNC network-wide innovation (Yamin and Andersson 2011; Hallin et al. 2011). The subsidiary's ability in absorbing network-wide innovations, adapting these to its local market needs as necessary, and grafting them into new products, processes, and/or technologies will help it generate and extract greater value from the innovation. It will also extend the life of the original technology on which the innovation is based, creating opportunities for new uses for that technology and help spawn new and adapted technologies. The opportunity created by this embeddedness for repeated adoption, adaptation, and grafting of innovations will help the subsidiary

accumulate a rich experience base from which to spring future innovations. The subsidiary's skill in generating, disseminating, and use of market intelligence about current and future customer needs and aspirations, potential competitive responses to its strategic actions, and productive work with its suppliers and other market actors will help facilitate this process (Ambos et al. 2006; Forsgren and Holm 2010; Nell et al. 2011). Subsidiaries that are able to combine their innate adaptive and combinative capabilities with the exploitation of their local market and marketing knowledge and exploration of new technologies in their local geographies are more likely to possess the capacity to generate new value through innovation, and achieve higher performance. The larger, more experienced, and more market-oriented subsidiaries are more likely to possess the depth and breadth of resources, experience bases, and market and marketing knowledge that will facilitate these innovation processes (Meyer et al. 2011; Mudambi 2011; Song et al. 2011). Thus, we propose that:

> **P2a:** *The larger the subsidiary, the more likely it is that it will serve as a hub of innovation activity in the MNC network and help generate superior performance for both the subsidiary and the MNC network.*
> **P2b:** *The more experienced the subsidiary in its local market and in the breadth and width of scope of its innovative activity, the more likely it is that it will serve as a hub of innovation activity in the MNC network and generate superior performance for both the subsidiary and the MNC network.*
> **P2c:** *The more market oriented the subsidiary, the more likely it is that it will serve as a hub of innovation activity in the MNC network and generate superior performance for the subsidiary and the MNC network.*

## *MNC Corporate Culture and Parent–Subsidiary Relationships*

Innovative activities in the MNC are affected by the corporate culture in which the parent firm and the subsidiaries are embedded and the nature and extent of relational bonds between the parent and the subsidiaries. Innovation is more likely to prosper in those corporate cultures that foster entrepreneurship and risk taking, the creation of new challenges, unique and new products and services, and the acquisition and use of resources to promote an openly creative culture (adhocracy) and those that encourage competitiveness, achievement, and goal accomplishment (market). In contrast, innovation is less likely in those corporate mind-sets that are focused on consensus and participation, teamwork and mentoring (clan) and those that support security, conformity, predictability, stability, and efficiency (hierarchy) (Deshpande et al. 1993). An adhocratic mind-set diffused into the MNC network is likely to ignite innovative and entrepreneurial initiatives and a market-oriented mind-set is likely to give life to innovations in the local and global marketplaces. In contrast, clan and hierarchical organizational cultures are likely to frustrate innovative activity, if not block it altogether. Slater and Narver (1995), for instance, show that a

corporate culture that fosters entrepreneurship and market orientation that is complemented by a climate of organic and facilitative leadership and decentralized planning will lead to higher levels of organizational learning, a SCA for the firm, which will yield higher firm performance. Baker and Sinkula (1999) emphasize that organizations whose cultures are high in learning orientation, and therefore inspire generative learning in their component firms (exploration in the subsidiaries) will create higher learning processes throughout their networks with which they will establish and sustain a SCA that will yield improved firm performance. They rationalize that since market orientation involves outside in and learning orientation involves inside out processes, they will jointly enhance innovation, thus improving firm performance. Hurley and Hult (1998) underscore this finding: they show that a corporate mind-set that emphasizes higher levels of learning and encourages innovativeness in the firm will promote the organization's capacity for market adaptation, innovation, and by extension, organizational performance. These findings are further accentuated by Deshpande et al.'s comprehensive work in Japanese MNCs (1993) and in developed, transitioning, and developing market internationalizing firms (Deshpande and Farley 2004).

Research on values, both corporate and personal, shows that values are also key ingredients in understanding the culture-innovation-improved performance link. For instance, studies suggest that the national backgrounds (and therefore, presumably cultural heritages) of parent and subsidiary managers can play an important role in knowledge transfer (Gupta and Govindarajan 2000), and such transfers between the parent and the subsidiaries can depend on the degree of ethnocentrism vs. cosmopolitanism possessed by parent and subsidiary managers (Tsang 1999; Cannon and Yaprak 2002; Cleveland et al. 2009).

The parent's view of its role vis-a-view its subsidiaries will also affect innovation and performance. For instance, if the parents' perspective on its subsidiaries is one of autonomous business units, its policies will encourage local innovations vs adaptation of parent-led innovations to local markets, its incentive and reward structures will help subsidiaries feel ownership, participation, and empowerment of such projects, and its resource allocation schemes will foster subsidiary-led vs. parent-led innovation; this will likely improve subsidiary and MNC network performance. A corporate mind-set in which standardization and formalization are encouraged will likely distract subsidiary managers from pursuing creativity and discovery, discourage managers' investments into building social capital with innovation communities in their subsidiaries' markets, and dampen exploratory innovation in favor of adaptive innovation. Facilitative leadership in the parent that favors subsidiary autonomy, experimentation and occasional failure and exploratory learning will more likely spawn creative rather than adaptive innovations and promote improved performance. Thus, we propose that:

**P3a:** *The nature of the MNC's corporate culture will affect subsidiary and MNC-network performance such that the more it fosters creativity and innovation and the less ethnocentric it is, the greater will be its likelihood of facilitating superior performance in the subsidiary and the MNC's network.*

> **P3b:** *The nature of the MNC parent's bonds with its subsidiaries will affect subsidiary and MNC-network performance such that the looser the parent's ties are with its subsidiaries and the more autonomous the subsidiaries are in their innovative activities, the greater will be the likelihood that both the subsidiary and the MNC network will achieve superior performance.*

## Knowledge Sharing, Collaboration, and MNC Performance

Knowledge sharing has been shown to be a significant ingredient in stimulating intra- and interorganizational innovation collaboration (Noorderhaven and Harzing 2009; Simonin 2004). Noorderhaven and Harzing (2009), for instance, have shown that knowledge sharing, often through social interaction of knowledge workers within the MNC, helps it embed knowledge. This is achieved typically through the sharing of framed experiences, values, contextual information, and expert insights into its routines, processes, practices, and norms. This, in turn, provides a richer framework for evaluating and incorporating the new experiences and information that innovation generates. Simonin (2004) has shown that collaboration through strategic alliances will enhance learning (and therefore, presumably innovative) capacity and knowledge transfer among innovation partners. This appears to be moderated by organizational culture, focal firm size, alliance form, and partner-specific absorptive capacity, however (Simonin 2004).

The roles of MNC R&D subsidiaries in innovation collaborations have also been studied. Studies show that these subsidiaries seek collaborations with local partners (customers, suppliers, distributors) to access relevant market knowledge and the innovation system in the host country. While there may be risks associated with unintended spillovers from collaboration and creating a potential new competitor in the future, working in partnership with suppliers can be useful in generating innovations since the focal subsidiary can specialize in those activities of the value chain in which it holds a competitive advantage and its codependency with its supplier can help both in improving their competitiveness over other subsidiary–supplier partnerships. Challenges also arise when the subsidiary attempts to maintain cooperation while also competing with partners, e.g., when competing with partners in one market while cooperating with them in another, and when attempting to fit into the host country's innovative networks. This may require that the focal subsidiary develops its absorptive capacity further to benefit from knowledge of the MNC itself and from the knowledge network provided by the host country. Its collaborations with sister subsidiaries and embeddedness into knowledge networks in other countries may help strengthen the fit between its innovative needs and the knowledge base provided by the host market (Nell et al. 2011; Zander 2011). Above all, studies show that innovation through collaboration can become a new source of SCA for those MNCs who think of global innovation strategically; that is, those who develop a global collaboration strategy, invest into developing not only technical but also collaborative capabilities, get better at accessing contextual knowledge

about markets and at leveraging superior capabilities they possess or acquire, and organize effectively for innovation collaboration (MacCormack et al. 2007). Thus, we propose that:

> **P4a:** *The higher the focal subsidiary's knowledge sharing and collaborative learning capacity, the higher will be its innovative capability and performance outcomes.*
> **P4b:** *The more embedded the focal subsidiary in the local and global knowledge systems of its own and its partners' networks, the higher will be its innovative capability and performance outcomes.*
> **P4c:** *The more strategically the focal subsidiary and its parent MNC network view global innovation, the higher will be the focal subsidiary's innovative capability and its and MNC network's performance outcomes.*

## *Innovation as a Dynamic Capability*

The dynamic capability (DC) perspective extends the resource-based view (RBV) by addressing how VRIN resources can be created and the current portfolio of these resources can be refreshed in dynamic environments (Ambrosini and Bowman 2009). DCs are shaped by both enabling and inhibiting factors that are both within and outside of the firm. Among the internal factors are the motivations, and the searching, and market sensing capabilities of managers, their bounded rationality, perceptions and attitudes, and leadership (proactive or not, for instance). Among the external factors are the pace of change in the firm's industry, and market characteristics (complexity, uncertainty, and path dependence, for example). Innovation, especially that which is rapid and flexible, is a key input in the DC creation process in the firm, as is the management capability to effectively coordinate and deploy innovation with timely market responsiveness. Innovation that involves utilization of the firm's internal and external competences, and that help it adapt, integrate, and reconfigure its resources, assets, and functional competences in rapidly changing environments can become a potent ingredient in the creation of a SCA (Ambrosini and Bowman 2009). Thus, the significance of innovation as a DC is heightened in the global context, especially in the rapidly transforming emerging markets (EMs). The rapid pace of change in EMs, in both their institutions and their consumers' expectations and aspirations, requires that firms configure and reconfigure their difficult-to-imitate combinations of resources, skills, and assets to continue to generate SCAs, and by extension, improved performance (Meyer et al. 2011). Those firms that are able to reconfigure, leverage, learn, and creatively integrate their innovative activities and processes should be able to enjoy these SCAs.

Thus, we propose that:

> **P5a:** *The more skilled the focal subsidiary and the MNC network are in generating and deploying innovation as a DC, the more likely it is that they will be able to create SCAs and achieve superior performance;*

> **P5b:** *The more skilled the focal subsidiary and the MNC network are in generating and deploying innovation as a DC in rapidly changing environments, such as EMs, the more likely it is that they will be able to create SCAs and achieve superior performance in these settings*

## Positional Advantage, Turbulence, and Performance

Positional advantage (PA), the resource that gives the organization a superior competitive position by reducing its costs and increasing the value it provides its customers (Hunt and Morgan 1995), has been shown to be a key ingredient in establishing SCA and improved performance (Day and Wensley 1988). Hult and Ketchen (2001) have conceptualized PA as a second-order construct composed of market orientation, entrepreneurship, innovativeness, and organizational learning, and have shown that PA yields improved firm performance. They have reasoned that innovativeness, in conjunction with entrepreneurship, serve as powerful antecedents of increased quality and customer loyalty. Thus, PA, a result of innovation, can be viewed as an important constituent of SCA, and therefore, improved performance.

The market orientation literature suggests that environmental turbulence (decomposed into technical and market turbulence) is likely to arise from the rapid changes in the tastes and preferences of customers and their continuous migration among market segments, especially in markets that are today experiencing very rapid transformations, such as the EMs. The focal subsidiary has to learn to cope with, and swiftly adapt to, these transformations, not only in its own local market, but in its MNC-network partners' markets (Dellestrand and Kappen 2011). While this will sometimes involve adaptive innovations (exploitation), in many cases it will require the creation of new, situation-specific (exploration) innovations (Eisenhardt and Martin 2000). Not only will the FS develop partner-searching and market-sensing capabilities to explore, nurture, and invest in partnering opportunities, it will have to also cultivate customer-linking and channel-bonding skills (Day 1994) to generate exploratory and exploitative-process-based innovations. It will have to adapt to network partners more swiftly, coordinate exchanges more smoothly in multiple relationships, and mobilize and leverage resources embedded in its entire alliance network more briskly when compared to its relevant rivals. Because the uncertainty in turbulent environments will raise causal ambiguity, it will be difficult for relevant competitors to imitate these resource and capability combinations of the FS in a timely manner (Forsgren and Holm 2010; Ciabuschi et al. 2011). Hence, a FS with greater accumulated stocks of these capabilities (DCs) will be more likely to achieve SCA and improved performance. It is also more likely that it will be perceived as an attractive innovation partner to other innovative firms (Kandemir et al. 2006). In contrast, in relatively stable and predictable environments, competitors and prospective partners will more clearly sense the resource and capability combinations that will likely yield improved performance, an imitable resource, and will likely fuel only exploitative, rather than exploratory, innovation.

A wide range of measures have been applied in the literature to measure Performance. These have included measures of market performance, organizational performance, and firm performance, and have involved both quantitative (ROI, Stock value, Income growth, etc.) and qualitative measures (customer satisfaction, customer loyalty, customer lifetime value, etc.). Establishing the direct link between innovation (alternatively innovativeness) and improved performance has typically been difficult, but such measures as knowledge inflows to the firm vs outflows from the firm, patent citations, and knowledge spillovers to network partners have been used to establish proxy measures. We view improved performance in terms of changes in organizational outcomes due to innovation, whether these changes are expressed in the scale and quality of subsidiary innovation, citations received by patent portfolios, social interaction gains through knowledge sharing, knowledge transfer among sister subsidiaries or between the FS and its portfolio of partners, patent gains through R&D, or financial measure gains (market share, profitability, sales volume) in the FS and the MNC network as a whole. Thus, we propose:

**P6a:** *The more capable the subsidiary is in generating and deploying an innovation-based positional advantage, the more likely it is that it will be able to achieve superior performance;*

**P6b:** *The more turbulent the environment in which the focal subsidiary is engaged in innovation, the more likely it is that it will generate and sustain an innovation-based positional advantage that will yield it superior performance.*

## Discussion, Conclusions, and Avenues for Future Research

Innovation in the multinational network of the MNC has become an interesting research question in international business. Rapid changes that have engulfed the world economy, especially those in the emerging markets, have made innovation the centerpiece of inquiry into global competition among networks of producers, suppliers, and customers. While we have learned a lot from extant research, many questions still remain about how innovation yields improved performance in the MNC network. These include (1) why and how knowledge flows take place among the parent firms, the subsidiaries, their relevant competitors, and chosen collaborators; (2) what might be the pace and scope of knowledge spillovers among sister subsidiaries, between local subsidiaries in host markets and their host-market counterparts, and among host-market competitors; and (3) how global integration of innovation can be most effectively achieved in the MNC and what roles the resource pools, institutional frameworks, absorptive capacities, and local and corporate embeddedness of the headquarters and subsidiaries might play in this effort. In this chapter, we tried to make a contribution to this stream of inquiry. We developed a model that we believe comprehensively describes the innovation process in the

MNC network and its link to superior performance. The lynchpin of our model is our argument that, when developed and deployed as a dynamic capability and organized in the firm with a strategic perspective, innovation will have the potential to yield superior firm performance, however it is measured. This will be particularly so in the rapidly changing market environments we are observing today in the emerging markets. It will also likely require higher levels of collaboration with current and potential competitors, and thus will likely necessitate the development and cultivation of partnering skills. As these are significant dynamic capabilities, acquiring, internalizing, and appropriating these skills throughout the MNC network will be paramount for innovating firms.

While there are many research questions that arise from our work, for purposes of brevity we offer only the following. First, we need to develop better measures of improved firm performance that are sourced in innovation gains in the firm. Our study of the literature showed that often improved performance in the innovation context has been measured with indirect, proxy measures, and employing more direct measures should enhance our understanding of innovation-sourced gains. Second, we need to develop better measures of dynamic capabilities and how they enhance value creation in the firm. While we have elegant conceptualizations of this concept and illustrative examples of it in the literature, its measurement remains fluid; it needs operational tightening. Third, we need to establish our innovation-related research in a broader range of theories that will allow the opportunity for deeper theorizing. Currently, this literature sits on only a few theories, i.e., the RBV, absorptive capacity, and the knowledge-based view of the firm. Expanding this foundation to include a greater number of theories, i.e., social exchange theory, agency theory, the strength-of-ties perspective, and so forth, should further enhance our understanding of how innovation can serve as a source of SCA and yield superior performance in the MNC. For instance, learning more about the social and cultural processes that help bond global innovation teams and innovative domains together, and the bonding mechanisms that are involved in these and how they can be made more productive will help us better understand the innovation processes in multinational settings. It will also make our work much more interdisciplinary, a very much needed feature in the development of any discipline. Finally, we need to make our research much more managerially relevant. In this context, we should focus on such questions as: (a) how can we make our innovation processes increasingly more global; (b) what organizational structure changes will globalizing innovation processes require and how might we construct these; (c) how can we better leverage market-based capabilities and internalize local-market-contextual knowledge; (d) how should we distribute innovation and innovation-related gains along our value-creating chains; and (e) how should we distribute innovation ownership, participation, empowerment, responsibility, accountability, and reward systems across our MNC network units so as to achieve maximum SCAs and superior firm performance. We hope that our chapter will inspire future research that will address these questions, and do so comprehensively.

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# Session 5.2
# Market (Re)creation Through Innovation and Entrepreneurship

# Market (Re)creation Through Innovation and Entrepreneurship

**Melissa Archpru Akaka, Sharon Alvarez, Hans Kjellberg, Suvi Nenonen, Kaj Storbacka, Stephen L. Vargo, Peter Whalen, and Susan Young**

## Abstract

In this special session we reconsider how innovation and entrepreneurship influence the (re)creation of new markets by exploring and extending a service ecosystems approach, based on service-dominant (S-D) logic (Vargo and Lusch 2004, 2008). Importantly, S-D logic has been connected with emerging entrepreneurial theories (Read et al. 2009) and aligns with a focus on the creation of opportunities under conditions of uncertainty (Alvarez and Barney 2005, 2007, 2011). In addition, a service ecosystems view points toward institutionalization (i.e., (re)formation of institutions) as an underlying process that drives *innovation,* or development of new technologies *and* markets (Vargo et al. 2014). Based on this, markets are defined as "institutionalized solutions" that emerge and evolve (and dissolve) over time and space. In this light, we integrate emerging views on markets, innovation and entrepreneurship to address the questions: (1) What are markets? (2) Where do markets come from? and (3) How do markets evolve?

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- Suvi Nenonen and Kaj Storbacka will address the question "What are markets?" by presenting a holistic and dynamic conceptualization of markets that centers on developing a deeper understanding of the market concept to provide practical insights for shaping markets.
- Sharon Alvarez, Peter Whalen, Melissa Akaka, and Susan Young will delve into the question "Where do markets come from?" through a study of the emergence of the King Crab market, which points toward entrepreneurs as important cocreators of opportunities and markets.
- Hans Kjellberg will explore the question "How do markets develop and change?" by identifying specific practices and processes that drive market (trans) formation.

Taken together, these presentations provide important insights into how the creation of new markets is required to continually increase wealth and well-being (i.e., create value) for individuals and organizations, as well as nations. The session will begin with Stephen Vargo and Melissa Akaka presenting an overview of the importance of studying markets and how a service-ecosystems approach to innovation and entrepreneurship can inform our understanding of market (re)creation. The three presentations will then elaborate the nature of markets, and how they emerge and evolve through the engagement of practices and (re)formation of institutions. The session will conclude with an open discussion among the speakers and the audience to discuss the implications of this market-focused understanding of innovation and entrepreneurship and identify directions for future research.

**References available upon request.**

# Session 5.3
# Services and CB

# The Effects of Different Types of Control in Co-production Experiences

**Jennifer L. Stevens, Carol L. Esmark, and Stephanie M. Noble**

## Introduction

Customer participation has become an important firm strategy (Bendapudi and Leone 2003; Vargo and Lusch 2004). Companies are designing their offering(s) to allow customers to participate to various degrees in the process of creating and delivering the offering(s). In this strategy, not only do providers select a level of customer co-production, but also the level of control available to customers. This study examines the effects of control types (cognitive, behavioral, and decisional) and their interaction on customers' affective responses in service contexts with varying levels of co-production.

## Conceptual Background

### *Co-production*

Co-production is defined in this study as the involvement/participation of a customer with a firm in the creation of a product (Auh et al. 2007; Lengnick-Hall et al. 2000). However, co-production service experiences vary widely depending upon the extent of involvement between customer and firm. The level of co-production

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depends upon the degree of consumer involvement/participation, which equates to the extent of tasks required. One aspect of co-production relatively neglected has been the issue of customer control. The underlying belief in increasing customer involvement in the service experience is it increases customers' perceived control, thus enhancing their experience and outcomes (Bendapudi and Leone 2003; Meuter et al. 2000; Oliver et al. 1998). However, little work has examined how services structure their co-production experiences in terms of customer control, an element that could substantively influence a customer's affective response.

## Controls and Level of Production

Reactance theory's basic premise states that as threats to behaviors increase and reduce an individual's freedoms, a person will react in ways to regain or reduce the loss of the threatened behavior (Brehm 1966). As not all behaviors are seen as the same importance, it is not expected that low levels of all types of control will see the same reactance. A single threat to behavior in low co-production will be felt more than the same threat in high co-production as the proportion of threats to free behavior will be different across co-production levels.

Cognitive control involves the consumers' interpretation of the situation and event, which is exemplified when consumers are involved in obtaining information. Reactance theory (Brehm 1966) suggests that higher levels of cognitive control will reduce reactance as measured by affective responses. Control is seen as a freedom and less cognitive control will result in lower affective feelings. However, reactance theory also suggests as the number of behaviors increases, the proportion of the threat to behavior decreases causing less reactance. Therefore, cognitive control will be seen as a greater threat in low co-production situations when the threat is a greater proportion to free behavior resulting in lower affective responses. High co-production situations require more behaviors on the participant's part reducing the proportion of threat to behavior.

H1: There will be an interaction between levels of co-production and levels of cognitive control where higher levels of cognitive control will have a positive effect on affective responses when co-production is low, but not when co-production is high.

Behavioral control is a consumer's perception of what he/she can do to modify or influence the situation or event, exemplified by control over procedure. The extant literature has shown higher levels of behavioral control have positive outcomes since the individual perceives he/she is able to have input into the experience lessening any frustration, which is in line with reactance theory. We contend when co-production is low, higher levels of behavioral control are not perceived as advantageous. In low co-production situations higher behavioral control (i.e., providing multiple options to modify the customer's experience) increases the level of

complexity and customers might actually prefer little procedural flexibility in low co-production situation.

H2: There will be an interaction between levels of co-production and level of behavioral control such that, higher levels of behavioral control will have a negative effect on affective responses when co-production is low, but not when co-production is high.

Decisional control refers to whether it is the customer's own decision to enter into a situation and perceived alternatives (Averill 1973). As customers choose to engage in a situation, its outcome is viewed more positively, partly due to the customer's acceptance of responsibility for the situation. This is consistent with the findings of Bendapudi and Leone (2003) who found higher decisional control to be beneficial in customers accepting responsibility in co-production tasks. This is also consistent with reactance theory (Brehm 1966) which states individuals want freedom of choice and react negatively against threats to their freedom. We believe decisional control dominates the influence of affective response, regardless of the level of co-production.

H3: There will be a positive relationship between the level of decisional control and affective responses, independent of the level of co-production.

A two-study design, across two distinctive service contexts, was used to test the effects of level of co-production and control on customers' affective responses.

## Study 1: Restaurant Context

### *Design and Procedures*

Study 1 consisted of three experiments: 1a-c. A 2 (level of co-production: low, high) × 2 (level of control: low, high) between-subjects design for each of the three types of control was used. 314 subjects were recruited from the undergraduate population of a southern university in exchange for extra credit. The scenarios were modeled on derivations of two existing chain restaurants in which customers engage in varying levels of co-production. A restaurant context was used for the scenarios as (1) restaurants frequently require their customers to engage in co-production activities and (2) the context was appropriate and realistic.

The manipulation checks for both studies showed the scenarios significantly differed between low and high control levels for each type of control, supporting the manipulations. Cognitive control involved subjects perceiving information to be available or not; behavioral control was manipulated through a set procedure for the process or not; and decisional control was manipulated through the participant having the option to have a server do the tasks or being required to do it themselves. Level of co-production (low and high) was manipulated across scenarios. The low

co-production experience consisted of "getting your own drink" as part of the res-
taurant meal, whereas the high co-production experience consisted of customers
getting their own drink, meat, vegetables, and sauces for the stir-fry.

Subjects were asked to indicate the degree to which four 7-point semantic dif-
ferential scales, adapted from Hui and Tse (1996), described how the task(s) asked
of them by the server made them feel (i.e., unsatisfied/satisfied, annoyed/pleased,
unhappy/happy, bored/relaxed). Higher scores indicated more positive affect.
Reliabilities were consistent across experiments. Scale items were collapsed to create
mean scores.

## *Results*

General linear models were used to test the hypotheses. In all analyses, we con-
trolled for realism. For H1, cognitive control, we found the interaction effect signifi-
cant [$F(1,92)=4.02$, $p<.05$]. The simple effects within the low co-production
condition were significant with low cognitive control leading to less affective
responses (mean $=3.23$) than high cognitive control (mean $=4.05$, $p<.05$), as pre-
dicted supporting H1. The simple effect within the high co-production condition
was nonsignificant (mean$_{lowCC}=3.41$ vs. mean$_{highCC}=3.47$, ns.).

For H2, we also see a significant interaction effect as expected [$F(1,91)=4.46$,
$p<.05$]. The means for the simple effects within the low co-production condition
show the hypothesized negative influence of higher levels of behavioral control on
affective responses, such that higher control leads to less positive affective response
(mean$_{highBC}=3.46$ vs. mean$_{lowBC}=4.03$, $p<.01$); whereas there were no differences in
the high co-production situation (mean$_{highBC}=3.55$ vs. mean$_{lowBC}=3.39$, ns), sup-
porting H2.

H3 predicted only a main effect for decisional control and not the interaction
between level of decisional control and co-production. We see a nonsignificant
interaction between level of decisional control and co-production [$F(1,97)=.001$,
n.s.]; however, the main effect for level of decisional control was significant
[$F(1,97)=6.29$, $p<.05$], supporting H3.

## Study 2: Academic Advising Context

### *Design and Procedures*

Study 2 was conducted to test the generalizability of Study 1 results in another con-
text. As in Study 1, three experiments (2a-c) were undertaken to account for each
type of control. A 2 (level of co-production: low, high) × 2 (level of control: low,
high) between-subjects design for each type of control was used. 240 subjects were

recruited from the undergraduate population of a southern university. This context involved participants registering for classes on a new online system.

Cognitive control was manipulated by having subjects search for information about this new system and either finding information or not finding information. Behavioral control was manipulated by varying the flexibility in registering through the online system by being able to do it all at once in order or being able to skip around and come back at a later time. Decisional control was manipulated in the scenarios by indicating the student had to complete the survey or they had the option for the registrar's office to do it for them. Co-production was manipulated through the amount of time and effort put forth by the participant to complete the online registration.

## *Results*

Generalized linear models and moderated regression analysis were used to test the hypotheses. As in Study 1, we controlled for realism in all the analyses reported below. For the interaction between level of control and level of co-production for Hypothesis 1 showed a trend [$F(1,60) = 3.27$; $p = .075$], with the simple effect of level of control in the low co-production condition driving the result showing the expected differences (mean$_{lowCC}$ = 3.33 vs. mean$_{highCC}$ = 4.56, $p < .05$); whereas the simple effect of level of control was not significant in the high co-production condition (mean$_{lowCC}$ = 3.82 vs. mean$_{highCC}$ = 3.72, ns.). These results support H1 and are consistent with Study 1.

Hypotheses 2 found support for the interaction effect [$F(1,56)=9.53$; $p<.01$]; however, instead of a negative simple effect of level of control in the low co-production condition, we found a positive effect, where higher levels of behavioral control lead to higher affective responses (mean$_{lowBC}$ = 3.02 vs. mean$_{HighBC}$ = 4.29, $p <.001$). This result is opposite than the results found in Study 1. One reason for this discrepancy is likely due to consumers' perceptions of the benefit/advantage of having procedural control across the two contexts. In the restaurant scenario having procedural control did not help the situation any, but rather just added a layer of frustration and complexity to a very simple task. In the advising context, however, flexibility in filling out the online survey added some customization ability by allowing students to fill it out as it met their schedule, which was seen favorably.

The results for H3, the positive relationship between decisional control and affective responses was consistent across both studies. In the advising context we find a trend for the main effect of level of control [$F(1,83)= 3.46$; $p = .066$], with higher levels of control leading to higher affective responses supporting H3.

## General Discussion

The findings of this study help to extend the extant literature on control by examining the interaction of control types with co-production. The findings show boundary conditions to reactance theory (Brehm 1966). Reactance theory suggests that additional threats to behavior cause an increase in reactance. Control is an important element of reactance theory and this study shows how different controls interact with co-production.

Our results clarify that predictions cannot be generalized across the three types of control in such experiences. The results indicate for decisional control, the level of co-production does not matter. As long as consumers are given decisional control, their affective ratings of the situation are positive, which may make it advantageous. Given that behavioral and cognitive controls only influenced affective responses when co-production was low, we suggest firms consider decisional control as a priority as it is influential to affect regardless of co-production levels. Consumers will respond more favorably in service experiences, whether they are asked to be slightly or highly involved in the co-production experience, as long as they feel they are given control over whether or not to participate in the experience.

**References available upon request.**

# Front-Line Employee Deviance, Encounter Satisfaction, and Customer Citizenship Behavior: An Experimental Design

**Achillleas Boukis, Nikoletta-Theofania Siamagka, Farhana Tabassum, and Minas Kastanakis**

## Abstract

While to date, the phenomena of employee deviance and customer citizenship behavior have overwhelmingly been studied in an isolated and disparate fashion. This empirical effort lays the ground for exploring the impact of employees' deviant behavior under different conditions on repurchase intention, customer citizenship behavior (CCB) towards the company, and encounter satisfaction during a specific service incident. Understanding the impact of employee deviance on customers' experience during the service encounter remains crucial as the costs of deviant behavior to the organization primarily impair service quality and possibly discourage customers from repeat business (Harris and Ogbonna 2012). Most relevant studies mainly focus on negative aspects of employee deviance, ignoring the existence of customer-oriented deviant behaviors which can positively affect customer experience during the service specific transaction (Stock and Bednarek 2014). Despite the focus on some organizational and individual determinants of deviant employee behavior such as job control or need for social approval (Brady et al. 2012), the extant research rarely acknowledges how various types of deviant employee activity affect customer perception of the FE or the organization (Daunt and Harris 2013). Equally important, the role of employee deviance during the

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service encounter for customer citizenship (or dysfunctional) behavior has never been considered, despite calls to identify the organizational-based determinants of customer deviant behavior (Boo et al. 2013; Gong et al. 2013).

This study adopts an experimental design with the aim of examining the impact of employee deviance on encounter satisfaction, repurchase intention, and customer citizenship behavior (CCB) towards the company. In particular, a $3 \times 2 \times 2$ between-subjects experiment was conducted which examines the effects of employee deviance on customer outcomes under different conditions. The independent variables manipulated were employee deviance towards customer (positive, negative, or no deviance), whether the problem the customer faces is severe or not (high and low severity), and whether the outcome of the interaction was successful or not (successful or unsuccessful final outcome). Taken together, the results of this study suggest that different types of employee deviance affect customer outcomes in different ways. For the very first time, the effect of employee deviance on customer citizenship behavior is empirically confirmed. When employees display a negative deviant behavior towards customers, the chances for reciprocating the company with customer citizenship behavior are significantly lower than when employees display a positive deviant behavior towards customers.

# Service Coopetition Under Alliance: A Competitive Dynamics Perspective

**Wei-Lun Chang**

**Abstract**  Airline companies join airline alliances to cope with the high level of competition in the airline industry. However, pressure within an alliance is substantial. Few previous studies have investigated alliance selection and dynamic competitive behavior. This study used competitor mapping and awareness-motivation-capability competitive dynamics to analyze airline alliances. The results revealed that alliances compete to recruit airline companies, and the power differences in the alliances are considerable; only a few of the airline companies within the alliance possess power. In addition, we interviewed two senior managers to confirm the results of the analysis. A detailed content analysis was performed to test each hypothesis.

**Keywords**  Competitor mapping • Awareness-motivation-capability (AMC) analysis • Competitive dynamics

**References available upon request.**

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# The Role of Customer Readiness in Customer Participation in Non-technology-based Service Delivery and Its Outcomes

Atieh Poushneh and Arturo Z. Vasquez-Parraga

**Abstract**  Whereas customer readiness has been found beneficial in the provision of tech-based services, its usefulness has not been thoroughly evaluated in the provision of non-tech-based services. Customer readiness seems to impact on customer participation in service delivery, and thus mediate the effects of many factors influencing such participation. This empirical chapter examines the role of customer readiness in customer participation in service delivery and its indirect effects on customer outcomes such as perceived service quality, customer satisfaction, and customer willingness to recommend. Because of its mediating role, customer readiness is also examined as the recipient of various antecedents of customer participation, such as previous experience, desire for control, need for interaction, product complexity, perceived risk, and customer organizational socialization. The results show that customer readiness has a significant impact on both customer participation and its outcomes, and that it effectively transfers the role of the four antecedents (previous experience, desire for control, perceived risk, and customer organizational socialization) to both customer participation and its outcomes.

**References available upon request.**

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# Session 5.4
# Building Your Brand with Social Media

# Characteristic of Social Media Marketing Strategy and Customer-Based Brand Equity Outcomes: A Conceptual Model

**Phuoc H. Pham and Bashar S. Gammoh**

## Abstract

Social media is increasingly recognized by companies as an important and efficient marketing channel to connect with consumers. Existing research on social media is focused on studying issues related to social media and branding from consumers' side at the individual or group level including social media adoption and practice, the interactions and dynamics of brand communities, and online consumer behaviors. Furthermore, social media marketing activities are found to have strong influence on brand reputation and brand equity. Still, very little research studies the effect of different dimensions of social media marketing strategy on important customer-based brand equity (CBBE) outcomes such as brand awareness, brand judgments, brand feeling, and finally brand resonance. The questions of what level and what kind of social media marketing activities are needed to help firms build CBBE are not properly addressed. Furthermore, the differential impact of different social media activities on different components of CBBE is not clear. Yet these concerns are extremely important for any company to develop its social media marketing strategy effectively. This chapter contributes to the literature by introducing four important dimensions of social media marketing strategy: Variety, Diversity, Intensity, and Connectivity. Variety refers to how many different social media platforms and applications are being used in the brand social media marketing strategy. Diversity refers to the variety of marketing activities in which the brand utilizes social media efforts. Intensity of activities relates to how frequently the brand organizes online events and activities across the different platforms. Connectivity refers to how well those platforms are linked together and work as a whole to help brand achieve brand strategy. Our propositions suggest that while being in social media can generate brand awareness, different social media platforms establish different brand associations, creating different effects on CBBE. Particularly, blogs and microblogs

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are found to associate with building brand performance and brand judgment; content sharing sites can generate brand imagery and brand feeling; and social networking sites show the purpose of building brand resonance (brand relationship). Furthermore, different social media activities produce different impacts on CBBE pyramid. By providing promotion and entertainment information, companies can get their online users' attentions. However, positive brand performance and judgment can be best generated by opening online sales and support and public relations. Finally by engaging online customers in marketing research and crowdsourcing activities, firms are able to strengthen their brand resonance with their surround communities. The successfulness of these activities is moderated by their frequency and connectivity with each other. The propositions in this chapter also convey some managerial implications. This chapter helps firms have a better and clearer view of how social media activities can be utilized effectively and efficiently. The results facilitate the uses of social media based on firms' branding strategy because the choices of social media channels and activities are shown to help achieve particular branding objectives.

**References available upon request.**

# The Effect of Social Media on Customer Satisfaction and Relationship Strength in a Service with High Perceived Risk in Japan

**Kaede Sano and Hiroki Sano**

## Introduction

Social media was born from innovational technological changes and has now been recognized as essential communication platforms not only for different online users but also between companies and customers. More and more companies have begun to realize the influential power of social media and are now utilizing it in various fields such as customer relationship management and product innovation. However, applying social media to a real business environment still presents a challenge for most companies as it is a new communication platform without a long history. In fact, most companies appear to be just following the trend of using social media in business without understanding why their customers follow them via social media (Baird and Parasnis 2011). Moreover, detailed effects of companies' social media marketing activities on customers have not been thoroughly explored. To our knowledge, few academic studies, mostly empirical ones, explore these issues.

This study aims to investigate, in the context of a service industry with high perceived risk, the nature of a social media marketing activities construct and its relationship to customer satisfaction and relationship strength. Specifically, we conducted a nationwide questionnaire survey to understand how Japanese customers evaluate non-life insurance service companies' social media marketing activities. Japan is still

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relatively new to using social media in a real business environment even though it is growing. Based on the results of the survey, we discuss what the dominant dimensions of a social media marketing activity construct are in the service industry with high perceived risk, and then address how social media affects customer satisfaction and relationship strength.

## Conceptual Foundations

### *Social Media Marketing (SMM) Activities*

In this study, social media refers to online services such as social networking sites, blogs and micro-blogs, and content-sharing sites where users interact by exchanging information. Partially following findings in Kim and Ko (2012), we propose that "Interaction" (sharing of information and personal opinions), "Trendiness" (gaining the latest information), and "Customization" (enjoying a customized level of service) are relevant to explain perceived SMM activities in this study. Besides, we claim "Security" (decreasing perceived risk) as a fourth dimension of perceived SMM activities expecting the effects of SMM activities to mitigate ambiguity in quality of services, thus leading us to hypothesis 1:

**H1:** The dominant dimensions of social media marketing activities include "Interaction," "Trendiness," "Customization" and "Security" in the context of services with high perceived risk.

### *Customer Satisfaction (SAT)*

We focus on an affective nature of the satisfaction construct (Olsen 2002; Rust and Oliver 1994; Cronin et al. 2000) and define it as "an evaluation as well as an emotion-based response to a service" (Olorunniwo et al. 2006). As two-way communication platforms, social media can greatly enhance the communication between companies and customers. Particularly in industries with high perceived risk, customers tend to rely on more information provided by companies to decrease such risk before and during their use of the service. If companies' SMM activities are effective enough, customers will be emotionally satisfied with those companies' services.

### *Relationship Strength (RS)*

Based on previous studies, the strength of customer relationships can mainly be measured by Commitment (e.g., Strandvik and Liljander 1994; Halinen 1996; Bove and Johnson 2001), Repurchase intention (e.g., Strandvik and Liljander

1994; Lee et al. 2001; Sirdeshmukh et al. 2002), and Positive WOM (e.g., Lee et al. 2001). Furthermore, numerous previous studies show that customer satisfaction is one of the critical antecedents of repurchase behavior (e.g., Cronin and Taylor 1992; Olorunniwo et al. 2006), positive WOM (e.g., Lam et al. 2004), and commitment (e.g., Henning-Thurau et al. 2002). This theoretical background leads us to hypothesis 2:

**H2:** Both the direct effect (SMM → RS) and the indirect effect (SMM → SAT → RS) of social media marketing activities well explain the strength of customer relationships in the context of services with high perceived risk.

## Research Methodology and Data

### Measurement

"Interaction," "Trendiness," and "Customization" are measured by items used in Kim and Ko (2012) in which three items are used for "Interaction," two items for "Trendiness," and two items for "Customization." To measure "Security," we created three original items which ask whether the information provided by an insurance company through social media decreased perceived quality risk, financial risk, and psychological risk, respectively. The first two types of risk are based on Kim et al. (2008), and in addition to them, changes in the psychological risk are also measured considering the effect of the intangibility of service on consumers' anxiety before and during the service encounter.

Customer satisfaction is measured by four items in accordance with the Japanese Customer Satisfaction Index (JCSI) model. As for relationship strength, we assume that it consists of three dimensions: WOM, repurchase intention, and commitment. WOM includes two items and repurchase intention includes four items, all of which are taken from JCSI. To measure commitment, two statements were prepared based on Gustafsson et al. (2005), which are evaluated using the seven-point Likert-type Scale (1 = Strongly disagree, 7 = Strongly agree).

### Sample and Data Collection

Two waves of internet-based nationwide sampling took place in order to attain a sufficient number of survey respondents who had experience of accessing or using the non-life insurance service's social media. As a result, 338 completed questionnaires were obtained and used for data analysis. Respondents consistently answered all questions based on their experiences with a specific insurance company, so they basically answered about different companies' businesses and their SMM activities.

## Results and Discussion

### *Dimensions of SMM (Testing H1)*

With SPSS 17.0, an exploratory factor analysis (EFA) was conducted to test H1. Ten items were first analyzed over the 338 responses. As with Olorunniwo et al. (2006), items with a loading smaller than 0.4 on any factor were deleted, and items that demonstrated cross-loadings greater than 0.4 on more than one factor were dropped. This process results in a three-factor model. The eigenvalues and Cronbach alpha are 5.28 and .85 for Factor 1 (Interaction), .69 and .85 for Factor 2 (Security), and .49 and .87 for Factor 3 (Customization), respectively. All of the calculated alphas are above the widely recognized rule of thumb of 0.7 (Nunnally 1978).

In order to properly assess the dimensionality of SMM activities, a confirmatory factor analysis (CFA) was conducted with AMOS 18, revealing a reliable model-fit for the data with $\chi^2 = 30.221$, df = 17, GFI = .978, AGFI = .953, NFI = .983, CFI = .993, RMSEA = .048, and all included eight items loading significantly at $p < .000$ level. Standardized path weights are .909 for SMM $\rightarrow$ Interaction, .905 for SMM $\rightarrow$ Security, and .966 for SMM $\rightarrow$ Customization, respectively. The results do not support H1. That is, in the context of services with high perceived risk, the dominant dimensions of SMM activities include "Interaction," "Customization," and "Security," however, "Trendiness" seems not to be a dominant dimension.

### *Structural Analysis Between SMM, SAT, and RS (Testing H2)*

To test H2, a covariance structural analysis was conducted with AMOS 18. We constructed a conceptual model in which SMM activities directly (SMM $\rightarrow$ RS) and indirectly (SMM $\rightarrow$ SAT $\rightarrow$ RS) influence relationship strength. This structural model fits the data very well with: $\chi^2 = 398.215$, df = 129, GFI = .873, AGFI = .832, NFI = 912, CFI = .939, and RMSEA = .079. All factor loadings and path weights are significant at $p < .000$ level. Standardized path weights are .417 for SMM $\rightarrow$ RS, .743 for SMM $\rightarrow$ SAT, and .544 for SAT $\rightarrow$ RS, respectively. As expected, the path weights are all positive and significant, thus supporting H2.

Note that the direct effect of SMM on RS (.417) and the indirect effect of SMM on RS with SAT as a mediator (.743 $\times$ .544 = .404) are almost equally positive and significant, doubling the total effect of SMM on RS to .821. This result reveals SMM activities' stronger influential power in customer relationship management compared to other means such as increasing perceived quality or perceived value, which can only indirectly affect customers' behavioral intention by increasing customer satisfaction as structured in JCSI.

## Conclusion

This study examines how Japanese consumers evaluate non-life insurance companies' SMM activities and how those providers of services with high perceived risk can use social media to build a strong relationship with their customers. Through EFA and CFA, we identify "Interaction," "Customization," and "Security" as three dominant dimensions of perceived SMM activities on services with high perceived risk. The result indicates that non-life insurance companies' marketing activities in social media attract their customers by providing opportunities of two-way information exchange between companies and customers or within customers, offering customized information search or services, and decreasing risk in receiving a service mainly caused by its intangibility. Meanwhile, contrary to our first hypothesis, "Trendiness," where fashion in social media features heavily, failed to be included as a dominant dimension because it ` not practically help decrease high perceived risk of services provided.

As regards the causal structure between SMM activities, customer satisfaction, and relationship strength, the direct (SMM→RS) and indirect (SMM→SAT→RS) effect are indicated to be both positive and significant, showing no remarkable differences in their weights. This result underscores the potential power of SMM activities in strengthening relationships with customers in the context of services with high perceived risk.

In order to increase the effect of SMM activities on services with high perceived risk, managers need to understand why customers use social media and what they are really looking for. As Baird and Parasnis (2011) point out, companies tend to have a one-sided view as to why customers use social media while they overlook the real factors which customers regard as important. The results indicate that managers should make more effort to understand how to increase interaction, customization, and security through social media, and that they should not assume customers access their social media for reasons connected with trendiness. Managers are also advised to take various other services into account in order to suit their individual customers' needs, and to enhance customer interaction to decrease perceived risk.

## Limitations and Further Studies

One limitation of this study is that it focuses only on services with high perceived risk and that it selected only one representative service (non-life insurance). Given the exploratory nature of the research, this approach may be justified for the present study. Further research, however, could be extended to other services to address how customers evaluate the effects of SMM activities differently depending on characteristics of services. Another limitation is that the survey was limited to Japanese consumers although we distributed our questionnaire nationwide. As Japan is still relatively new to using social media within a real business environment, most consumers may not have proactively accessed or used social media to communicate with businesses. Further research should test the results shown in this study with other countries.

**References available upon request.**

# The Dynamics of eWOM and Business Outcomes: An Empirical Investigation of the Impact of Social Media on Box Office Revenue

**Kacy K. Kim and Sukki Yoon**

**Abstract** This study examines how online conversations as electronic word-of-mouth (eWOM) information via social media networks after business outcomes. Using data from movie industry, our goal is to show how conversation quantity and quality, defined here as volumes and valence of conversations, on social network sites affect important business outcomes such as sales. Using a dynamic simultaneous equation system, we find that social media conversations can be precursor to and an outcome of sales. Aggregate data from multiple sources show how social media variables and other key variables—volume, valence, and other information related to movies such as YouTube movie trailer views, ratings, advertising, production budget, number of screens—contribute to box office and home video sales through eWOM via social media. Findings highlight that eWOM volume correlates with box office performance and home video sales: the more positive and strong the conversation, the higher the box office and home video sales. The study extends prior research on WOM and offers insight into how film studios can strategically manage social media to enhance box office and home video sales revenue.

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**Session 5.5**
# You did What with Whom?!:
# Innovation Through Cooperation

# Choosing the Right Partners: The Impact of Internal and External Integration on Innovation Performance

**Michael Obal, Rangapriya Kannan-Narasimhan, and Guihan Ko**

## Introduction

Collaboration with internal and external partners has been lauded as having a positive impact on the new product development (NPD) process (Atuahene-Gima 2003). However, given that incremental and radical innovations have different development trajectories (Eisenhardt and Tabrizi 1995), it is possible that the impact of integration on the NPD process differs across these two innovation types (Tatikonda and Montoya-Weiss 2001). Therefore, this study asks: How should organizations integrate internal and external NPD team members when developing radical innovations versus incremental innovations? Given that new product teams form the nucleus of an organization's NPD efforts (Leenders et al. 2007), understanding the effects of team integration on new product processes and outcomes is crucial for new product success.

The imperative for understanding the effects of team integration on new product performance is even more pronounced given the emerging emphases on the benefits of flexible NPD processes (Ettlie and Elsenbach 2007). Increasing numbers of product developers have moved away from formally documented processes, such as sequential go/no go decision gates, in favor of more flexible process, such as overlapping gates (Markham and Lee 2013). Successful flexible processes require

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high levels of team work and accountability (Holland et al. 2003). However, notably missing from extant literature on process flexibility is the impact of internal and external integration on new product processes and the result of these processes on new product outcomes. For example, how do internal and external integration affect process flexibility? What is the impact of process flexibility on new product performance outcomes?

Previous research has also not identified if different types of team integration are required for radical versus incremental new product efforts. Radical innovations are those that involve a clear departure from existing practices, induce major transformations of existing products, technologies, or services, and might render existing products obsolete (Subramaniam and Youndt 2005). For such innovations, integration with entities outside the organization, such as suppliers and customers, might be required to encourage out of the box thinking and for recognizing potential market opportunities (Song and Thieme 2009). In contrast, incremental innovations are those that focus on refining existing products, services, and technologies by reinforcing the existing capabilities of the firm (Subramaniam and Youndt 2005). Thus, internal integration may have more of an impact on the development of incremental innovations than external integration.

Our theoretical contribution focuses on exploring the dynamics of team integration on process flexibility and resulting outcomes for radical and incremental innovations. We drill down specifically on team integration as one of the key factors in NPD.

## Methodology

In this study, we use the Product Development and Management Association's (PDMA's) 2012 Comparative Performance Assessment Study (CPAS) dataset to address these gaps in NPD literature. The survey consists of 562 different questions and covers 10 different categories related to NPD (Markham and Lee 2013). In total, 3391 product development practitioners were contacted, 453 respondents completed the survey, and 240 respondents completed the items utilized for construct development in this study.

## Results

After obtaining responses and cleaning the data, structural equation modeling was used to assess the fit of both the radical innovation model and the incremental innovation using AMOS 18.0. Two separate models were created to run the analysis—a radical innovation model and an incremental innovation model. By doing this, we were able to separately compare the influence of our variables within the two different contexts. Both measurement models demonstrated satisfactory fit. A chi-square difference test revealed that the two models were sufficiently different.

Our results demonstrate that radical and incremental innovations follow different pathways for project success. For radical innovations, effective flexible processes are more likely to occur when NPD teams are externally integrated. We found that the degree of external integration had a positive influence on process flexibility ($\beta=0.223$, $p=0.010$), while the degree of internal integration did not have an influence on process flexibility ($\beta=0.083$, $p=0.340$). Consequently, process flexibility had a positive impact on project execution success ($\beta=0.249$, $p=0.003$), while financial performance was driven by project execution success ($\beta=0.925$, $p<0.001$).

For incremental innovations, effective flexible processes are more likely to occur when NPD teams are internally integrated. As predicted, the degree of internal integration had a positive influence on process flexibility ($\beta=0.274$, $p=0.002$) and project execution success ($\beta=0.247$, $p=0.003$). Consequently, the financial performance of incremental innovations were found to be driven by project execution success ($\beta=0.811$, $p<0.001$) and process flexibility ($\beta=0.078$, $p=0.043$). External integration was not influential in the incremental innovation model as it did not impact either process flexibility ($\beta=-0.088$, $p=0.288$) or project execution success ($\beta=0.004$, $p=0.964$).

## Discussion

The overall results from our analysis show that external integration and internal integration have varying impacts depending on the type of innovation being developed. External integration was an important precursor to the creation of flexible processes for radical innovations which consequently led to improved project execution success and financial performance. Internal integration did not play an important role in the development of radical innovations. These findings highlight the belief that external collaborations are necessary for the successful development of radical innovations (Song and Thieme 2009). In fact, our findings extend this line of literature by arguing that internal integration has no impact on the success of radical innovations and should be deemphasized in favor of external integration.

Conversely, we find that internal integration plays a significant role in the success of incremental innovations while external integration is essentially rendered meaningless. These findings align with prior literature that has found that internal teams that collaborate with each other are better equipped to leverage their organization's core capabilities through sharing of tacit knowledge (du Plessis 2007). For incremental innovations, pre-existing firm knowledge is most applicable to the development of new products. Meanwhile, new knowledge gathered from external collaborations will not improve process capabilities or development performance, thus rendering these collaborations ineffective for incremental projects. In conclusion, our findings strengthen the extant research on the influence of team integration on NPD processes across innovation types.

**References available upon request.**

# Technology Sourcing for Website Personalization: A Supply- and Demand-Side Perspective

**Poonam Oberoi, Chirag Patel, and Christophe Haon**

**Abstract** Literature on website personalization has adopted a demand-side perspective and studied either the direct effects of website personalization or the moderating effect of other demand-side variables on performance of website personalization. In so doing, the moderating effect of crucial supply-side variables, like technology choices for website personalization, has been ignored. To address the interaction between the supply-side and the demand-side, we ask the following question: *What is the moderating effect of firm-level technology sourcing choices on the relation between website personalization and sales performance?* We use the concepts of information efficiency and adaptability to develop our hypotheses. Using data from 500 US e-retailers, we contend that offering website personalization has a positive effect on sales, and that among firms that offer website personalization, the ones that use both internally and externally developed technology are likely to have greater sales performance than firms that use either internally or externally developed website personalization.

**Keywords** Website personalization • Technology sourcing • Sales performance and e-retailers

## Introduction

The Web has made one-to-one marketing eminently possible by allowing firms to implement website personalization. The digital nature of the Web has created opportunities to quickly collect and analyze customer data at a low cost and to provide unique

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content of direct relevance to each customer (Vesanen 2007). Website personalization is a process that involves collecting, analyzing, and using customer data to alter the exchange between the firm and the customer in order to fit the customer's individual needs (Personalization Consortium 2005). E-retailers that have implemented website personalization have claimed up to 52 % increase in annual sales (Parkes 2001).

The existing literature on sales performance of website personalization takes a demand-side perspective. This has resulted in studies on the direct effects of website personalization on various performance metrics (Ansari et al. 2000; Choi et al. 2011; Thongpapanl and Ashraf 2011) or on the moderating effects of demand-side variables like content relevance, self-reference, and customer's need for cognition on the performance of website personalization (Tam and Ho 2005, 2006). Although this scant literature on demand-side moderating variables explains heterogeneity in performance of website personalization to some extent, it has ignored how performance of website personalization might be constrained by firm-level boundary decisions of the supply-side. This is an important and crucial knowledge gap because the delivery of demand-side offerings, like website personalization, depends upon the implementation of the relevant technology on the supply-side. Hence, in this chapter, we seek to study the moderating effect of firm-level technology sourcing choices on the sales performance implications of offering website personalization.

## Theory and Hypotheses

### Definitions

*Technology sourcing* choice refers to whether a firm develops technology internally or relies on external sources. *Website personalization* choice refers to whether or not a firm chooses to use technology and customer information to tailor electronic commerce interactions with each individual customer (Personalization Consortium 2005). Personalization can be initiated by the customer, for example, customizing the look and contents of a web page, or by the firm, such as Amazon, which has a homepage that has been personalized to include suggestions for an individual customer based on the customer's past purchases, viewing history, and the product rating (Wind and Rangaswamy 2001). In this study, we focus on such types of personalization, in which firms or customers themselves personalize website content. We do not study personalized communication used to attract users to return to the website (Ansari and Carl 2003). *Sales performance* is the monetary value of goods sold by a retailer.

### Theoretical Framework

Our theoretical framework draws upon the resource-based view and organizational boundary literature to explain how the choice to offer or not to offer website personalization leads to varying levels of customer value. We claim that the efficacy

of website personalization is constrained by boundary decisions on the supply-side. In this chapter, we thus consider the sales performance implications of website personalization choices as affected by technology sourcing decisions. We consequently develop hypotheses that link web personalization and technology sourcing to sales performance.

## Website Personalization and Sales Performance

Website personalization can deliver greater customer value in comparison to websites that do not offer personalization (Greer and Murtaza 2003) for two reasons. First, website personalization allows e-retailers to modify website information and provide accurate and timely information that fits individual customer needs (Postma and Brokke 2002). This reduces a customer's search efforts and transaction times (Liang et al. 2007). Customers exposed to personalized content also tend to seek less information and are likely to spend less time before making the purchase (Yang et al. 2007). By providing information that is targeted to an individual customer and making customer information searches more efficient, e-retailers enhance customer satisfaction and purchase intention, which in turn serves to increase the e-retailer's web sales performance (Thongpapanl and Ashraf 2011).

Second, website personalization has also been shown to increase the level of customer loyalty (Srinivasan et al. 2002). The accuracy of website personalization technology in providing relevant and targeted information to individual customers improves over time with the accumulation of customer-specific data. This creates switching costs over time for customers because defection to another e-retailer is likely to result in decreased personalized services (Alba et al. 1997). Thus, website personalization reduces defection rates while it increases repurchase and cross selling (Tam and Ho 2006).

On the basis of these arguments regarding the demand-side, we hypothesize

*H1: Firms that offer website personalization are likely to have greater sales performance than firms that do not offer website personalization.*

## Technology Sourcing and Sales Performance for Firms with Website Personalization

Among firms that offer website personalization, there is considerable heterogeneity in sales performance across firms that make different technology sourcing choices. Firms have the choice to obtain technology for implementing website personalization from either external or internal or from mixed (both internal and external sources) sources. We argue that using mixed technology sources allows firms to provide relatively superior personalization services compared to only internally or externally developed technology. For ease of exposition, we organize our subsequent arguments according to the different technology source choices for website personalization.

First, recent empirical research has shown that externally developed technology increases efficiency in terms of cost and speed of transactions, but reduces the adaptability of the firm in terms of its responsiveness in adjusting and altering systems successive to customer's changing needs (Weigelt and Sarkar 2012). This lack of responsiveness of externally developed technology to changing environments results from routines of external developers. These routines that are replicated with minimum variance support only a specific type of environment where the industry is mature with standardized products and processes. Thus, firms that use externally developed web personalization technology are likely to be unable to respond efficiently to each individual customer's changing web personalization needs or to the heterogeneous needs of individual customers across the customer base. Past studies offer another argument relevant to our present discussion of external technological sourcing: they report an inverted U-shaped relationship between externally sourced knowledge and a firm's performance (Grimpe and Kaiser 2010). Outsourcing for knowledge or technology is certainly beneficial to firms' performance, and it may increase their efficiency, reduce costs, or foster innovation by getting access to valuable resources not available internally. However, these studies show that it also causes dilution of the firm's resource base and the deterioration of integrative capabilities. Firms might end up "over-outsourcing" for the required technology. This reasoning follows the arguments provided by Katila and Ahuja (2002) as well as Laursen and Salter (2006) who found that firms might "over-search" their environment for potential innovation impulses.

Second, internally developed technology reduces efficiency but increases adaptability of the firm (Weigelt and Sarkar 2012). Internal routines involve experimentation and search for novel approaches that increase variance and support adaptability to changing environments (Rivkin and Siggelkow 2003; Smith and Tushman 2005). Thus, firms that use internally developed web personalization technology are likely to be able to respond efficiently to heterogeneous customer needs at a point in time or over time, although at a slow speed and higher cost due to reduced efficiency.

Third, the reduced adaptability of firms that use externally developed technology can be countered if the firm develops an internal absorptive capacity regarding the technology (Weigelt and Sarkar 2012). The already mentioned inverted U-shaped relationship between external sourcing of knowledge (in our case, the technology) and firm performance can be positively moderated by internal knowledge development (Grimpe and Kaiser 2010). Investments in internal research and development can increase the absorptive capacity of a firm (Cohen and Levinthal 1990). Prior knowledge is required to find and recognize relevant external knowledge so that it can be combined with existing knowledge resources (Todorova and Durisin 2007). In other words, being a good "buyer" also requires being a good "maker" (Radnor 1991; Veugelers and Cassiman 1999). While Cohen and Levinthal (1989, 1990) have argued that absorptive capacity is closely linked to performing internal R&D activities, other authors have defined absorptive capacity more broadly as a dynamic capability that refocuses a firm's knowledge base through iterative learning processes (Szulanski 1996; Zahra and George 2002). This implies that firms that use

both internally and externally developed technology for website personalization are likely to be able to respond efficiently to heterogeneous customer needs at a point in time or over time and can have low cost and speedy transactions.

On the basis of these arguments regarding the supply-side, we hypothesize

*H2: Firms that offer website personalization that has been both internally and externally developed are likely to have greater sales performance than firms that offer website personalization that has been either internally or externally developed.*

## Methodology

### *Empirical Context*

Our conceptual framework provides arguments about the moderating effect of technology sourcing choices on the relation between website personalization and sales performance. The need to study website personalization constrains the choice of industry for our empirical setting to one of the Internet channels. Among various Internet channels ranging from e-commerce, mobile commerce, and mobile applications to social networking sites, e-commerce is the largest and most developed Internet channel. So, we used cross-sectional data pertaining to the US Internet retailing industry for the year 2011 to test our hypotheses.

### *Sample*

Our sample consists of the 500 biggest US e-retailers, ranked by 2011 annual sales. The data for most of the variables used in this study was obtained from a survey of US e-retailers conducted by Vertical Web Media and published in the Internet Retailer Top 500 Guide (2012). Vertical Web Media has conducted annual surveys of e-retailers in the USA since 2003, and data from these surveys has been used in empirical research on e-commerce (see Ayanso and Yoogalingam 2009). This data is complemented with information from other sources, compiled in the Internet Retailer Top 500 Guide.

### *Measures and Data Sources*

In Table 1, we present an overview of our conceptual and operational measures, as well as the data sources. We use objective measures for all the variables to increase the validity and reliability of our findings. The operational measures are specific to Internet retailing. We also collected data about other key control variables that are likely sources of sales performance.

**Table 1** Summary of measures

| Conceptual variables | Operational measure |
|---|---|
| Sales performance | Logarithm of web sales for e-retailer in 2011 |
| Website personalization | Absence or presence of website personalization feature that allows customers to decide website content (0, 1) |
| Technology sourcing | Values = 1, 2, 3. 1 = externally developed website personalization technology 2 = both internally and externally developed technology 3 = internally developed technology |
| Conversion rate | Number of website visitors who have completed a transaction divided by the total number of website visitors |
| E-retailer type | Dummy variables (0,1) to indicate catalog, consumer brand manufacturer, retail chain, or web-only merchant |
| E-retailer category | Dummy variables (0,1) for 14 categories: apparel, music, electronics, gifts, food, hardware, health, housewares, jewelry, mass merchant, office supplies, specialty, sports goods, and toys |
| Website availability | Percentage of completed transactions |
| Website consistency | Relative quality ranking indicating standard deviation of the response time for completing transactions (Values: 1–4) |

## Sales Performance

We measure our dependent variable as the logarithm of the web sales in 2011 of each e-retailer in our sample. The distribution of the dependent variable had a positive skew, and hence in line with past studies (see for e.g. Duan et al. 2008) we use log transformation. Log transformation made the positively skewed distribution more normal.

## Website Personalization

We operationalized website personalization as a dichotomous variable, where the value 0 indicates an absence of the website personalization feature on the e-retailer website, and the value 1 implies a presence of this feature.

## Technology Sourcing

To assess technology sourcing, we determined the source of the website personalization technology used by each e-retailer in terms of being externally or internally developed. Because some e-retailers used partly externally developed and partly internally developed technology, we coded technology sourcing as an ordinal variable with values 1, 2, and 3. The measure 1 implies the use of externally developed website personalization technology, 2 indicates the use of both internally and externally developed technology, and 3 indicates the use of a fully internally developed technology. Technology sourcing as measured here indicates the degree of increasing internal control by the e-retailer over website personalization technology.

**Control Variables**

Sales performance may depend on other firm-related variables, such as e-retailer categories and types (Lilien and Yoon 1990). E-retailer category is measured by a 14-product-category categorical variable. Among the 14 product categories that the e-retailers provide, there are categories such as apparel/accessories, books/music/ video, computer/electronics, and so forth. Next, the 500 e-retailers in our sample belong to four types, depending on each company's historical merchandising channel or primary business. The four e-retailer types are retail chain, web only, catalog/call center, and consumer brand manufacturer. For instance, Amazon is a web-only merchant, whereas Staples belongs to the retail chain category. The measure for e-retailer type is a four-e-retailer-category categorical variable.

We also consider as controls website performance metrics, such as conversion rate, website availability, and website consistency, which might affect our dependent variable (Anderson et al. 1994). Conversion rate is measured as the number of website visitors who have completed a transaction divided by the total number of website visitors. Website availability is measured as the percentage of completed transactions, and website consistency as the relative standard deviation of the response time for completing transactions on the website.[1] Website consistency has values ranging from 1 to 4 that indicate a relative quality ranking of Poor (value = 1), Fair (value = 2), Good (value = 3), and Excellent (value = 4). The measurements for website availability and consistency were obtained from Gomez.com and were compiled in the Internet Retailer Top 500 Guide.

## Models

In discussing the models we used to test our hypotheses, we organize our discussion according to the expected effects.

**Effect of Website Personalization on Sales Performance (H1)**

We estimated an analysis of covariance (ANCOVA) model to test our hypothesis with six main effects (1 factor and 5 controls). The main factor was website personalization, and the controls were e-retailer type, e-retailer category, consistency, availability, and conversion rate.

For this estimation, we used the sample of 455 Internet retailers for which all the required measures were available in our dataset. To account for the unbalanced cell sizes in our dataset, we used the Type II sums of squares ANCOVA estimation (Langsrud 2003; Page et al. 2003). The unbalanced cell sizes reflect

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[1] It measures the consistency in the response time for completing transactions. A small standard deviation means that the range of response time is small, which means there is consistency. A larger standard deviation means that the range of response time is large, which implies that there is inconsistency.

heterogeneity among firms in terms of their website personalization and technology sourcing decisions.

We also performed a multicollinearity diagnostic for covariates (Tabachnick and Fidell 2007, p. 227). We find that the maximum value of *Variance Inflation Factor* (VIF) across covariates is 1.05. This value is below any of the usually recommended cutoffs (2, 5, or 10), implying that there is at most very low multicollinearity in our data. Moreover, Levene's test is significant indicating that the assumption of the homogeneity of variance is violated. To avoid the risk of obtaining positively biased $F$ tests as a result of this violation, we followed Keppel and Wickens's (2004) recommendation to use a more stringent significance level by halving the significance level, thus setting $\alpha = 0.025$.

### Effect of Technology Sourcing on Sales Performance for Firms That Offer Website Personalization (H2)

To model the effect of technology sourcing on sales performance for firms that offer website personalization, we selected all Internet retailers that offer website personalization from our sample. We obtained a smaller sample of 106 Internet retailers that offer website personalization and for which all the required measures are available in our dataset. To model the effect of technology sourcing on sales performance, we estimated another ANCOVA model with six main effects (1 factor and 5 controls). The factor considered was technology sourcing. The controls were e-retailer type, e-retailer category, consistency, availability, and conversion rate.

We again used the Type II sums of squares ANCOVA approach for this estimation. We also estimated the VIFs for all covariates. The maximum VIF value is 1.10 indicating a quasi-absence of multicollinearity. Further, Levene's test for homogeneity of variance is insignificant, implying that there is no risk of obtaining biased results for $F$ tests.

## Results

Table 2 presents the means and correlations for key variables.

## *Hypotheses Tests*

### Effect of Website Personalization

The effect of choosing between offering and not offering website personalization on sales performance is significant ($F = 29.54$, $p = 0.000$; see Table 3). The estimated marginal means displayed in Fig. 1 show a greater sales success for e-retailers that

**Table 2** Means and correlations

| Variables | Mean (SD) | Min. | Max. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Sales performance | 18.16 (1.34) | 16.50 | 24.59 | 1.0 | | | | | | | |
| 2. Website personalization | 0.47 (0.49) | 0 | 1 | 0.29*** | 1.0 | | | | | | |
| 3. Externally vs. internally sourced technology | 1.60 (0.90) | 1 | 3 | -0.06 | -0.15** | 1.0 | | | | | |
| 4. E-retailer type | 2.96 (1.06) | 1 | 4 | -0.16*** | -0.11** | 0.09 | 1.0 | | | | |
| 5. E-retailer category | 6.61 (4.78) | 1 | 15 | -0.02 | -0.04 | 0.00 | 0.12*** | 1.0 | | | |
| 6. Website consistency | 2.33 (1.22) | 1 | 4 | 0.19*** | 0.07 | -0.05 | -0.13*** | -0.14*** | 1.0 | | |
| 7. Website availability | 0.99 (0.007) | 0.91 | 1 | -0.01 | 0.01 | 0.00 | -0.02 | 0.00 | 0.08* | 1.0 | |
| 8. Conversion rate | 0.03 (0.02) | 0.003 | 0.18 | 0.23*** | 0.08** | 0.04 | -0.11** | 0.03 | -0.02 | -0.09** | 1.0 |

We use Pearson correlation, although some of our variables are categorical

$*p<0.1$; $**p<0.05$; $***p<0.01$

**Table 3** Effect of website personalization on sales performance

| Independent variables | d.f. | F | Sig. |
|---|---|---|---|
| Website personalization | 1 | 29.54 | 0.00 |
| E-retailer type | 3 | 7.39 | 0.00 |
| E-retailer category | 14 | 4.08 | 0.00 |
| Consistency | 1 | 12.79 | 0.00 |
| Availability | 1 | 0.13 | 0.72 |
| Conversion rate | 1 | 35.16 | 0.00 |
| Error | 433 | | |
| Total | 454 | | |
| Adjusted $R^2$ | 0.26 | | |
| Sig. | 0.00 | | |
| N | 455 | | |
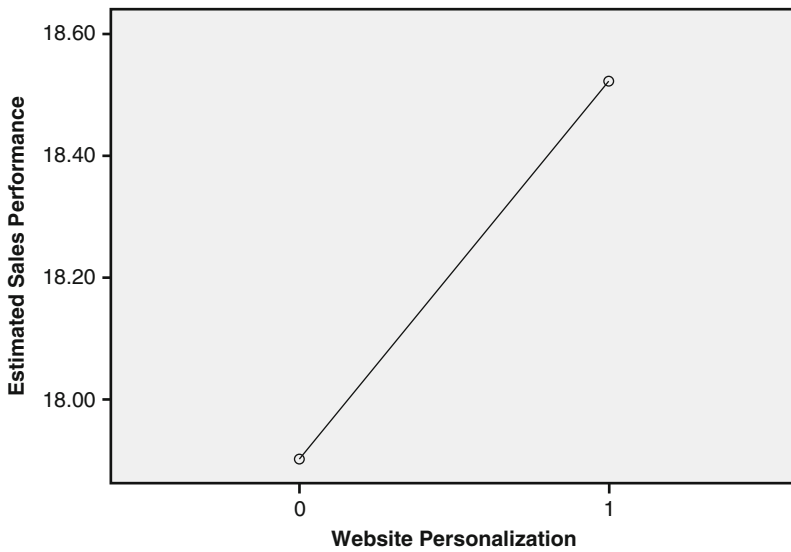


**Fig. 1** Effect of website personalization on sales performance

offer website personalization than those that do not offer website personalization. The difference in estimated marginal means is statistically significant at $p < 0.01$, thus supporting H$_1$.[2]

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[2] The estimated mean of log of sales performance for e-retailers that offer website personalization is 18,522, while the estimated mean of log of sales performance for e-retailers that do not offer website personalization is 17,904.

**Table 4** Effect of technology sourcing for firms with website personalization on sales performance

| Independent variables | d.f. | F | Sig. |
|---|---|---|---|
| Externally vs. Internally sourced | 2 | 5.03 | 0.00 |
| E-retailer type | 3 | 2.25 | 0.08 |
| E-retailer category | 14 | 2.24 | 0.01 |
| Consistency | 1 | 10.62 | 0.00 |
| Availability | 1 | 0.77 | 0.38 |
| Conversion rate | 1 | 15.72 | 0.00 |
| Error | 83 | | |
| Total | 105 | | |
| Adjusted $R^2$ | 0.36 | | |
| Sig. | 0.00 | | |
| N | 106 | | |

## Effect of Technology Sourcing

For firms that offer website personalization, the effect of choosing between externally and internally developed technology on sales performance is significant ($F = 5.03$, $p = 0.000$; see Table 4). The estimated marginal means displayed in Fig. 2 show a greater sales performance for e-retailers that offer website personalization that has been both internally and externally developed than for e-retailers that offer website personalization that has been either internally or externally developed. The difference in estimated marginal means is statistically significant at $p < 0.05$ when technology is developed both internally and externally than when technology is developed externally. The difference in estimated marginal means is statistically significant at $p < 0.1$ performance when technology is developed both internally and externally than when technology is developed internally thus supporting $H_2$.[3]

Among control variables, we find that e-retailer type and e-retailer category have significant effects on website sales. Among performance metrics, website consistency has a significant effect, while website availability has an insignificant effect on sales performance. Finally, as expected, conversion rate impacts website sales significantly.

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[3] The estimated mean of log of sales performance when technology is externally developed is 18,516, when technology is developed both internally and externally is 21,212, and when technology is developed internally is 18,768. We can observe that the mean is highest when technology is developed both internally and externally. The difference between the means of logs of sales performance when technology is developed both internally and externally and when technology is developed externally is 2695 ($p < 0.05$). The difference between the means of logs of sales performance when technology is developed both internally and externally and when technology is developed internally is 2443 ($p < 0.1$).
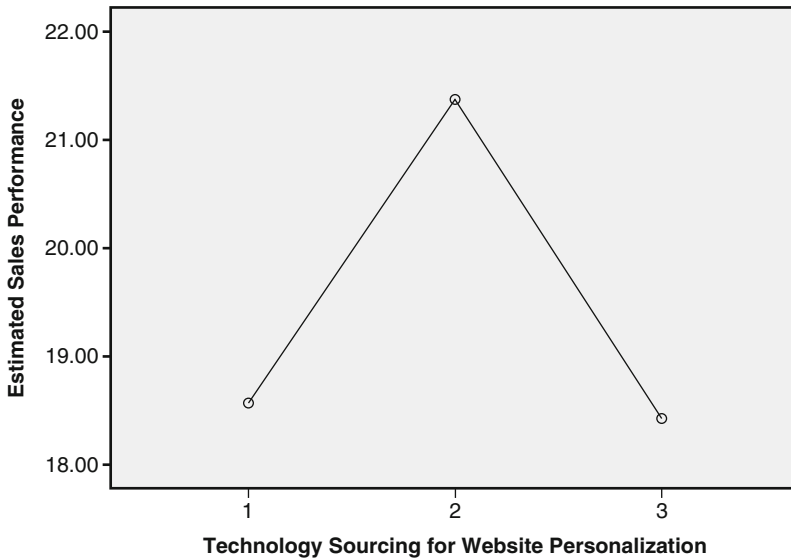
**Fig. 2** Effect of technology sourcing for firms with website personalization on sales performance

## Discussion and Conclusion

Website personalization can make one-to-one marketing a reality, and firm investment in implementing website personalization seems to be an important growing trend (Ansari et al. 2000; Choi et al. 2011; Thongpapanl and Ashraf 2011). Firms implementing website personalization on their e-commerce or m-commerce channels or social media sites need to grapple with fundamental technology decisions: Should their website personalization technology be developed internally or externally, or should they rely on a mix of internal and external development? Does this technology sourcing decision affect sales performance of their website personalization offering? We conceptually argue and empirically show that firms that use both internally and externally developed technology are likely to have greater sales performance than firms that offer either internally or externally developed website personalization.

Our results have three managerial and theoretical implications. First, our results make the case for website personalization by showing that e-retailers that offer website personalization have significantly higher sales than others. Second, the technology sourcing choice is crucial to the success of website personalization. Firms should invest in both internally and externally developed technology to deliver superior personalization services. Such firms are likely to have greater sales relative to firms that use either internally developed or externally developed technology. Third, supply-side variables, like technology choices, play a crucial role in moderating the performance of demand-side technology-based services like web personalization.

## Limitations and Suggestions for Further Research

Our study has several conceptual and empirical limitations. First, we study the sales performance of website personalization in terms of sales and ignore other important and relevant performance measures, like profits. Second, our empirical context is limited to the US Internet retail industry. However, we believe that our results can be generalized to other Internet-based channels like m-commerce, social networking sites, and the mobile applications market.

To advance our findings, we call for research on website personalization that takes the stage of the industry life cycle into account. The technology sourcing decision might differ if the industry is undergoing initial development. These points should be addressed in future research.

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# Open-Source Strategy to Enhance Imaginative Intensity and Profits

**Nobuyuki Fukawa, Yanzhi Zhang, and Sunil Erevelles**

**Abstract** The Android project is one of the recent most successful open-source projects. In the Android community, the open-source firm (Google) and application developers co-create value through developing applications for the Android operating system provided by the open-source firm, and share profit from the sales of applications. Alternatively, using a closed-source strategy, a firm could keep the operating system proprietary and sell it to end users. As the first paper to apply the concept of imaginative intensity to analyze the benefits of an open-source strategy, we offer a new explanation for a firm's selection of an open-source strategy over a closed-source strategy. We propose a model to investigate how a for-profit organization utilizes an open-source strategy, in contrast to a closed-source strategy, to enhance imaginative intensity and consequently profit. Our model suggests that an open-source strategy is more effective to manage the diminishing value of ideas than a closed-source strategy.

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# Customer Participation in New Product Development and New Product Performance: The Moderating Role of Expertise

**Todd Morgan and Michael Obal**

**Abstract**  New product developers have increasingly utilized input from customers to co-create innovative new products. However, while much of the extant literature focuses on the positive side of customer participation on the new product development (NPD) process, significantly less work has focused on the negative side of co-creation. This study contends that a customer participation paradox exists: while customer participation in NPD may potentially help product performance, it could also lead to the development of products that are overly radical and are too difficult for potential customers to understand. To resolve this paradox, we argue that firms with higher levels of expertise will be able to rein in the negative aspects of extreme product newness to create products that will be in high demand by the marketplace. A survey of 305 firms involved in NPD activities was used to test our conceptual model. The results show that customer participation in the NPD process leads to overly new products that do not perform well on the market. Further, a multi-group analysis reveals that customer participation in NPD only has a positively influence on product performance for firms with high levels of expertise. The findings from this study demonstrate that while customer participation in NPD is beneficial for firms with high expertise, it may actually have a detrimental impact on product performance for those firms with low ACAP.

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# Session 5.6
# Analysis Methods in Marketing

# A Rasch Perspective on Firm Financial Performance in the Pharmaceutical Industry

**Thani Jambulingam, Carolin Schellhorn, and Rajneesh Sharma**

**Abstract** The metrics that are relevant for ranking firms by their financial performance may vary with conditions across different industries. For the pharmaceutical industry, we explore an approach that lets the Rasch model determine the performance metrics that are most important. Using an initial set of ratios spanning multiple dimensions of firm financial performance, we select the ratios that are compatible with the requirements of the Rasch model for this industry during 2002–2011. We identify the metrics, for which positive results were most difficult to achieve, and the firms that most frequently ranked among the top five performers. Our approach offers a new perspective or research method on the valuation of managers and their firms. Interestingly, our results suggest that the variables most relevant for a Rasch financial performance ranking of firms in this industry are not necessarily the variables that directly measure increases in investor wealth or returns.

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# Deviant Sociospheres: When Early, Unusual Influence Patterns Proclaim the Coming of Unusual Choices

**Jose-Domingo Mora**

**Abstract** Buyers tend to buy the usual things from the usual sellers. The inertia pervading consumer choices implies not only that their decisions are made the same way over and over, but also that the incoming information on products and brands is not changing in any meaningful way—e.g., not an enthusiastic recommendation or bitter complaint from someone close. This study tests the contention that the purchase of unusual products may stem from changes in the patterns of interpersonal influence that usually cocoon consumers and which, otherwise, keep them from trying new options. These patterns of interpersonal influence are called *sociospheres*, while the altered sociospheres possibly associated with choosing unusual products are labeled as *deviant*. Unusual products are products new to the consumer, either new to the world or simply different.

The influencers observed in this study are family members, the consumption setting is family television viewing, and the focal products are prime time television programs. We estimate a random coefficient model of individual viewership by family role (husbands and wives) on a panel sample of 65 days, 199 homes, and 28 programs. The DV in this model is individual viewership, and the focal estimates are those for the elements of the sociosphere vector. Other covariates in model 1 include individual, family, and program characteristics; as well as number of control variables. The best fitting specification of model 1 for the total sample is further estimated on 44 data subsets for 22 TV programs × 2 family roles (husbands and wives) which yields 44 program-role sociosphere vectors. These 44 estimates are then treated as variables and merged with program and audience characteristics to yield a secondary, cross-sectional data set ($N = 44$).

A meta-regression model of aggregate program viewership is estimated on this data set, as explained below. The parameters in this second model are specified as random too. The focal estimates are those for the sociosphere vectors, as well as the one for *sociosphere deviance*. The latter is defined as the Euclidean distance

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(five-dimensional) to the point represented by the *average* sociosphere vector from the point represented by the *focal* sociosphere vector. Other covariates include known program characteristics and average audience composition.

The results show that deviant sociospheres may indeed be associated with unusual choices. Television programs sociospheres prevailing among consumers capture usual influence patterns. Drifting apart from these patterns seems to harm aggregate consumption.

# Logical Analysis of Formative Measurement

**George R. Franke**

**Abstract** This paper applies deductive logic to two fundamental premises of formative measurement: that formative constructs are linear combinations of their indicators, and that they have linear effects on their outcomes. These premises lead to several important conclusions: (1) Formative constructs are determined as much by their outcomes as by their indicators; (2) formative constructs completely mediate the effects of their indicators on their outcomes; (3) using reflective indicators as outcomes in formative models does not test the formative conceptualization; (4) the formative disturbance term plays no meaningful role in estimating or interpreting formative models; (5) formative models need not account for the correlations between the outcome variables, and (6) allowing correlated measurement errors between the outcomes make formative measurement models equivalent to canonical correlation analyses such that (7) the causal influences and roles of indicators versus outcomes are ambiguous. These results logically call for changes in how researchers conceptualize, analyze, and interpret formative measurement models.

**References are available upon request.**

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# May I Have Your Attention Please?
# The Effectiveness of Attention Checks
# in Validity Assessment

**Stacie F. Waites and Nicole Ponder**

**Abstract**  In experimental design, manipulation checks are often employed in order to test theoretical notions (Laczniak and Muehling 1993), and it is posited that manipulation checks are required, in most studies, to establish cause-and-effect relationships (Cook and Campbell 1979; Perdue and Summers 1986). Although manipulation checks are often discussed in research design literature, little to no consideration has been paid to attention checks, which are a type of manipulation check. Attention checks are often used by researchers in scale development to ensure that respondents are actively participating (i.e., paying attention) in the research at hand. For example, the question "Please select answer choice 'Agree'" might be placed randomly in a scale to assess that survey takers are reading and paying attention to all questions. Respondents who fail the checks are usually discarded from the final analysis. It stands to reason that attention checks are successful at discarding "bad data," as researchers should want to exclude those respondents who are not attentively participating in the survey they are completing. However, no current research has assessed whether these attention checks are successfully "weeding out" bad data. Further, if it is only that the attention check confused the respondent causing them to fail, it is possible that the rest of the data is still useful in the researcher's analysis.

The primary purpose of this study is to assess the impact of attention checks on research design to confirm that these checks are functioning as expected. Two sets of data derived from a survey measuring attitudes toward home furniture are evaluated using three phases of validity assessment. In the first data set, respondents passed the attention check, and in the second, respondents did not pass the check. Four constructs (opinion leading, opinion seeking, self expression, and cognitive dissonance) are assessed for reliability and validity in both the pass and fail data sets to rigorously test the effectiveness of attention checks. Results show that reliability levels (including alpha and squared multiple correlations) were stronger across the board for the fail group. Problematic results were found when scale items

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measuring different constructs are mingled in a survey, however. Specifically, respondents who failed the attention check were not able to differentiate between the opinion leading and opinion seeking constructs, causing issues with the discriminant validity. Thus, it can be concluded that attention checks are useful in research design. However, because we did have some favorable results in the *failed* data set (such as high Cronbach's alpha, SMC's, and path estimates) it may be worth the researcher's time to at least analyze these data before discarding them completely.

**References available upon request**.

# Session 5.8
# Online and Social Media Research Methods

# Perceptual Depreciation and Product Rarity for Online Exchange Willingness of Second-Hand Goods

**Kuei-Feng Chang and Hao-Wei Yang**

## Introduction

Compared to the rapid growth of the online auction market, the network exchange market starts relatively slowly. Driven by environmental protection and energy saving, commodity exchange behavior has become part of real life and even a new way of the social marketing or the green marketing. In past studies, Blau (1964) thought the social exchange theory focused on intrinsic rewards. Meanwhile, in the social exchange theory, the interactions of intangible social costs and benefits are also investigated. However, even though the network exchange platform has developed rapidly in the recent years, there are few literatures related to barter as well as the reasons why exchange behavior happens or the mentality of exchange behavior. But in fact, exchange behavior of barterers happens from a series of complex external and psychological factors which mutually influence. If it fails to understand the considerations and decision-making process of consumers in the process of exchange behavior, it will not be able to promote exchange behavior and effectively provide consumers valuable commodity disposal activities in the face of global resource constraints and poor world economy.

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Therefore, this study will not only help to understand the causal relationship after purchases but also provide reasonable explanation and prediction for decision-making factors which barterers care about, so as to add contents to the past studies insufficient in the disposal behavior after purchases. In addition, by key variables (perceptual depreciation and product rarity) to undertaken the path mode, the features required for second-hand goods exchange would be explained. Clarifying this feature will help the development of customer-to-customer (C2C) in e-commerce and promote businesses focus on and incorporate product features when they develop or promote new products.

## Literature Review

### *Perceptual Depreciation*

Depreciation generally refers to the reduced value of fixed assets due to the use and gradual depletion. From an economics point of view, the phenomenon of decline in value because of the use and depletion is known as depreciation. However, in addition to the fact that the items decline in value with damage, there are still other factors, such as consumer perception on cognition. The factors affect depreciation include that consumers feel the item value decline or it should be eliminated due to some bad functions out of psychological factors, consumers feel that the purchasing items lack effects that they expect, or consumers feel lose the value of the items and even have psychological loss resulted from waste time in goods maintenance (Kumar 2002). In addition, after a certain period of time for the product or capital, the value in the original purchase loses, that is consumers think that that product does not have the original value, which may lead to depreciation (Shilling 2002).

There are two kinds of depreciation in fixed assets: tangible depreciation and intangible depreciation. Tangible depreciation, also known as physical abrasion and tear, is natural depreciation out of mechanical abrasion caused by use naturally. Intangible depreciation, also known as spirit abrasion, refers to loss of fixed asset value resulted from scientific progress in the 3C industry and labor productivity improvements. Under normal circumstances, when calculating the depreciation of fixed assets, it is needed to take these two kinds of depreciation into account. In addition, depreciation is mainly produced by three reasons individually or synthetically, such as physical damage, functional degradation, and external degradation (Appraisal Institute 2001).

### *Product Rarity*

Rarity is the basis of economics, referring to the limited resources cannot satisfy human desires. From the theory of individual economic needs, rarity consists of properties and product rarity. In the eighteenth century, Adam Smith pointed out in

"the paradox of water and diamond" of the national rich theory that water has most value but does not have exchange value; diamonds which have no value in uses have high exchange prices, that is because the long-term value of the precious diamond is in the appearance of its beautiful and rarity in quantity instead of the value in uses. In addition, Brock (1968) advocated in the commodity theory that when a commodity is not available, then its value increases. Product features in this theory can be divided into three points: first, the goods must have the value of uses and can be circulated among consumers and owned by them; second, the goods must have the desire consumers want to have; third, the goods must have the feature of unavailable. Katz and Shapiro (1985) as well as Saloner and Shepard (1995) have pointed out that products with network externality effects will increase the value of the products with the increase of the owner number; however, the products with rarity effects will do the other way of which interests will be reduced with the increase of the owners. It means that when more people have products with rarity, their value will reduce so that the value which products with rarity should have originally will lose gradually. In the fields of economics, studies of product rarity mostly focus on diamonds and other precious stones or metals, not on how it works in general merchandises. Therefore, in this study, the effect of product rarity on second-hand goods will be explained through the resource basic theory.

In addition, some scholars believe that rare items have higher prices not because of rarity but a message index that rarity is taken (Koford and Tschoegl 1998). Klein and Leffler (1981) pointed out that people will take rarity as a quality index. When people evaluate a rare item, it is not out of its rarity, but because they believe that rarity means definitely high quality. Brannon and McCabe (2001) pointed out in their study that some well-known brands such as Nike, Apple, and Swatch design and produce limited commodities to highlight their unavailable features and strengthen the desire of consumers to the product by attracting more attraction in the market. In the SED model proposed by Lynn (1991) as well as the perceived value model proposed by Monroe and Krishnan (1985), it is explained that product rarity affects the intermediary mechanism, thereby affecting the purchase intention. Xing Shan-Shan (2005) explored the impact of rareness on deviation from the individual decision-making. The study concluded that product rarity will improve the perceived value and purchase intention through the expected expensive feelings, perceived quality, and perceived symbolic benefits.

In the above studies, the reasons of the influence purchasing decisions were explored mostly in the commodity trading position, while the studies of product rarity for commodity exchange behavior are insufficient. Especially in the trading process, both parties involved in the exchange of commodities play not only the role of "goods providers" but also the role of "commodity recipients," so the impact of product features owned by the individual on exchange prices and transaction costs also need to be considered. These factors will affect the exchange willingness for goods of barters. Therefore, in this study, the exchange willingness of second-hand goods will be explored in the view of barterers, finding out the reasons why barterers exchange second-hand goods and the correlation among variables.

## Results

1. **Perceptual depreciation reduces exchange reference prices and perceived transaction costs at the same time but have different effects on psychological premium.**

   For goods, with abrasion over time, barterers' exchange reference prices of second-hand goods reduce more. When the prices of similar goods are higher in the market and the appearance and functions of the same products' second-hand goods can still be used, barters would have a bargain psychological to think the product has more value than expected, so that psychological premium enhances with that. However, because the goods have been abraded and tore, barterers may think spending time and effort negotiating a second-hand goods trading exceeds the value of second-hand goods, the transaction costs decrease with that. In the entire exchange process, barterers may cancel exchange due to the complex and fragmented process before, during and after exchange so as to reduce psychological premium.

2. **Product rarity can increase the effect of exchange reference prices and perceived transaction costs at the same time.**

   When the exchanged goods are rarer in the market, the number of the goods is fewer and fewer or even the goods have stopped production, the value of the goods may increase over time, so that the reference prices of the second-hand goods will increase. When barterers want to exchange products with higher rarity, they must search more information than other goods so as to spend more time and effort to do the consultation with barterers. For example, if the prices of products with higher rarity are higher in the market, then the perceived transaction cost is relatively high.

3. **The level of exchange reference prices and psychological premium will affect exchange willingness of second-hand goods.**

   When a product has higher prices, it can be chosen to be exchanged. Since when a product has high value, it will have more barters who want to exchange for it, so that more people will have exchange behavior; as a result, the higher exchange reference prices are, the more exchange willingness will increase. When barters think the value of exchanged goods is higher than their real value, barters will have much premium so as to be willing to exchange with other barterers. From the view of factor weights, in path analysis, the main parts are exchange reference prices ($\beta=0.114$, $t=1.598$) and psychological premium ($\beta=0.671$, $t=6.732$); as a result, what barterers really care about is psychological premium because the higher the value of second-hand goods is, the better exchanged goods will be. Besides, when barterers have higher psychological premium of second-hand goods, they are more interested in the exchange behavior.

4. **When barterers have higher perceived transaction costs, it will increase the times of exchange behavior.**

    When barterers search the second-hand goods they need in the Internet, if the goods can still be used, they will search in advance if there are other similar goods exchanged online. This behavior is the beginning of the increase in transaction costs. Barterers will increase more transaction costs through consultation and other matters. Since this exchange transaction takes time and efforts, barterers have the idea "to seize the opportunity" so that exchange willingness will be promoted.

## Discussions

- **In this study, the impact of perceptual depreciation, product rarity, exchange reference prices, perceived transaction costs and exchange and gift wishes on "commodity exchange willingness" is explored.**

    For key consideration factors that the seller is willing to exchange goods, in this study, it is confirmed that goods need to have high rarity and depreciation; exchange reference prices and perceived transaction costs are also the factors affecting exchange wishes.

- **This study explores that the exchange reference price of the commodity which is rarer is higher and will affect the willingness to exchange goods.**

    Therefore, the seller takes rarity as the priority consideration to highlight the commodity rare qualities in order to set a good price. So when the seller exchanges this commodity, he/she will set better exchange reference prices for product rarity to raise exchange willingness so as to improve exchange wishes of goods as well as prevent the gift behavior or setting aside. If the seller cannot highlight product rarity to set a good exchange reference price, it will instead affect the exchange wishes on the network platform. For sellers, it is an important factor in consideration.

- **This study explores that product rarity will raise perceived transaction costs, thereby reducing exchange willingness.**

    Since the goods which are rarer will take more time for barters to communicate and consult, when the seller exchanges commodities, he/she needs to spend more time to consult with barterers to prevent exchange suspension or default so that perceived transaction costs enhance. Therefore, since the seller needs to spend more time exchanging product with rarity, he/she will not have willingness to exchange this product, so that there is no exchange behavior.

- **Sellers believe that the commodity depreciation rate will affect the level of transaction costs, and thus it will affect the willingness of commodity exchange in the network platform.**

    Therefore, when the seller exchanges this commodity, he/she will pay attention to the depreciation level of the goods. When the depreciation of the items to

exchange is high, it means that it is well known by consumers and product features are widely accepted by the public; so the prior search costs paid by the seller are relatively low and the items can be directly exchanged. When the perception is low, sellers' transaction costs will also be improved.

**References available upon request.**

# This Is Sensitive, Let Me Talk to an Avatar: A Structured Abstract

**Catherine A. Roster, Matthew D. Pickard, and Yixing Chen**

## Introduction

Opportunities exist for marketers and other business researchers to connect one-on-one with consumers using avatar interviewers that may facilitate disclosure of sensitive and personal information, without the costs of personal interviewers. This research reports findings from an exploratory study designed to reveal factors that facilitate greater levels of self-disclosure for sensitive interview topics for human versus avatar interviewers. Results reveal conditions in which computer-generated avatars can increase self-disclosure for sensitive topics in personal interview situations as an alternative to costly data collection conducted by human interviewers.

## Background

Oppenheim (1992, p. 140) defines a topic as sensitive if "some respondents find it embarrassing and show reluctance to answer questions about it." Lee and Renzetti (1995, p. 5) define a sensitive topic as "one that potentially poses for those involved a substantial threat." Yet another view is that questions can be considered sensitive if respondents view them as intrusive, if the questions raise fears about repercussion of disclosing information, or if they trigger social desirability concerns (Tourangeau and Yan 2007). What all of these definitions have in common is that sensitive topics evoke concerns over information disclosure that render such studies problematic for both researchers and participants.

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A vast body of research has focused on how survey mode of data collection effects data quality in settings that involve sensitive topics, including willingness to respond and accuracy of answers. Research has shown that computer-assisted interview techniques increase privacy and are superior to face-to-face interviews when asking questions about sensitive or personally revealing topics (Schaeffer 2000). Self-administered and computer-assisted survey modes provide greater anonymity that can increase respondents' willingness to answer questions about sensitive topics (Kreuter et al. 2008; Tourangeau and Smith 1996). Yet, others argue that personal interviews are the best way to ask sensitive questions because interviewers have an opportunity to build rapport and establish the level of trust needed for respondents to report potentially sensitive information (Aaker et al. 2001, p. 223). Such arguments are based on self-disclosure theory (Jourard 1971), which proposes that individuals are expected to be more honest and disclose more to someone they trust and with whom they feel comfortable. Hybrid studies in which an interviewer reads the questions aloud, but the respondent records his or her answers anonymously on a separate answer sheet (e.g., Turner et al. 1992) support the notion that some blend of personal interviewers and self-administered anonymous reporting can increase willingness to respond to sensitive questions and produce higher quality responses.

A conclusion that could be drawn from the survey methodology mode research to date is that computer-assisted interviews that rely upon private, self-administered responses are best for interviews that deal with sensitive topics. However, interview mode studies have not considered technological advances such as the use of computer-generated avatar interviewers that potentially humanize computer-assisted interfaces with respondents answering questions that require high levels of self-disclosure about personal issues. A whole generation of young consumers has grown up with computer-mediated communications (CMC) online in various formats that involve high disclosure of personal information with strangers because computer-mediated platforms engender greater anonymity, reduce communication barriers, and facilitate quick and easy responses (Joinson and Paine 2007; McKenna and Bargh 1998; McKenna et al. 2002; Sheppard and Edelmann 2005; Taddei et al. 2010). Because of these experiences with CMC, younger consumers may feel more comfortable disclosing personal information in situations where direct questioning is presented by a computer-generated entity, but their level of social anxiety may depend on the nature of the questions and characteristics of the computer-generated interviewer.

The overarching objective of this exploratory study was to uncover when, why, and how the use of computer-generated avatars can facilitate self-disclosure for sensitive topics in personal interview situations as an alternative to data collection via human interviewers. Ultimately, we seek to expose why, under what conditions including topics, use of computer-generated avatars could present a non-evasive and cost-effective way for researchers to gather private feelings and personal information from research participants.

## Methodology

Our intent was to explore factors including topics and participant concerns related to use of human versus computer-generated avatars for a future experimental study. We relied upon a convenience sample of undergraduate business students at a southwestern university, all of whom completed an Internet survey in exchange for extra credit points in a course. Responses were received from 203 undergraduate business students enrolled in either an accounting or marketing course. Gender was fairly evenly split (44 % male vs. 56 % female). The average (mean) age of respondents was 25 years old and most (76 %) were single.

The survey instrument asked respondents to rate "how threatening it would be to you personally to honestly answer questions about the following topics in a personal interview" for 14 proposed topics on a 5-pt. scale, where 1 = "not at all threatening"; 5 = "extremely threatening." Topics included issues such as "questions about lying"; "questions about engaging in risky behavior"; "questions about your family's personal income"; and "questions about ethnicity." Each topic was further contextualized with brief examples to give respondents an indication as to the nature of response content that might be requested. All topics were presented in a randomized fashion to avoid order effects. Next, the same list of 14 potential interview topics were presented in random order, but this time respondents were asked to indicate "which type of interviewer, human or computer-generated avatar" they would prefer to self-disclose responses to for each topic. Two open-ended text essay questions asked respondents "What is it about an avatar that would make it easier for you to give honest answers during an interview about topics like those above"; and "What is it about a human that would make it easier for you to give honest answers during an interview about topics like those listed above?" A final question asked "Would you prefer to provide honest answers to threatening questions to a male or female interviewer?"

## Results and Discussion

Data were analyzed using both quantitative and qualitative procedures. For the quantitative analysis, means across all 14 topic areas were calculated across the sample. The overall mean scores ranged from 1.2 ("attitude about computer brands") to 2.6 ("attitude toward ethnicity") on the 1–5 scale, indicating respondents viewed the topics as low to moderately threatening as potential interview topics. Next, Chi Square Goodness of Fit analysis sought to determine if there were significant differences in preferences for interviewer type (human or avatar) for each of the 14 topic areas across the sample. Overall, significant differences in preferences to self-disclose to a human or avatar interviewer were observed for 9 out of the 14 topics,

depending on topic. A general interpretation of these differences across the sample is that a human interviewer was preferred for four topics viewed as less sensitive, or more likely to lead to personal but positive-oriented self-admissions, while an avatar interviewer was preferred for five topics, all of which appear to be most sensitive, or more likely to lead to personal but negative-oriented self-admissions.

To investigate further the relationship between topic sensitivity and preferences for interviewer type, the mean sensitivity scores for each topic for those preferring a human interviewer were compared to the mean sensitivity for those preferring a computer-generated avatar interviewer. These findings generally reveal that respondents were more likely to respond honestly to a computer-generated avatar interviewer for topics they personally rated as more sensitive or threatening. Only three questions regarding somewhat innocuous topics, such as "homeless people," attitudes toward "global warming," and "attitude toward computer brands" were equally likely to engender honest responses regardless of interviewer type.

For the qualitative analysis, responses to the two open-ended questions regarding why they would be more likely to honestly self-disclose to a human interviewer or to a computer-generated avatar interviewer were coded. After developing a coding scheme, all responses were categorized by two trained independent coders. Inter-rater reliability across all coded instances exceeded 95 % for the two open-ended questions, with disputed cases resolved by discussion between the two coders.

For the open-ended question, "What is it about an avatar that would make it easier for you to give honest answers during an interview about topics like those above?" four main categories emerged following a review of 235 coded instances: (1) lack of judgment; (2) protection of personal information; (3) personal comfort due to reduced negative feelings, such as anxiety, embarrassment, or guilt; and (4) ease of providing responses due to computer interface. Two factors accounted for the majority of responses about why respondents would rather self-disclose to an avatar interviewer. Most (51 %) stated "lack of judgment" followed by 29 % of respondents who stated the computer interface would make it easier for them to respond, for instance, by allowing them additional time to formulate their responses or alleviating concerns about safeguarding answers. About 10 % of respondents noted an avatar would provide greater security or protection for divulging personal information and another 10 % explained that they would rather provide honest answers to an avatar because it might relieve internally felt emotions associated with their response, including anxiety, embarrassment, or guilt.

For the open-ended question, "What is it about a human that would make it easier for you to give honest answers during an interview about topics like those listed above?" five primary categories emerged following a review of 199 coded instances: (1) ability to explain or clarify responses; (2) interviewer empathy and understanding; (3) receiving acknowledgement that responses are received and understood from a live interviewer as opposed to a "machine"; (4) the personal interaction of speaking to a human versus a computer; and (5) social pressures to respond honestly to a human versus ease of lying to a computer. Responses were somewhat evenly

dispersed between personal interaction with a live interviewer (32 %) and interviewer empathy (29 %), followed closely by the ability to explain or clarify responses (21 %). About 13 % of respondents cited receiving acknowledgement of responses, and 5 % reported the social pressures of a human interviewer would make them more likely to respond honestly.

Collectively, the qualitative analysis provides support for the overall finding that avatars are preferable to human interviewers for self-disclosure involving sensitive topics because avatars are not able to convey judgment, either verbal or non-verbal. Yet, human interviewers were viewed as potentially more compassionate, and respondents valued the opportunities presented in a human interviewer situation that allow them to receive supportive feedback and to further clarify or justify their responses when engaging in interviews about sensitive or personal topics.

Last, the analysis considered gender affects regarding interviewer preferences. Overall, when asked whether they would rather self-disclose to a male or female interviewer (human or avatar), 72 % of all respondents, both male and female, indicated they would prefer to disclose sensitive information to a female interviewer. However, moderate but significant differences were obtained in crosstab analysis between gender and preferences regarding gender of the interviewer ($\chi^2 = 4.42$, $p < 0.05$). Results suggest correspondence of gender between interviewer/interviewee can aid honesty. Females reported they were more likely to be honest with a female interviewer, while males in the sample reported they would be more likely to provide honest responses to a male interviewer.

## Conclusions and Implications for Theory and Practice

To summarize, findings reveal that avatars are preferred over human interviewers for topics that are highly sensitive. Yet, it appears that avatar researchers need to incorporate features of the human or personal interaction to personalize the interaction. Also, an avatar may not always be the best choice for interviews that involve personal topics that are more likely to evoke positive self-admissions.

**References available upon request.**

# #IHATEYOURBRAND: Social Media Service Recovery Strategies via Twitter

**Alexandra Krallman, Toni R. Ford, Mark J. Pelletier, and Alisha Horky**

## Introduction

Social media has integrated into the everyday lives of individuals and has transformed the communication process for both individuals and businesses alike. With nearly three-fourth of all online adults having a social media account (Pew Research 2013), this has not only impacted the way in which consumers communicate with each other, but consumers have gravitated to communicating and complaining with service providers through social media (Xia 2013; Pinto and Mansfield 2011). The pervasiveness of social media and its importance as a channel of communication is something that marketers have become aware of, as the majority of firms now have some form of social media presence (Obal et al. 2011). In fact, 92 % of marketers indicate that social media is important for their business; however, 89 % of those are unsure of the most effective social tactics to engage their audience on social media (Stelzner 2014).

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The purpose of this research is to enhance the understanding of the company/consumer relationship within the social media context. The authors' objective is to explore this relationship by first examining how social media service recovery differs from the traditional recovery strategies employed in prior literature. Previous scales used to measure fairness evaluations of service recovery strategies fail to incorporate essential aspects of recovery when communicating via social media; therefore, further scale development must initially take place. Using the refined scales, the study will attempt to answer what consumers expect from companies when communicating service failures via social media. Further, an understanding of how various social media service recovery strategies employed by firms may influence consumers' attitudes and future behavioral intentions can begin to answer the call of marketing practitioners. Twitter will be the specific platform used in this research, as the platform seeks to help businesses by promoting brand conversations, positive mentions, and retweets. These business goals differ from other platforms that focus mainly on clicks and visits per page, while Twitter focuses on the interactive nature between two parties (Kim 2013).

## Background

Extensive prior literature has examined the service recovery process in traditional brick-and-mortar contexts. This work provides the foundation for grasping the complexity of service recovery; however, the social media context provides unique challenges for firms primarily through: anonymity, publicity, and speed. When consumers transition to online channels, they no longer have to worry about the potential embarrassment or threat of social confrontation that accompanies an in-person complaint situation (Winch 2011). The anonymity of the social media process can provide consumers with the freedom to express how they feel, however may provide greater confidence to say more negative things than may have occurred in a face-to-face setting. Additionally, the social media process has transformed complaining from private process between a company employee and the consumer to a greater public matter (Ward and Ostrom 2006). Posting a complaint on a social media site allows other consumers to not only see the issue that occurred, but also comment or share this customer experience with others. Finally, the speed of the complaint process differs, as consumers can now express their dissatisfaction nearly instantaneously when the failure occurs. With greater speed occurring from the user's end, accordingly consumers may transfer such expectations for the firms to respond quickly in return.

The service recovery literature has primarily been dominated by the justice theory, in which the consumer evaluates the level of fairness attributed to the firm's service recovery response (Blodgett et al. 1997). Composed of three components (distributive, procedural, and interactional), justice theory has been shown to impact consumers satisfaction, future purchase intentions, and intent to spread word-of-mouth (Tax et al. 1998). In a social media context, the interactional justice component

must adapt as the ability to provide an in-depth explanation (Bies and Shapiro 1987) becomes limited by 140 characters. Regarding procedural justice, the access to communicate (Goodwin and Ross 1992) is assumed in the nature of the platform; however, the speed of reply (Taylor 1994) must be faster than traditional channels. Distributive justice also holds its own unique challenges, as the decision to offer consumer specific outcomes (Blodgett et al. 1997) or simply an apology (Tax et al. 1998) in the public setting must be carefully considered. In social media service recovery, there is considerable overlap amongst the three dimensions due to the limitations previously mentioned. In this study, the outcome and speed of the recovery will be manipulated through experimental scenarios to fulfill the procedural and distributive dimensions. The interactional justice component has been applied in various ways in marketing research to include elements of empathy, effort, politeness, honesty, and explanation (Tax et al. 1998). As these conceptualizations slightly differ from one another, the interactional dimension will include existing scales regarding the empathy of the response (Parasuraman et al. 1988; Xia 2003; Blodgett et al. 1997) and perceive effort of the recovery (Mohr and Bitner 1995). As interactional justice refers to the fairness of the interpersonal treatment one receives (Bies and Shapiro), understanding how the consumer perceives the directedness of the recovery effort towards their individual situation has yet to be addressed. Directedness specifically assesses the consumer's perceptions of a company's adaptive communication strategy for personally interacting with them to address their specific needs. The authors developed the measures for directedness, as the current literature provided no appropriate scales for adaption.

## Research Methods

A total of nine scale items were created to initially test the construct of directedness. All scale items were made of 7-point scales ranging from 1 = Strongly Disagree to 7 = Strongly Agree. Content validity was first examined by a panel of expert judges to ensure the items were a proper sample of the constructs domain (Netemeyer et al. 2003). An external investigation of the construct was undertaken to establish nomological validity and differentiate it from the established construct of personalization (Peter 1981). From a communications standpoint, personalization is typically perceived as a process in which individualized communication is sent to a specific person based on their situation (Roberts 2003). An examination of current social media marketing practice shows that the majority of firms personalize the tweets when responding to consumers by using their specific Twitter handle/username. Although this message may be personally sent to the consumer, it often contains a generic statement such as "@janedoe please contact our customer service staff to address your issue." This message fulfills the definition of personalization, however does not address the individual situation within the communication message itself.

A sample of 121 usable responses was used to pre-test the scale items following a data screening process consisting of attention and manipulation check measures.

Respondents were collected from a student sample at a large Southeastern university, and consisted of 63 % male, an average age of 21.5 years old, all having at least some college education. These demographics nearly identically match those of the most prevalent groups of Twitter users (Pew Research 2013). A $2 \times 4$ randomized design provided respondents with one of eight scenarios that varied both the consumer and company Twitter responses. Consumer responses were either sent directly to the organization, or an indirect message only posted on the users' profile and followers. Company responses were one of four types: a highly directed message sent directly to the user, a low directed message personally sent to the user containing a generic statement, an indirect tweet containing a generic message about customer service posted for all followers, and finally no response at all.

## Results and Discussion

The scale items were first analyzed through a reliability analysis, followed by an exploratory factor analysis to assess dimensionality and validity. The squared multiple correlations for all items exceeding the minimal standard of 0.50 with the exception of item 8, which was also the only item to not load strongly ($>0.70$) on the single factor. Further, the Cronbach's alpha showed high levels of reliability for each of the three scales, including directedness (0.94), empathy (0.96), and effort (0.92) (Nunnally 1978). An Exploratory Factor Analysis was then run using all three scales. Kaiser's rule was used as an extraction method, resulting in three different factors with eigenvalues exceeding one. All items measuring each construct solely loaded on one factor and did not show substantial cross loadings ($>0.40$) on any other factors. Principle Axis factoring method was used with a Varimax rotation. Hair et al. (2010) argues that this method is the most appropriate when following a factor analysis with further multivariate techniques.

   Based on the exploratory results, one item of the directedness scale met minimal requirements for reliability and did not meet convergent validity assessments. Going back to the items, it is clear that "sent directly to only me" can imply that no other viewer is able to see the response. As previously mentioned, Twitter is a public forum, and most viewers understand the content posted is able to be seen by other viewers. The poor phrasing of this item likely lead to the low loadings and correlations, therefore it was removed before confirmatory factor analysis took place. The empathy scale showed significant cross-loading issues, relative to both the effort and directedness scales. Two other items showed somewhat weak loadings on their respective factors, however will be further included in the analysis due to the exploratory nature of the scale development at this stage. Prior to conducting the confirmatory factor analysis, items with loadings below 0.50 and cross-loaded issues were deleted from the analysis.

   A confirmatory factor analysis was then performed using AMOS 22, to assess the unidimensionality, convergent validity, and discriminant validity of the latent constructs. The results of the analysis indicated an acceptable fit (Hu and Bentler

1999) of the model to the data ($x^2 = 278.22$, df = 142, CFI = 0.96, IFI = 0.96, RMSEA = 0.08). The convergent and discriminant validity of the scales were examined by calculating the average variance extracted for each construct. Furthermore, calculations for the shared variance between constructs were made as recommended by Fornell and Larcker (1981). The average variance extracted exceeded 0.50 for each construct, providing evidence of convergent validity. No shared variance measures between constructs exceeded the average variance extracted, indicating evidence of discriminant validity.

Conceptually, the items that were dropped from the directedness scale related more towards the recovery directed at the individual user, whereas the remaining items focused on the message. The final three directedness items included the response: (1) "intended to show interest in my individual issue," (2) "was customized to address my particular need," (3) "was adapted based on my situation." Further, the items that were dropped from the empathy scale all relate to sincerity or how genuine the message was, rather than the empathy the consumer believed the company expressed.

Finally, to ensure the respondents understood the directedness of the response they received from the company in the scenario, a manipulation check was performed. A one-way ANOVA was performed which found perceived directedness to be statistically significantly different for the four company responses ($F(3114) = 31.52, p < 0.01$). Those that received the highest level of directed response report significantly higher means ($M = 5.44$) than those that received low directed messages ($M = 4.58$), indirect messages ($M = 3.67$), and no response at all ($M = 2.28$).

The scale development pre-test results are an encouraging first step to understanding service recovery strategies via social media. Adequate levels of reliability, validity, and dimensionality were found in the developed directedness scale. The authors plan to collect another sample of data using the refined scales on a non-student sample, and perform a series of MANOVA analyses to test differences amongst the various responses received by groups of consumers. Further, a conceptual model is being developed which is planned to be tested using structural equation modeling.

**References available upon request.**

# Session 6.1
# Food, Wine, and Coca-Cola!

# The Effects of Objective and Subjective Knowledge on the Exploratory Acquisition of Wine

**Leyland Pitt, Frauke Mattison Thompson, Anne Engstrom, Joe Velle, Adam Mills, and Jan Kietzmann**

**Abstract** This chapter investigates the effect of objective and subjective knowledge on exploratory acquisition in consumers' purchase of wine. The main research questions investigated are whether there is a link between a consumer's objective knowledge of wine (what they really know) is linked to their subjective knowledge (what they think they know), and whether these impact on the extent to which the consumer engages in exploratory purchasing behavior (tries new brands, tries different wines, etc). The literature for the three constructs is reviewed, and hypotheses are developed. The study then investigated these questions among an online sample of consumers in the USA. Data is analyzed, results are provided, and the implications for management are discussed. Limitations are also noted and directions for future research are indicated.

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# Sponsoring FIFA World Cup vs. Olympic Games: Coca Cola, a Classic American Brand, and Its Explicit and Implicit Sponsoring Success at Worldwide Sports Events

**Steffen Schmidt, Sascha Langner, Nadine Hennigs, Matthias Limbach, Matthias Rothensee, and Klaus-Peter Wiedmann**

**Abstract**  Sport sponsorship is supposed to be one of the most effective means in the marketing communication mix. In particular, sponsoring worldwide events such as the Olympic Games or the FIFA World Cup is of great interest for major brands such as Coca Cola in order to improve their global brand performance (e.g., brand equity). Although vast research has been done to explore the various facets of sponsoring success, literature lacks two important aspects: First, most research relies on explicit indicators (mostly verbal) to measure sponsoring effectiveness, denying the fact that most experiences occur unconsciously and cannot be expressed verbally by participants of an event. Second, the vast majority of studies do not take into account how visible the brand of a sponsor is at the sport event itself—the FIFA World Cup, e.g., prominently presents all major sponsors during each soccer game, whereas the Olympic Games do not allow any sponsor mentioning during all of the Olympic contests. Therefore, the goal of this chapter was to examine the explicit and implicit effect of a visible versus a non-visible sport sponsorship before and after two major sport events. Moreover, Coca Cola was chosen as one of the most active brands sponsoring major sport events such as FIFA World Cup or Olympic Games. In detail, two studies were run in order to test the effectiveness of the respective sponsorship activities on brand-related motivation. Our results suggest that a visible

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sport sponsorship of Coca Cola during a sport event has much greater influence on explicit and implicit brand-related motivation associations toward Coca Cola compared to non-visible sport sponsorship. In addition, the results show that it is of great importance to measure sponsoring success on both an implicit and explicit level in order to identify all relevant association facets in their full complexity.

# Effects of Environmental Factors in Nudging School Children Towards More Healthful Food Choices in School Cafeterias

**Courtney Szocs and Dipayan Biswas**

**Abstract**  We examine how queuing pattern, in terms of how children line up at school cafeterias, influences their eating behavior. To elaborate, we compare single-line queuing, in which students stand in one central line and the student at the head of the line is sent to the first available cashier, with multi-line queuing, where a separate queue is formed in front of each cashier; we investigate how these two types of queuing influence students' healthful food choices.

A critical difference between multi-line and single-line queuing is that in the former case, individuals spend a higher amount of time near the sales counter and hence have greater amount of time to go through the items and reflect on their choices than in the latter case, where they are close to the sales counter practically only right at the time of their purchase.

We tested our hypotheses with the help of a field study at a high school cafeteria in one of the largest school districts in the USA. The study was carried out in collaboration with the school district administration. Over 1000 students are served daily at this school cafeteria. We analyzed data across two different months, with two different queuing patterns in place. That is, in one random month, there were multi-line queues, while in another random month, there were single-line queues, whereby all the students lined up in one central area and then they were sent to different sales counter based on availability.

The results of the field experiment in the school cafeteria show that multi-line queues facilitate a greater degree of healthful choices than single-line queues. We theorize that this effect is driven by lower time pressure and a greater degree of systematic processing with multi-line queues.

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In terms of implications, while prior studies have examined a host of different factors influencing choices between healthy and unhealthy options, the present research is the first one to examine the effects of queuing behavior in a cafeteria context.

The findings suggest that utilizing multi-line queues might be one way to influence choices towards more healthful options.

**References available upon request.**

# Session 6.2
# Retail Strategies Within and Across the Stores and Shopping Channels

# Cost Efficiency of Multiple Store Retailers: A Comparison of Purchasing and Store Operation Costs

**Takumi Tagashira and Chieko Minami**

**Abstract** As many firms adopt chain operations, it is worth investigating whether the operations are efficient enough to support the firm's growth and if opening new retail outlets actually provides economies of scale. This study examines the effect of increasing the number of stores on retailers' operational efficiency and tests the effect empirically. The number of stores is considered an important indicator affecting retail efficiency. However, previous studies have returned conflicting results and arguments about the impact of the number of stores on efficiency. A log-linear regression analysis reveals that while retailers gain advantages in terms of reduced purchasing costs, they increase the costs for store operations. This paper aims to contribute to the field by clarifying the impact of retailers' growth on operational efficiency based on empirical research.

**Keywords** Chain retailers • Cost efficiency • Retail expansion • Retail stores

## Introduction

Multi-store chain operations have recently emerged as a significant issue both nationally and globally. According to Dawson (2007), the number of retailers operating business in more than 10 countries increased from only 5 in 1986 to 32 in 2004.

In the context of single store operation, scale refers to the scale per store (Ingene 1984; Reardon 1999). However, in the context of multi-store chain operations context, the issue of whether operations among multiple stores are efficient enough to keep pace with the firm's growth is an important issue. Therefore, the number of

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stores is a key factor in considering scale for multi-store chain retailers (Srinivasan et al. 2013).

When retailers increase the scale per store, their prime advantage derives from purchase quantities (Ingene 1984). However, for retail firms adopting chain operations, they must control multiple stores simultaneously, increasing the difficulty in managing stores and risking a loss of efficiency during their retail expansion (Illueca et al. 2009).

Further, as retailers expand their scale as a multi-store chain, other important issues arise, such as regional, cultural, and economic factors stemming from national and geographical differences, as well as time zone differences. It is therefore worth investigating the relationship between retailers' efficiency and expansion in the multi-store chain context.

Some recent studies have put forward controversial arguments about the impact of the number of stores on efficiency (Assaf et al. 2011; Barros 2006; Evans et al. 2008; Ganeshan et al. 2007; Illueca et al. 2009; Srinivasan et al. 2013).

Firms expand the number of stores to increase their sales and market share, not to gain cost efficiency (Srinivasan et al. 2013). Retailers obtain competitive advantage from increasing the number of stores when they achieve sales higher than the cost increase, while closing stores creates cost efficiency (Srinivasan et al. 2013) because managing a large number of store is difficult without increasing general administration costs, thus leading to lost efficiency retail expansion (Illueca et al. 2009).

On the other hand, Barros (2006) shows that the number of stores has a positive impact on retail efficiency using a Data Envelopment Analysis. Assaf et al. (2011) show the positive relationship between the degree of geographical expansion and efficiency by conducting a Bayesian analysis. In addition, studies into the relationship between retail chain strategy and performance claim that retailers increase the number of stores to obtain economies of scale.

Further, studies not only into retail efficiency but also a broader range of retail studies examining standardization, adaptation, and retail chain management (Evans et al. 2008; Ganeshan et al. 2007) have explained the competitive advantage of multi-store operations based on economies of scale.

Economies of scale refer to the cost advantages gained as the average cost decreases as firm output or production numbers increase (Hanoch 1975).

It is clear from the literature that there is no consensus about the relationship between the number of stores and retail efficiency. Further, both arguments emphasize the cost efficiency.

Moreover, though previous studies analyze the economies of scale of one retailer and estimate extended models including new production factors, such as IT investments (Reardon et al. 1999; Mishra and Ansari 2013), the results between them are inconsistent. Reardon et al. (1999) show a constant return on scale, while Mishra and Ansari (2013) show diminishing returns on scale. Despite recent technological developments, recent studies indicate that inefficiency may still result from expansion, despite investments in technology.

Therefore, this study investigates the efficiency of multi-store chain retailers by examining the relationship between retail efficiency and the number of stores. Specifically, this study focuses on different types of costs to clarify how retail costs increase when the number of stores increases.

The results show that despite the purchasing advantage in terms of quantities brought through store expansion, there is a constant increase in other costs such as costs for sales and general administration. Thus, this trade-off relationship between purchasing cost advantages and other costs increases determines whether retailers can achieve total operational cost advantages.

## Literature Review

Retail efficiency is widely used to measure retail performance with efficiency defined as the ratio of inputs and outputs (Assaf et al. 2011; Barros 2006; Ingene 1984; Mishra and Ansari 2013). Output represents the result of production, which in the retail context refers to sales and value-added which is calculated as the difference between sales and purchasing cost (Ingene 1984; Keh and Chu 2003; Mishra and Ansari 2013; Yu and Ramanathan 2008; Uyar et al. 2013). Input represents the factors for production, such as capital and labor (Barros 2006; Ingene 1984; Keh and Chu 2003; Mishra and Ansari 2013; Reardon et al. 1996; Yu and Ramanathan 2008). Thus, efficient retailers can produce more with the same inputs as inefficient retailers.

Recently, a few studies examined the impact of number of stores and expansion on efficiency. Barros (2006) conducted a Data Envelopment Analysis (DEA) and tobit regression analysis, and found a positive relationship between efficiency and number of stores.

DEA is a method to calculate a decision-making unit's relative efficiency for multiple input and multiple output situations. Some studies employ this approach to measure retailers' efficiency (Keh and Chu 2003; Barros and Alves 2003). Further, Assaf et al. (2011) investigate the degree of geographical expansion and show a positive relationship between geographical expansion and efficiency.

Some studies emphasize economies of scale to explain why multiple store retailers obtain competitive advantages through expansion. For instance, Evans et al. (2008) use a qualitative study to show that standardizing retail operations leads to efficiency through economies of scale. In other words, firms standardize their operations in response to economies of scale through expansion. Further, Ganeshan et al. (2007) use the speed to obtain economies of scale as a parameter in their model wherein retailers decide to localize or centralize their business.

Economies of scale mean that the average cost of production decreases as scale or production increases (Hanoch 1975). Therefore, some studies propose that the number of stores has a positive impact on efficiency because they can produce with a lower average cost by increasing their scale.

Further, researchers in econometrics have also studied economies of scale in the retail context. Ingene (1984) estimates a Cobb–Douglass production function to test the economies of scale per store based on duality and shows evidence that only drug and variety stores obtain economies of scale.

On the other hand, Reardon et al. (1996) estimate a Cobb–Douglas production function for a retail store in Dallas, Texas, and find that retail stores have constant returns on scale. Mishra and Ansari (2013) estimated a modified Cobb–Douglass production function for clothing stores in India and observed a diminishing return on scale.

Further, Illueca et al. (2009) focus on geographical expansion and efficiency, and show that expanding operational scale leads to increased difficulty in managing stores and general administration as a firm, which negatively affects efficiency. Srinivasan et al. (2013) show that opening new stores has a negative impact on firm value, because this is a sales expansion-focused initiative, while retailers close stores during a cost-focused initiative. Thus, retailers obtain competitive advantage by increasing the number of stores when the increase in their sales is higher than that in their cost, and expanding operational scale by increasing the number of stores is a cost inefficient activity.

Previous studies contain two controversial arguments. In the first, retailers obtain cost efficiency by increasing the number of stores. In the second, retailers cannot obtain cost efficiency by increasing stores. Therefore, this study proposes a theoretical framework for how retailers' costs are affected by retail expansion, especially by the number of stores, and empirically tests the framework.

However, besides macro issues such as regional, cultural, and economic factors from national and geographical differences, in addition to time variation, factors such as the type of retail format also impact the ability to scale efficiently. Ingene (1984) claims that the format strongly impacts retail efficiency because of the differences related to their retail operations, such as assortment types and selling and promotional strategies. Therefore, other studies have employed a specific retail format as their sample to control the format characteristics, such as differences in assortment and service (Assaf et al. 2011; Barros 2006; Mishra and Ansari 2013). Therefore, this study analyzes impact of the number of stores on efficiency while controlling for the formats.

Integrating the above arguments, this study investigates whether retailers' costs have increasing, diminishing, or constant returns as the number of stores increases. Table 1 summarizes the previous studies mentioned in this paper.

## Theoretical Framework and Hypotheses

While some previous studies claim that retailers obtain cost efficiency by increasing the number of stores, others argue that retailers cannot obtain cost efficiency by increasing stores.

**Table 1** Summary of main literature

| Authors (year) | Focal point | Method | Main variables | Results or assumption |
|---|---|---|---|---|
| Assaf et al. (2011) | Retail cost efficiency and firm characteristics (e.g. age, the degree of vertical integration, and geographical expansion) in Spain | Bayesian approach | Total cost; price of return on capital | Geographical expansion has a positive impact on efficiency |
| Barros (2006) | Efficiency and strategic factors in Portugal | DEA and tobit regression | Sales; value-added (VA); labor; capital | The number of stores has a positive impact on efficiency |
| Evans et al. (2008) | Drivers of retail internationalization and standardization of retail operation | Qualitative interviews | Internationalization; standardization and adaptation | Economies of scale drives retailers to standardize their operations |
| Ganeshan et al. (2007) | An optimization model that allocates buyers between a central buying organization and local retail outlets | Model development and simulation | Full time equivalent; central/local location | Optimal buying behavior depends on how fast the economies of scale benefits accrue |
| Illueca et al. (2009) | The effect of geographical expansion on the productivity of Spanish banks | DEA and non-parametric regression | Efficiency change; number of branches; % of all branches in other markets | The approach to expansion impacts productivity due to the difficulty of managing the operation |
| Ingene (1984) | Economies of scale for retail stores in the USA | Estimation of Cobb–Douglass production function | Sales; labor; store size | Economies of scale are observed in specific formats |
| Mishra and Ansari (2013) | Economies of scale for clothing stores in India | Estimation of Cobb–Douglass production function | VA; SKU; store size; location; IT input | Finds diseconomies of scale |
| Reardon et al. (1996) | Economies of scale for retail stores in the USA and the impact of IT input | Estimation of Cobb–Douglass production function | VA; labor; store size; IT input | Finds a constant return on scale |
| Srinivasan et al. (2013) | Opening/closing stores and firm value | Bayesian approach | Firm value; number of stores opened/closed; retailer characteristics | Opening stores has a negative impact on firm value |

Retailers primarily increase their operational scale in two ways. First, retailers increase the scale per store to increase the amount of product to display and cover a wider range of consumer demands (Walters and White 1987). Second, retailers increase the number of stores by opening new branches.

When retailers increase their scale, their costs increase as well. Because this study focuses on cost efficiency and scale expansion, it focuses on both whether scale has a positive impact on costs and how cost increases when scale increases. For example, when retailers obtain cost advantages through expansion, cost has diminishing returns when scale increases.

The most basic cost advantage obtained when retailers increase scale is quantity advantage in purchasing costs which is explained based on economies of scale (Ingene 1984). Retailers with more stores must make larger purchase amounts of specific products. Hence, retailers can disperse the costs related to one purchase transaction over a larger amount of the product, reducing the average cost for a specific product.

In terms of retail management, a report on Aldi's retail operations claimed that they achieved cost advantages through retail expansion while narrowing their assortment range (Planet Retail 2006). This implies a possibility that costs associated with purchasing products have a diminishing return on scale.

However, academics have identified this effect only in the context of one store (Ingene 1984). In multi-store context, retailers have another characteristic whereby any business expansion is accompanied by increased costs.

Srinivasan et al. (2013) emphasize that increasing the number of stores increases costs, and retailers obtain cost advantages by closing stores. Further, retailers must build a store and transact with customers to operate their business. As retailers open new stores and expand their operational scale, the difficulty in controlling operations at each store increases (Illueca et al. 2009). In other words, the costs associated with selling and general administration, and promoting products in each store, have increasing with retail expansion. However, this also has not been empirically tested.

These arguments imply a number of different types of costs, such as purchasing cost, store administration, and general administration costs, which increase differently as the number of stores increases. In other words, the arguments about types of costs represent retailers' two-sided operations, which include purchasing activities in the back office of retail operations, and selling activities and store administration as the front-end of retail operations. While retailers obtain a scale advantage in purchasing cost by increasing the number of stores, this is accompanied by a constant increase or inefficiency in other types of cost. Thus, this trade-off relationship between purchasing costs and other costs determines whether retailers can achieve total operational cost advantages. Integrating the above arguments, this study proposes the following hypotheses:

$H_1$ Purchasing cost has diminishing returns as the number of stores increases
$H_2^a$ Other costs have constant returns as the number of stores increases
$H_2^b$ Other costs have increasing returns as the number of stores increases.

## Data Collection

The hypotheses are tested using a model developed and applied to the retail market in Japan. Japanese retailers expand their business by increasing the number of stores, though compared to those in the USA. Japanese retailers have traditionally expanded by opening small store branches rather than expanding the scale per store as a result of Japan's land area and the large scale store law repealed in 2000 (Larke and Causton 2005). Thus, Japanese market is an appropriate object to analyze the impact of the number of stores.

Further, the Japanese market has been considered one of the most competitive markets since even global retailers such as Wal-Mart and Carrefour encounter difficulties when they enter and operate in Japan (Aoyama 2007). Therefore, a study of retail efficiency in Japan is relevant.

This study focuses on how costs increase when retailers expand their scale, employing a cross section of data for the Japanese retail market to control for the effect of commodity price and differences in market structure. The data is publicly listed and collected from the retailers' 2013 financial reports sourced from EOL, a comprehensive business information database of Asian firms, and from the related corporate websites if necessary. As a result, 213 samples were obtained. EOL contains information from stock exchanges across the country and data for some unlisted firms in Japan, making it an appropriate database to comprehensively collect Japanese retailers' data.

Tables 2 and 3 provide the descriptive statistics and correlation matrix for the study variables, respectively. Because the estimation model uses the logarithm of variables, the tables provide descriptive information about the raw numbers and the logarithm numbers.

**Table 2** Descriptive statistics

| Variables | Mean | Std. dev. | Min | Max |
|---|---|---|---|---|
| Sales | 194,960.9 | 515,695.3 | 312 | 5,481,352 |
| TC | 185,292.3 | 485,642.6 | 300 | 5,298,872 |
| PC | 103,871.4 | 254,985.9 | 187 | 3,163,564 |
| OC | 81,420.84 | 369,022.6 | 113 | 4,920,313 |
| Number of stores | 449.21 | 1384.55 | 1 | 11,754 |
| Sales space | 3436.63 | 5927.59 | 24.060 | 48,813.52 |
| Labor | 53.29 | 112.44 | 0.317 | 925.64 |
| log(Sales) | 11.07 | 1.47 | 5.743 | 15.52 |
| log(TC) | 11.03 | 1.46 | 5.704 | 15.48 |
| log(PC) | 10.47 | 1.53 | 5.231 | 14.97 |
| log(OC) | 9.88 | 1.50 | 4.727 | 15.41 |
| log(Number of stores) | 4.70 | 1.68 | 0 | 9.37 |
| log(Sales space) | 6.95 | 1.68 | 3.18 | 10.80 |
| log(Labor) | 3.00 | 1.33 | −1.15 | 6.83 |

**Table 3** Correlation matrix

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. log(Number of stores) | 1 | | | | | | | | | | |
| 2. log(Sales space) | −0.41 | 1 | | | | | | | | | |
| 3. log(Labor) | −0.59 | 0.64 | 1 | | | | | | | | |
| 4. Food assortment | −0.13 | 0.19 | 0.24 | 1 | | | | | | | |
| 5. Clothes assortment | 0.19 | −0.20 | −0.28 | −0.18 | 1 | | | | | | |
| 6. Home center | −0.06 | 0.25 | 0.07 | −0.13 | −0.11 | 1 | | | | | |
| 7. General super market | −0.03 | 0.24 | 0.15 | −0.13 | −0.11 | −0.08 | 1 | | | | |
| 8. Convenience store | 0.24 | −0.14 | −0.31 | −0.07 | −0.06 | −0.04 | −0.04 | 1 | | | |
| 9. Pharmacy | 0.19 | −0.10 | −0.15 | −0.14 | −0.11 | −0.08 | −0.08 | −0.05 | 1 | | |
| 10. Department store | −0.50 | 0.27 | 0.55 | −0.12 | −0.10 | −0.07 | −0.07 | −0.04 | −0.08 | 1 | |
| 11. Multi-format | 0.21 | −0.01 | 0.02 | −0.11 | −0.09 | −0.07 | 0.01 | −0.04 | −0.07 | −0.06 | 1 |

## Measurement and Model Specification

This study focuses on the trade-off relationship between different types of costs. To empirically test this framework, this study analyzes how retail costs increase depending on retail expansion, including the number of stores. Thus, this study focuses on the relationship between the main variables including cost and the retail operational scale rather than estimating the cost function. This study analyzes whether each cost has increasing, decreasing, or constant returns when the number of stores, sales space, and number of employees (labor) increase.

Costs represent the dependent variables in this study, which focuses especially on operational costs since Bianchi (2009) claims that marketing factors for store operation are more important than financial assets to gain competitive advantage in the retail market. This study examines three types of costs. The first is total operational cost (TC), representing costs related to retail operations, calculated in millions of yen with the following:

$$TC = Sales - Operational\ profit$$

The second is purchasing cost (PC), which represents the monetary amount of purchases in millions of yen. The third includes other administration costs (OC), calculated as follows:

$$OC = TC - PC$$

This cost includes those associated with retail operations such as logistics, advertising, store administration, and general administration.

This study uses the number of stores, sales space per store ($m^2$), and the number of employees as independent variables. Previous studies have adopted sales space as retailers' input (Barros 2006; Ingene 1984; Keh and Chu 2003; Mishra and Ansari 2013; Reardon et al. 1996; Yu and Ramanathan 2008). However, previous studies have found inconsistent results in terms of the relationship between sales space and efficiency, so this study analyzes the impact of sales space while controlling the impact of the number of stores and retail format. Labor has also been employed as an input factor (Ingene 1984; Keh and Chu 2003; Mishra and Ansari 2013; Reardon et al. 1996). This study includes part-time employees in the labor variable because part-time employees play an important role in retail store operations. This study uses sales per store and the number of employees per store to avoid multicollinearity between independent variables (Ingene 1984).

Ingene (1984) claims that format strongly impacts retail efficiency because of the differences related to retail operations, such as assortment type and selling and promotional strategies. Assaf et al. (2011) focus only on supermarkets to analyze retail efficiency to control for differences in assortment and service between formats. Thus, characteristics inherent to specific formats related to retail operational strategies such as assortment, selling, promotion, and service impact efficiency.

Therefore, this study controls the impact of format by using dummy variables for some major formats.

As a controlling variable, "specialty retailers" (Ingene 1984; Keh and Chu 2003; Mishra and Ansari 2013; Uyar et al. 2013) are defined as retailers with a specific product type that represents more than 90 % of the company's sales to specify assortment specialty. General assortment (Barros 2006; Ingene 1984) is defined as a retailer with a multi-product type assortment and no product that accounts for over 80 % of sales. This study employs the sub-classification of general assortment as the format. This study follows the classification within the commercial statistics published by the Japanese Ministry of Economy, Trade and Industry.

This study specifically estimates the following log-linear regression model to analyze how costs increase when retail scale increases while controlling for retail format ($i$ = Total operational cost, Purchasing cost, Other cost).

$$\log C_i = \alpha_0 + \alpha_1 \log K_1 + \alpha_2 \log K_2 + \alpha_3 \log L + D_f + D_c + D_h +$$
$$D_{gs} + D_{cvs} + D_p + D_d + D_{multi} + u$$

Because this model takes the logarithm for both dependent and independent variables, parameter $\alpha_i$ represents elasticity. Therefore, the estimation results show if independent variables have a positive or negative impact on the dependent variables, as well as how the dependent variables increase when the independent variables increase. Thus, this estimation model is appropriate for the purpose of this study.

## Results

This study first employs the Ordinary least square (OLS) method; however, heteroskedasticity in the variance was identified in the TC and OC models through a Breusch–Pagan Cook–Weisberg test ($\chi^2(1)$ = 4.24, \$p = 0.039 for TC; $\chi^2(1)$ = 11.57, $p = 0.001$ for OC). Therefore, this study employs heteroskedasticity robust standard error (White 1980) for the TC and OC models. Heteroskedasticity was not identified for the PC model ($\chi^2(1)$ = 0.05, $p = 0.816$\$ for PC).

At the 5 % significance level, PC has a diminishing return as the number of stores increases ($p = 0.005$) but OC ($p = 0.858$) and TC ($p = 0.207$) have a constant return related to the number of stores. Therefore, $H_1$ was supported. Also, because a constant return was observed for other costs, $H_2{}^a$ was supported.

Because total cost also has constant returns as the number of stores increases, the hypothetical framework proposing that despite gaining a purchasing cost advantage, the trade-off relationship between purchasing costs and other costs determines if retailers achieve total operational cost advantages was identified.

OC has a diminishing return on sales space ($p = 0.000$). On the other hand, TC has a constant return on the number of employees ($p = 0.106$). The results also show

that PC has diminishing returns on sales space ($p=0.000$), but a constant return on the number of employees ($p=0.095$). Furthermore, OC has a diminishing return on sales space ($p=0.000$), and a constant return on number of employees ($p=0.065$). Tables 4, 5, and 6 present the results for the TC, PC, and OC analyses.

## Discussion

The empirical results show that purchasing costs have a diminishing return on the number of stores, but other costs, including the costs associated with retail operations such as logistics, advertising, store administration, and general administration, have a constant return, and thus total operational costs have a constant return on the number of stores.

These results are consistent with the hypotheses in this study and emphasize the trade-off relationship between purchasing costs and other costs associated with selling and general administration as well as promoting products in each store. Thus, when retailers expand their operational scale by increasing the number of stores, they gain efficiency in the back office retail operations related to purchasing, but not in the front-end of the retail operation, such as store management and general administration.

The results related to sales space show that all types of costs have a diminishing return as sales space increases, indicating that retailers can increase efficiency by

**Table 4** TC results

| Variables | Total cost | | |
| --- | --- | --- | --- |
|  | Coefficient | S.E. | $p$-value |
| Number of stores | 0.941 | 0.047 | 0.000 |
| Sales space | 0.099 | 0.031 | 0.002 |
| Labor | 0.897 | 0.063 | 0.000 |
| Food assortment | −0.057 | 0.109 | 0.603 |
| Clothes assortment | −0.166 | 0.126 | 0.190 |
| Home center | 0.114 | 0.106 | 0.281 |
| General super market | 0.023 | 0.144 | 0.875 |
| Convenience store | 1.038 | 0.554 | 0.062 |
| Pharmacy | 0.331 | 0.108 | 0.003 |
| Department store | 0.802 | 0.229 | 0.001 |
| Multi-format | 0.340 | 0.407 | 0.405 |
| Constant | 3.140 | 0.383 | 0.000 |
| $F$ test | $F(11, 201)=109.37 \ (p=0.000)$ | | |
| $\bar{R}^2$ | 0.8693 | | |
| Constant return test of number of stores | $F(1, 201)=1.60 \ (p=0.207)$ | | |
| Constant return test of sales space | $F(1, 201)=824.59 \ (p=0.000)$ | | |
| Constant return test of labor | $F(1, 201)=2.63 \ (p=0.106)$ | | |

**Table 5** PC results

| Variables | Purchasing cost | | |
|---|---|---|---|
| | Coefficient | S.E. | p-value |
| Number of stores | 0.873 | 0.044 | 0.000 |
| Sales space | 0.143 | 0.045 | 0.002 |
| Labor | 0.878 | 0.073 | 0.000 |
| Food assortment | 0.130 | 0.172 | 0.452 |
| Clothes assortment | −0.128 | 0.183 | 0.485 |
| Home center | 0.318 | 0.232 | 0.172 |
| General super market | −0.023 | 0.232 | 0.920 |
| Convenience store | −0.088 | 0.397 | 0.824 |
| Pharmacy | 0.757 | 0.217 | 0.001 |
| Department store | 0.664 | 0.319 | 0.038 |
| Multi-format | 0.101 | 0.265 | 0.703 |
| Constant | 2.611 | 0.385 | 0.000 |
| F test | $F(11, 201) = 55.29 \ (p = 0.000)$ | | |
| $\bar{R}^2$ | 0.738 | | |
| Constant return test of number of stores | $F(1, 201) = 8.19 \ (p = 0.005)$ | | |
| Constant return test of sales space | $F(1, 201) = 361.76 \ (p = 0.000)$ | | |
| Constant return test of labor | $F(1, 201) = 2.82 \ (p = 0.095)$ | | |

**Table 6** OC results

| Variables | Other cost | | |
|---|---|---|---|
| | Coefficient | S.E. | p-value |
| Number of stores | 0.992 | 0.047 | 0.000 |
| Sales space | 0.053 | 0.040 | 0.187 |
| Labor | 0.859 | 0.076 | 0.000 |
| Food assortment | −0.286 | 0.124 | 0.022 |
| Clothes assortment | −0.054 | 0.108 | 0.615 |
| Home center | −0.045 | 0.100 | 0.652 |
| General super market | −0.019 | 0.160 | 0.905 |
| Convenience store | 0.970 | 0.937 | 0.302 |
| Pharmacy | −0.211 | 0.108 | 0.051 |
| Department store | 0.918 | 0.278 | 0.001 |
| Multi-format | 0.266 | 0.411 | 0.519 |
| Constant | 2.268 | 0.393 | 0.000 |
| F test | $F(11, 201) = 94.35 \ (p = 0.000)$ | | |
| $\bar{R}^2$ | 0.8289 | | |
| Constant return test of number of stores | $F(1, 201) = 0.03 \ (p = 0.858)$ | | |
| Constant return test of sales space | $F(1, 201) = 560.19 \ (p = 0.000)$ | | |
| Constant return test of labor | $F(1, 201) = 3.42 \ (p = 0.065)$ | | |

increasing the sales space while the number of stores and the number of employees are fixed. In other words, an expansion strategy focusing on a few large stores is likely to be efficient.

However, increasing the number of employees does not seem to show any efficiency gains. Therefore, it is difficult to improve efficiency by increasing the number of employees so long as the sales space and the number of stores are fixed.

## Implications

Previous studies show conflicting results in terms of the relationship between the number of stores and cost efficiency. This study focuses on retailers' cost efficiency, especially regarding increases in costs associated with expansion.

Further, despite technological advancements, recent studies into economies of scale and IT investments show inefficiency as a result (Reardon et al. 1996; Mishra and Ansari 2013). These results indicate the possibility that it is difficult to gain efficiency through retail expansion, despite investments in technology.

This study highlights the cost structure of multi-store chain retailers. Specifically, the results emphasize that purchasing costs and other costs increase differently as the number of stores increases, indicating as retailers open new stores and expand their operational scale, it becomes more difficult to control operations at each store (Illueca et al. 2009). In other words, the costs associated with selling and general administration and promoting products in each store have increasing returns through retail expansion.

Further, this study also shows that sales space per store and the number of stores have different impacts on cost efficiency. The results also show that an increase in sales space per store leads to efficiency in both purchasing and other costs, such as those associated with selling and general administration. This suggests that retailers' capital input should be considered separately as the number of stores and sales space per store, and not as the total sales space, which is calculated as sales space per store times the number of stores.

This study's results offer several managerial implications. The results clarify the cost structure of multi-store chain retailers, and can assist managers in determining an investment strategy to grow efficiently. For example, because increasing the number of stores creates cost efficiency in purchasing, it is better retailers that aim to obtain cost efficiency in the channel to reduce investments in operations and to invest more in the purchasing process. For example, investments in delivery systems, such as through information communication technology is one option.

On the other hand, retailers interested in reducing the rate of increase in store operations and administration, it is better to focus on a strategy specifically targeting such costs. For example, advertising and pricing strategies are important. In Japan, many retailers employ high-low pricing and leaflet discount information for each store. A standardized advertising format for the chain and an everyday low price strategy could possibly improve retailers' advertising cost efficiency.

Further, a strategy to open a few large stores is likely to be efficient. The results show that the number of stores leads to purchasing cost efficiency, but not for other costs, such as those associated with selling and general administration. However, this can be overcome by increasing the sales space per store, as this creates efficiency for both purchasing and other costs.

As this study represents the first analysis of the impact of the number of stores on cost efficiency, it has two limitations. First, the sample for this study is a cross section of data for the Japanese retail market. This method controls for the effect of commodity prices and differences in market structure, though these results cannot be generalized globally due to the characteristics of the data. Extending the sample would help in creating a generalizable result. Further, an analysis of the effect of time and changes in scale on efficiency would aid in understanding the relationship between scale expansion and efficiency.

Second, this study does not assess the impact of specific strategic factors on efficiency. Therefore, studies are required to identify specific strategic factors to moderate increases in costs. This could lead to a better understanding of the relationship between retail expansion and cost structure.

## Conclusion

As many retailers expand their business by increasing retail outlets based on chain operations, the number of stores is an important indicator affecting the business' efficiency. However, the previous literature contained conflicting results and arguments about the impact of the number of stores on efficiency.

This study contributes the first analysis of how costs increase when the number of stores increases by conducting log-linear regression analysis.

Overall, when multi-store chain retailers expand their operational scale, they may obtain a quantity advantage in purchasing costs, but this is accompanied by a constant increase in the costs for store operations. Thus, a strategy to create a few large branches is likely to be efficient.

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# Moving Towards an Omni-Channel Strategy: Process and Challenges

**Picot-Coupey Karine, Huré Elodie, and Piveteau Lauren**

**Abstract**  As cross-channel and omni-channel strategies become prevalent among retailing practitioners, existing research calls for further investigation about important issues in relation to the implementation of cross- and omni-channel strategies (Brynjolfsson et al. 2013; Gallino and Moreno 2013; Lewis et al. 2013; Strang 2013). There is a need for explaining how to go omni-channel and for exploring the ways to address challenges faced when implementing an omni-channel strategy (Brynjolfsson et al. 2013). This chapter proposes to address this call by investigating an in-depth single case study of an eyewear retailer *Direct Optic*. By observing the orchestration of the convergence of bricks and clicks in an omni-channel perspective, this chapter answers the following research questions: (*RQ1*) What is the process of moving towards an omni-channel strategy? (*RQ2*) What are the challenges faced in this process? This research provides one of the first in-depth case studies on how a multi-channel retailer moves towards an omni-channel strategy. This research contributes in clarifying the differences between multi-channel, cross-channel, and omni-channel strategies. We also underline that moving from a multi- to an omni-channel strategy first involves organizational changes, then followed by operational evolutions. Omni-channel strategies can be considered as the optimum situation of the cross-omni-channel continuum, meaning that all the identified challenges have been overcome when reaching the extreme end of the continuum.

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# Branded Store-Within-Stores: Differential Impact of "Star" vs. "Supporting Cast" Brands on Brand and Retailer Outcomes

**Vishag Badrinarayanan and Enrique Becerra**

**Abstract** The adoption of *branded store-within-stores* by retailers is an innovative approach aimed at improving customer engagement, retail store design and layout, and ultimately, value creation for both customers and retailers (Jerath and Zhang 2010; Sorescu et al. 2011). In a typical branded store-within-store format, specific brands enter a rental or profit sharing agreement with a retailer to have a standalone existence within a retail store's layout with the brand's vendor partly or wholly managing activities such as pricing, merchandising, staffing, and stocking in an autonomous manner (Jerath and Zhang 2010). Although there are different manifestations of the store-within-store format, the focus of this study is on formats where third-party owned product or retailer brands are presented in an independent arrangement within a retail store. The Sephora store inside JCPenney, Armani, and Gucci stores inside Neiman Marcus, the DKNY store inside Bloomingdale's, the North Face store inside Sports Authority, and the Samsung store inside Best Buy are examples of this phenomenon.

This study tests a framework of (1) consumers' evaluations of brands and retailers involved in branded store-within-store formats, (2) their subsequent behavioral intentions toward the brand alliance and constituent partners (i.e., the brands and retailers), and ultimately (3) differences in the above-mentioned issues across store-within-stores featuring a "star" brand (i.e., a standalone store-within-store for a brand that is perceived as significantly superior to the other brands in the retail store) versus a "supporting cast" brand (i.e., a standalone store-within-store for a brand that is perceived as comparable to the other brands in the retail store).

Based on the data collected from 258 undergraduate students from a large Southwestern university in the USA, the findings indicate that the type of branded store-within-a-store affect intentions toward a retailer, with a Star Brand exerting greater influence on intentions toward the retailer and the featured brand than the retailer's prototypical brands. In addition, results show greater intentions toward the retailer and the featured brand in the case of a Star Brand store-within-store for

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male shoppers rather than female shoppers. Overall, results indicate that stores looking to increase sales by adding a branded store-within-store should consider brands that their shoppers consider superior to the store's prototypical brands. This study is exploratory in nature and future research, using different product and/or store types and samples, could help validate the results.

**References available upon request.**

# Session 6.3
# Consumption and Brands

# Post-consumption Guilt and Rumination: How Positive Reinterpretation Can Help and Drive Satisfaction

**Renaud Lunardo and Camille Saintives**

**Abstract**  This paper investigates how consumers regulate their post-consumption guilt and their rumination through positive reinterpretation. Two studies show that guilt and rumination lead people to engage in positive reinterpretation. They also show that guilt and rumination interact such that high guilt leads to high positive reinterpretation whatever the rumination level, while low guilt feelings lead to high positive reinterpretation only when rumination is high. Also, results from study 2 reveal a mediating effect of positive reinterpretation on the guilt-satisfaction relationship. Further, regulatory focus is shown to moderate the effect of positive reinterpretation on satisfaction, with promotion-focused consumers exhibiting more satisfaction than prevention-focused consumers when positive reinterpretation is low.

**Keywords**  Guilt • Rumination • Positive reinterpretation • Satisfaction • Regulatory focus

## Introduction

Guilt represents a common emotion that consumers might feel in response to consumption (Goldsmith et al. 2012; Lee-Wingate and Corfman 2010). Guilt is often associated with the negative cognition of rumination (Tangney 1995; Tangney et al. 1996), a relatively common response to negative moods and stressful life events whereby people repetitively think about their negative feelings, their possible causes, meanings, and consequences (Nolen-Hoeksema et al. 2008; Robinson and

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Alloy 2003). Considering the negative aspects of guilt and rumination in consumption, it is surprising that consumer research has not to date examined their regulation and their effects. This research aims to fill this gap and examines how positive reinterpretation may help consumers regulating their post-consumption guilt and rumination. Positive reinterpretation refers to a cognitive process whereby individual reconstrue the situation in such a way as to put the best light on it (Folkman and Moskowitz 2000; Yi and Baumgartner 2004). For marketers, understanding such a process appears critical: if people feel bad about their behaviors, it is at risk that they develop negative attitude toward the product or the brand, while if they positively reinterpret their consumption, this regulating process may result in positive outcomes.

Specifically, what we suggest is that positive reinterpretation increases with both guilt and rumination. However, the effect of guilt on positive reinterpretation may be moderated by rumination, this latter variable acting as a quasi-moderator (Sharma et al. 1981). Specifically, we suggest and show that when guilt is high, consumers may engage in positive reinterpretation, whatever how much they ruminate. On the contrary, when guilt is low, consumers may not engage in positive reinterpretation unless they highly ruminate. This may occur because when guilt is low, consumers may not have to cope with their guilt and positive reinterpretation is thus not needed. However, such positive reinterpretation may represent an appealing option for people whose guilt—even if low—is associated with high rumination. As rumination involves a focus on the negative aspects of their consumption (Nolen-Hoeksema 1998), consumers who ruminate may be willing to find positive elements in their consumption and positive reinterpretation may thus increase.

Additionally, we suggest that because positive reinterpretation leads consumer to see their consumption behavior through a positive lens, it may act as a mediating variable explaining why guilt-inducing consumption can reveal satisfying. Importantly, we propose that this effect of positive reinterpretation on satisfaction toward consumption is moderated by regulatory focus, with promotion-focused being more sensitive and exhibiting more satisfaction when positively reinterpreting their consumption.

In what follows, a literature review on guilt, rumination, and positive reinterpretation is presented. Also, two studies testing our predictions are presented. Then, theoretical and managerial implications are discussed.

## Theoretical Background

### *Consumption, Guilt, and Rumination*

The unpleasant and self-conscious guilt feeling arises when individuals think they have violated an internal moral, societal, or ethical standard (Baumeister et al. 1994; Kugler and Jones 1992), or acknowledge a transgression (Burnett and Lunsford

1994). Consumer research on guilt has mostly focused on its antecedents and showed that these emotions mainly result from indulgence (Giner-Sorolla 2001; Goldsmith et al. 2012; Mishra and Mishra 2011) and a lack of self-control (Baumeister and Heatherton 1996). Previous research shows for instance that consumers are more likely to feel guilty about choosing hedonic (vs. utilitarian) products, such as indulgent food (candies, snacks, gourmet restaurant dinners, etc.) (e.g., Kivetz and Keinan 2006; Kivetz and Simonson 2002). Also, research has identified that guilt emanates from impulsive (Mukhopadhyay and Johar 2007) and compulsive buying (O'Guinn and Faber 1989).

As consumer research on guilt has mostly investigated its antecedents, the cognitive, emotional, and behavioral consequences of guilt have remained underinvestigated. Research on emotion regulation strongly supports the notion that it is helpful for individuals to process and work through negative emotions (Pennebaker and Graybeal 2001). Psychological research brings evidence that when people are beset by guilt, they are preoccupied with their transgression and guilt weighs heavily on their mind (Martin and Tesser 1996; Tangney 1995; Tangney et al. 1996), making them likely to engage in rumination. This rumination involves intrusive and obsessive thoughts (e.g., Nolen-Hoeksema 1998) that lead individuals to concentrate on the negative and damaging features of their behavior. Within a consumption context, rumination may arise at the post-purchase stage when the decision produces undesirable outcomes. Specifically, we suggest that because (1) guilt is a negative emotion and (2) rumination involves a focus on the negative aspects of a given situation, rumination may arise when individuals feel guilty about their consumption.

## *Positive Reinterpretation*

As a negative emotion, guilt can be felt as a stressful experience. According to Lazarus and Folkman (1984) individuals facing a stressful situation first engage in cognitive appraisal, which refers to a process through which the person evaluates whether a particular encounter with the environment is threatening or positive (Folkman et al. 1986). Then, individuals evaluate what can be done about the situation. This phase of coping represents the individual's changing cognitive and behavioral efforts to manage specific external and/or internal demands that are appraised as taxing or exceeding the person's resources (Lazarus and Folkman 1984). As people start to appraise cognitively the situation to deal with it, appraisal is central to the stress process and it is more the interpretation of stressful events that is important than the events themselves (Lazarus and Folkman 1984). Thus, one way to cope with a stressful situation might be to change our appraisal of the situation in a positive way by reframing a situation to see it in a positive light (seeing a glass half full as opposed to half empty).

To cope with the negative feeling of guilt and the negative cognition of rumination, individuals may thus be tempted to reappraise the negative experience that made them experience guilt. Such mental operations adopted to regulate negative

emotions have already been highlighted in previous research (Kross et al. 2005). Following this view, what we propose in this chapter is that individuals might reappraise guilt-inducing consumption through the process of positive reinterpretation. This positive reinterpretation—or positive reappraisal—is a cognitive process that individuals adopt to find some positive meanings in a negative event. Through the process of positive reinterpretation, the meaning of a situation is thus changed in a way that allows people to experience positive emotions and psychological well-being (e.g., Folkman and Moskowitz 2000).

## Hypothesis

In the case of consumption-related guilt, it may be tempting to suggest that consumers who feel guilty might ruminate about their behavior and positively reinterpret their consumption. Both rumination and positive reinterpretation are cognitive coping strategies that involve sustained attention on emotional experience (Parkinson and Totterdell 1999) and may thus both result from the negative emotion of guilt. Previous research brings consistent support for the notion of both rumination (e.g., Tangney et al. 1996) and positive reinterpretation (Yi and La 2004) as outcomes of guilt. It is thus likely that when feeling guilty, people are likely to ruminate and to engage in positive reinterpretation to see their behavior under a better light.

However, what we argue is that rumination acts as a quasi-moderator (Sharma et al. 1981) in a sense that it may result from but also interacts with guilt feelings to affect positive reinterpretation. When guilt is high, people may be eager to cope with such a negative emotion (Lazarus and Folkman 1984; Yi and Baumgartner 2004) and they thus may engage in an intense positive reinterpretation, whatever their degree of rumination. However, when their guilt feelings are low, consumers may not be likely to try to cope with this emotion unless such emotion is associated with high rumination. The rationale behind this prediction lies in that rumination involves a focus on the negative aspects of their behavior (Nolen-Hoeksema 1998), and people who ruminate may thus be more inclined to engage in positive reinterpretation. Thus, when guilt is low, positive reinterpretation may increase with rumination: positive reinterpretation may be low for low levels of guilt and rumination but may be high when rumination reaches a high level. Hence, we propose the following:

*Hypothesis 1: Guilt and rumination interact to affect positive reinterpretation: when rumination is low, high guilt will lead to higher positive reinterpretation than low guilt.*

## Study 1

### *Method*

Participants ($n=177$, 56.5 % being women) were undergraduate students who voluntarily took part to the study. Participants were randomly assigned to one of two conditions: a guilt or control condition. The procedure adopted by following Han et al. (in press) was used to manipulate guilt. Participants were told to write down their feelings and thoughts regarding a past consumption episode, trying to accurately recollect how they felt and acted during this episode. Participants in the guilt condition were asked to recall a past consumption episode that made them feel intense guilt and what it felt like to be guilty. They were then asked to write down the conditions surrounding this event and describe as vividly as possible what factors contributed to their intense feelings of guilt. Participants in the control condition were asked to recall a consumption episode they experienced the previous week.

Then participants were asked to rate the extent to which they have positively reinterpreted the situation using four items from Carver et al. (1989) that were adapted to the study ("I've tried to find something positive in this experience"; "I've tried to consider that experience differently, to see it more positively"; "I've learned something from this consumption episode"; "I've tried to grow up following that consumption", $\alpha=0.60$). Participants were also asked to indicate the degree to which the situation described in the scenario has made them ruminate, using an eight-item scale that was adapted to the context of the study (McCullough et al. 2007; $\alpha=0.95$). This included items such as "I couldn't stop thinking about what that consuming did to me"; "Thoughts and feelings about how having experienced that consumption hurt me kept running through my head"; "Strong feelings about what this consumption did to me kept bubbling up"). Participants also indicated how likely they have felt guilty using a 3-item measure of guilt (Dahl et al. 2003) ("no guilt at all/a lot of guilt", "no remorse at all/a lot of remorse", "did not feel bad at all/felt very bad"; $\alpha=0.71$). All the statements were rated on seven-point Likert scales (1=strongly disagree, 7=strongly agree).

### *Results*

The guilt manipulation led to significantly more guilt than the control manipulation ($M_{Guilt}=4.88$, $M_{Control}=2.23$, $F(2, 175)=170.56$, $p<0.001$). To test the hypothesis that when individuals ruminate, they engage in higher positive reinterpretation when the guilt feeling is low, positive reinterpretation was regressed on the guilt condition, rumination and the guilt condition×rumination interaction. Main effects of guilt ($\beta=2.91$, $t=5.18$, $p<0.001$) and rumination ($\beta=0.55$, $t=4.73$, $p<0.001$) emerged. Importantly, and supporting hypothesis 1, a significant effect of the

guilt×rumination interaction was observed ($\beta=-0.58$, $t=-3.36$, $p<0.01$) on positive reinterpretation. The Johnson–Neyman point for the rumination moderator occurs at a value of 3.95, or 0.80 standard deviations above the mean of 2.83. This indicates that high guilt results in significantly lower levels of positive reinterpretation for all values of rumination below 3.95. As such, these data are consistent with Hypothesis 1 and the prediction that guilt and rumination exert main effects and an interacting effect on positive reinterpretation (Fig. 1).
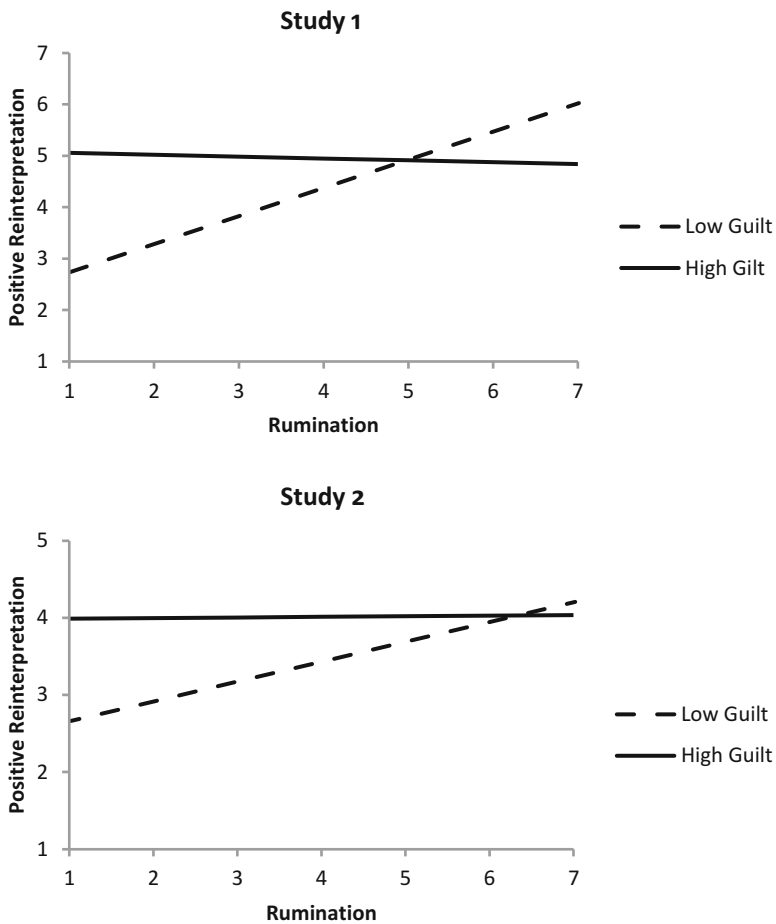
**Fig. 1** The effects of guilt and rumination on positive reinterpretation

## *Discussion*

Study 1 indicates that rumination interacts with guilt to impact positive reinterpretation. When rumination is low, high (vs. low) guilt leads consumers to engage more in positive reinterpretation, while such difference between low and high guilt is not observed when rumination is high.

However, while these results provide support for the notion that positive reinterpretation occurs as a response to guilt feelings and rumination, nothing is said about how positive reinterpretation can shape consumers' responses toward their consumption. Coping strategies have long been mentioned as mediating variables (e.g., Folkman and Lazarus 1980) and it may be likely that positive reinterpretation may act as a mediator of the guilt-satisfaction relationship. In support of this prediction, positive reinterpretation has been associated with satisfactory outcomes (Folkman et al. 1986). Hence, we propose that:

*Hypothesis 2: Positive reinterpretation mediates the effects of post-consumption guilt on satisfaction.*

There is reason to expect that the effect of positive reinterpretation on satisfaction toward consumption might be different according to the extent of positive reinterpretation and according to individual differences in people. At high levels of positive reinterpretation, the positive aspects of the consumption may be so salient that consumers might all exhibit satisfaction toward their consumption. However, the question remains for low levels of positive reinterpretation, at which people differing in their sensitivity to positivity might also differ in their responses to positive reinterpretation. Because promotion-focused individuals are more sensitive to positive feedback and outcomes (Förster et al. 2001; Higgins et al. 1994), promotion-focused (vs. prevention-focused) consumers may be more likely to exhibit a higher satisfaction at low levels of positive reinterpretation. Regulatory focus may thus moderate the effect of positive reinterpretation on satisfaction, such that:

*Hypothesis 3: Regulatory focus moderates the effect of positive reinterpretation on satisfaction. Specifically, at low levels of positive reinterpretation, promotion-focused consumers will exhibit a higher satisfaction toward consumption than prevention-focused consumers.*

Beyond replicating the preceding interaction between guilt and rumination, Study 2 thus tests this prediction and explores whether positive reinterpretation can act as a mechanism that helps individuals to overcome their guilt and to exhibit satisfaction. Study 2 also investigates regulatory focus as a moderating variable of the effect of positive reinterpretation on satisfaction toward consumption.

# Study 2

## *Participants and Procedure*

One-hundred-and-fifty-four students (age from 17 to 34, 61 % women) were first assigned to one of two conditions that manipulated guilt (low versus high). In each condition, participants were presented with a list of distinct behaviors that were all related to consumption. In the high guilt condition, participants were asked to select a behavior that they were likely to adopt and that would make them feel really guilty. In the low guilt condition, participants were also asked to select a behavior that they were likely to adopt but one that would make them feel lowly guilty.

## *Pretest*

To ensure that each of the two lists manipulating guilt contained behaviors that were respectively likely to induce high guilt or low guilt, 23 undergraduate students were asked to think about and write three behaviors they could adopt in their everyday life, that would be related to consumption, and that would make them feel highly guilty. Knowing what—and the reason why—such behaviors may induce guilt would then help building a list containing guilt-inducing behaviors for the high guilt condition. Knowing the reasons for why guilt arises would also enable the researchers to modify the guilt-inducing behavior from the prior list and turn it into a low guilt-inducing one.

Two researchers analyzed the nature and the frequency of the guilt-inducing behaviors. The most frequently cited behavior was respectively related to buying expensive hedonic purchases (like clothes; 54 %), followed by drinking alcohol (29 %), eating fat food items (7 %), taking drugs (6 %), and smoking cigarettes (4 %). Regarding the reasons these behaviors may induce guilt, results are consistent with previous guilt literature and suggest that guilt arises following impulsive (Sengupta and Zhou 2007) and indulgent (Okada 2005; Ramanathan and Williams 2007) behaviors and a lack of self-control (Giner-Sorolla 2001). Thus, the guilt condition included nine behaviors involving the consumption of fat food, alcohol, tobacco, or drugs, or the purchase of indulgent, expensive, or unnecessary products. On the contrary, the list manipulating the low guilt condition included nine behaviors that were not considered highly indulgent or as resulting from a lack of self-control (e.g., "watching a documentary on TV on a Saturday afternoon", "buying a new USB device as the store", etc.).

## *Measures*

Once being assigned to one of the two conditions, participants had to rate the extent to which they would feel satisfied toward their consumption behavior ("satisfied", "wise choice", and "I did the right thing when behaving this way", $\alpha = 0.70$). They then rated the extent to which they would positively reinterpret their behavior ($\alpha = 0.70$) and indicated how likely they would ruminate ($\alpha = 0.87$). For manipulation check purposes, guilt was measured ($\alpha = 0.84$). All the scales were similar as those used in study 1.

Regarding regulatory focus as a moderator, we used the 6-item scale used by Mishra et al. (2010). The promotion-focus dimension (e.g., "I think it is very important to pursue one's hopes and dreams at all costs", etc.) ($\alpha = 0.60$) and the prevention-focus dimension (e.g., "Right now, I feel I should pay more attention to my duties and obligations, even at the expense of my aspirations", etc.) ($\alpha = 0.63$) were reliable.

Also, because they could be covariates of guilt (Orth et al. 2010), shame (Agrawal and Duhachek 2010; $\alpha = 0.93$) and pride (Louro et al. 2005; $\alpha = 0.68$) were measured and included as covariates in the analyses.

## *Results*

The manipulation of guilt was successful. Participants in the low guilt condition rated their guilt significantly lower ($M_{Low} = 1.21$) than participants in the high guilt condition ($M_{High} = 5.24$, $F(1, 152) = 345.45$, $p < 0.001$).

To test H1, a regression was conducted using guilt as the independent variable, rumination as the moderator and positive reinterpretation as the dependent variable was conducted. The regression revealed positive main effects of guilt ($\beta = 1.58$, $t = 3.59$, $p < 0.01$) and rumination ($\beta = 0.26$, $t = 2.08$, $p < 0.001$). As in study 1, a significant effect of the guilt × rumination interaction ($\beta = -0.25$, $t = -1.81$, $p = 0.07$) on positive reinterpretation emerged. The Johnson–Neyman point for $p < 0.05$ was observed at the value of 3.50, or .33 standard deviations above the mean of 2.85, indicating that high levels of guilt leads to more positive reinterpretation when rumination is low (lower than 3.50).

To test the notion that positive reinterpretation mediates the effect of guilt on satisfaction, a bootstrapping approach was used (5000 bootstrap samples; Zhao et al. 2010). The analysis revealed a significant indirect path of the effect of guilt on satisfaction through positive reinterpretation with a 95 % confidence interval excluding zero (0.06; 0.63), suggesting that positive reinterpretation indeed mediated the effect. Precisely, guilt positively affects positive reinterpretation ($\beta = 1.03$, $t = 3.26$, $p < 0.01$), which in turn has a positive effect on satisfaction ($\beta = 0.25$, $t = 2.52$, $p < 0.05$). Of note, no negative direct effect of guilt is observed ($\beta = -0.61$, $t = -1.50$, $p > 0.05$). These results support Hypothesis 2.

Turning to H3, we created a measure of dominant regulatory focus by dividing the promotion focus score from the prevention focus score (Mean = 1.37, SD = 0.66). That is, high scores reflected relative stronger promotion focus than prevention focus. A linear regression revealed main effects of positive reinterpretation ($\beta = 0.57$, $t = 3.04$, $p < 0.01$) and regulatory focus ($\beta = 1.93$, $t = 3.77$, $p < 0.001$). Interestingly, a significant positive reinterpretation × regulatory focus interaction was found ($\beta = -0.25$, $t = -2.16$, $p < 0.05$). The Johnson–Neyman point occurs at a value of positive reinterpretation of 5.71, or 1.11 standard deviations above the mean of 4.09, supporting H3.

## Discussion

Study 2 replicates our finding by showing that guilt and rumination interact to affect positive reinterpretation. Study 2 also identifies positive reinterpretation as a mediating variable of the guilt-satisfaction toward consumption relationship. As such, our results provide a clearer understanding of the mechanism whereby people overcome their guilt to exhibit satisfaction toward their consumption behavior. Our findings also suggest that regulatory focus moderates the impact of positive reinterpretation on satisfaction toward consumption, showing that when positive reinterpretation is low, promotion-focused people are more likely to be satisfied toward what they consumed, even if such consumption was guilt-inducing.

## General Discussion

The studies reported above highlight positive reinterpretation as an important cognitive process explaining how people cope with their post-consumption guilt and rumination. They show that both guilt and rumination lead consumers to engage in positive reinterpretation. Importantly, we consistently show across two studies and in different contexts that the intensity of this cognitive process of positive reinterpretation is different according to how much people feel guilty and ruminate. Precisely, when their guilt is high, consumers engage in an intense positive reinterpretation whatever their rumination, while at low levels of guilt such high positive reinterpretation is observed only when rumination is high. What this research also indicates is that consumers may even exhibit positive reactions following the negative emotion of guilt through the positive reinterpretation of their consumption. This idea that guilt, as a negative emotion, can lead to positive outcomes (i.e., satisfaction) may at first seem counterintuitive but study 2 brings support to this notion. Further, study 2 indicates that positive reinterpretation does not exert the same effect on satisfaction for all consumers, promotion-focused consumers exhibiting higher satisfaction toward their consumption. Taken together, these findings represent a

comprehensive package of how consumers cope with their guilt and rumination through the cognitive process of positive reinterpretation.

These results offer two important theoretical contributions. First, this research contributes significantly to the consumer research on guilt by focusing on the consequences of guilt and not on its antecedents. Second, our results show how guilt affects our satisfaction toward consumption. Specifically, they show that consumers can overcome their guilt and even be satisfied toward a guilt-inducing consumption episode if they find some positive aspects in it. However, the moderating role of regulatory focus indicates that this effect must be understood under the light of the consumer's promotion or prevention focus.

This research further delivers important insights for marketers. Considering our results showing an interacting effect of guilt and rumination on positive reinterpretation, it may be suggested that marketers who aim to sell products or services that lead to guilt and rumination may gain in putting light on the positive aspects of their consumption. Making salient the positive aspects of the consumption of such products or services may facilitate positive reinterpretation and help consumers overcome their negative feelings of guilt and negative cognitions of rumination. Our result showing that by putting such a positive light on their consumption, consumers may be more satisfied.

Future research might consider potential other cognitive processes that consumers might use in response to guilt and rumination. Such other coping strategies to guilt involve for instance mental disengagement or denial (Yi and Baumgartner 2004). Since people who are exposed to negative life events strongly incline to speak about their experience and related feelings with their social environment (Baumeister et al. 1994), seeking social support may also be a way for consumers to cope with guilt and rumination. This examination would bring new knowledge on how guilt and rumination shape consumer's regulation to guilt and its subsequent outcomes.

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# Explaining Behavior in Brand Communities: A Sequential Model of Attachment, Tribalism, and Self-Esteem

**Jeremy J. Sierra, Vishag A. Badrinarayanan, and Harry A. Taute**

**Abstract** Research suggests that the cultivation of and engagement with brand communities may generate positive outcomes for firms; therefore, the understanding of consumers' membership and behaviors in brand communities represents an important area of inquiry for marketing researchers (e.g., Gruner et al. 2014). This study examines communities constructed around massively multiplayer online role playing games (MMORPGs). In MMORPGs, players access an online game environment, interact with other players in real time, and achieve the game's objectives in a symbiotic manner. Online player communities formed around each MMORPG facilitate player interaction and socialization and, hence, closely resemble brand communities.

We offer a sequential choice process model of attachment to MMORPGs ($A_{TTACH}$), MMORPG brand tribalism ($T_{RIBE}$), and self-esteem ($E_{STEEM}$) on intentions to purchase MMORPG virtual products ($P_{URCH}$), recruit MMORPG players ($R_{ECRUIT}$), and spread word-of-mouth about MMORPGs ($W_{OM}$). Data collection involved an online survey of MMORPG players. We pursued the cooperation of an US-based firm that manages an online forum dedicated to MMORPGs and broadcasts a daily podcast to listeners globally. In return for sponsoring two podcasts, we were permitted to post a survey link for 2 weeks. In sum, more than 1500 participants clicked on the survey, yielding 970 completed surveys. Three age groups (24–33 [41.7 %], 34–43 [26.3 %], and 15–23 [17.1 %]) and males (85 %) makeup the majority of respondents. With regard to playing MMORPGs, 28.9 % of participants have been playing for 6–7 years, 23 % for 4–5 years, and 22 % for 8–10 years.

Estimation of the measurement model (27 items, 6 scales), confirms convergent and discriminant validity. The relationships were tested using SEM (LISREL 8.72). A COV matrix and MLE were used to estimate model parameters. Model estimation

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produced the following GOF statistics: $\chi^2(319_{df})=2575.04$ ($P=0.00$), (CFI)$=0.95$, (NNFI)$=0.94$, and (RMSEA)$=0.085$. The $t$ statistic for each path coefficient is significant at the $P<0.01$ level [i.e., $A_{TTACH}$ relates positively to $T_{RIBE}$ ($H_1$; $t=16.21$) and $T_{RIBE}$ relates positively to $E_{STEEM}$ ($H_2$; $t=3.71$). In turn, $E_{STEEM}$ relates positively to each $P_{URCH}$ ($H_3$; $t=2.87$), $R_{ECRUIT}$ ($H_4$; $t=5.75$), and $W_{OM}$ ($H_5$; $t=4.83$)].

We show that MMORPG brand tribes parallel other communities forged from brands and related consumptive activities. In this vein, rituals, shared consciousness, and accountability to the community and its members, the three prominent brand community principles (Muniz and O'Guinn 2001), are overtly discernible across MMORPG communities. Our study confirms the importance of socialization in contemporary online video games, especially those that offer platforms for interaction and connectedness, resembling that of a robust brand tribe.

**References available upon request.**

# The Interplay of Brand Attachment and Brand Extension Success

**Daniel Heinrich, David E. Sprott, and Carmen-Maria Albrecht**

**Abstracts** Brand extensions serve as an important marketing strategy for many new product introductions. Given that new products are prone to failure, the use of an established brand can help facilitate acceptance of the new product by reducing consumers' perceived risk, enhancing efficiencies associated with distribution and promotional activities, and reduced overall costs associated with launching a new brand. Prior research on brand extensions has clearly demonstrated that the fit between a parent brand and its extension is an important driver of the extension's success. Apart from the level of the fit, research has also found other drivers of brand extension success, like extensions' marketing support and retailers' acceptance. In addition consumers' perceptions of parent brands' characteristics like parent brand conviction or the perceived quality of the parent brand are identified as brand extension success drivers.

A new marketing construct, consumer's emotional attachment to a brand, has only recently been introduced to the brand extension literature. However, the role of consumers' emotional attachment to a brand with regard to reactions to a brand extension has largely been neglected in the literature so far. The dearth of research on brand extensions and brand attachment is surprising, as an ever expanding body of literature on consumers and their brands finds that consumers who are emotionally attached to a brand will respond differently to that brand due to increased levels of attachment. Based on recent research on brand attachment, we propose that consumers who are emotionally attached to a brand will be less impacted by the level of fit between the parent brand and the extension. We demonstrate that consumers' emotional brand attachment is a crucial factor for brand extension success.

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The current research investigates the moderating role of brand attachment on consumers' reactions to brand extensions that vary in terms of fit with the parent brand. The process underlying observed effects is also examined. The paper begins by providing a review of the brand extension and brand attachment literatures, along with offering hypotheses. The methods and results of an experiment are reported regarding extensions for a real-world brand and the moderating effects of brand attachment. Moreover, mediated moderation analysis results indicate that the moderating effect of brand attachment is mediated by brand image fit, but not by product category fit. Finally, implications of the findings for brand management and the emerging field of consumer–brand relationships are provided.

**References available upon request**.

# Towards an Understanding of the Role of Context on the Psychological Meaning of Products and Brands

**Kristy McManus and William Magnus Northington**

**Abstract** Meaning is all around us each and every day, yet the intricacies that determine these meanings for individuals are dependent upon many external components. Meanings are not only a part of the activities in which we participate and the products and services that we purchase, but may be contained in the objects and services around us that we do not purchase, or in activities in which we do not participate.

The psychological meaning that consumers derive and ascribe to products and brands has been known to play a key role in how consumers make purchasing decisions. Psychological meaning has been studied in many specific areas of marketing including consumer behavior (Hirschman 1980) and advertising theory (Friedmann and Zimmer 1988). Friedmann and Lessig (1987) proposed a framework that examined the role of the psychological meaning of products as used in product positioning. This study builds upon this original framework, while also providing empirical testing on several aspects of the elements, specifically the context variables. Furthermore, no research has examined psychological meaning independent of the reflection on self. Thus, an a priori look at psychological meanings (prior to self-reflection) provides marketers with an important baseline as to the meaning of products and brands as they stand independently in consumers' minds.

Overall, we find evidence that contextual variables, specifically situational characteristics, do play a role in the psychological meaning of products and brands, supporting the framework proposed. Empirical evidence from this study indicates that psychological meaning of products and brands is affected by contextual variables of demographic and situational characteristics. These findings contribute not only to the literature on psychological meaning, but also to multiple areas of

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marketing and consumer behavior by examining these variables from the perspective of how we derive and ascribe meaning to products and brands. However, having only looked at one example variable from each of the three contextual groupings, this work is by no means exhaustive in this area; yet it does lay an important foundation for further studies in this area.

**References available upon request**.

# Session 6.4
# Engaging and Influencing Your Audience Through Social Media

# An Investigation into the Driving Mechanisms of Consumer Engagement

**Nikoletta-Theofania Siamagka, Khanyapuss Punjaisri, and Maria Vittoria Antonacci**

## Introduction

Consumer engagement has received a lot of attention as an innovative strategic approach to managing consumer–brand relationships (Brodie et al. 2011; Hollebeek 2011; Kumar et al. 2010; Mangold and Faulds 2009; Van Doorn et al. 2010). The beneficial effects of an engaged consumer base are believed to be numerous and include enhancement of viral marketing activities (Harvey et al. 2011), increased brand support through product recommendations (Brodie et al. 2013), greater brand exposure in consumers' social networks, and finally potential prospect acquisitions (Kumar et al. 2010). Despite the established relevance of consumer engagement particularly in brand-supporting behavior, extant literature mainly addresses the conceptualization of consumer engagement (Brodie et al. 2011; Hollebeek and Chen 2014; Van Doorn et al. 2010; Kumar et al. 2010), investigating the consequences of engagement (Bowden 2009; Chan and Li 2010; Gruen et al. 2006; Gummerus et al. 2010; Hollebeek 2011). What remains under-researched however are the driving forces of consumer engagement, surging the necessity to work in this direction (Bolton 2011; Verhoef et al. 2010). This research comes to address this gap by developing a conceptual framework that includes various content characteristics and empirically testing it using four brands that have a social media presence.

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## Background

Brodie et al. (2011) define consumer engagement as "a psychological state that occurs by virtue of interactive, cocreative consumer experiences with a focal agent/ object (e.g., a brand) in focal service relationships" (p. 260). Extant literature suggests that consumer engagement is a multidimensional concept that encompasses cognitive, emotional, and behavioral aspects (e.g., Brodie et al. 2011; Hollebeek 2010; Hollebeek and Chen 2014). Contrary to these arguments, other scholars conceptualize engagement as primarily behavioral and thus unidimensional (e.g., Van Doorn et al. 2011). This stream of literature views consumer engagement behaviors (CEB) as part of the same core construct in that consumers express their psychological states through observable actions (Brodie et al. 2011). Brodie et al. (2011) highlight that, in the end, the main point of difference between engaged and nonengaged consumers is the "action." Thus, the behavioral component becomes the main distinguishing element of consumer engagement as a whole. Following from this evidence, we focus on behavioral engagement and aim to understand the main mechanisms that drive consumers to engage with online brand communities. We conceptualize CEB as non transactional behaviors, which on the one hand, "uniquely customize the consumer-to-brand experience," and on the other hand, "designate an expression of consumer experience" (either positive or negative) (Van Doorn et al. 2001).

Consistent with the above definition, engaged consumers can exhibit engagement behavior on social media platforms such as Facebook by posting, liking the post, sharing the content to their own profiles, or simply by commenting on existing posts. Each time the "fan" undertakes an activity on a post, this post will receive greater exposure, as it has a higher chance of being displayed on the news feed of the fan's friends. It can be stated that the more "engaging" activity there is with respect to a specific post, the more potential it has to be virally spread. This logically leads to the conclusion that engagement behaviors result in eWOM. The three forms of users' action, namely like, share, and comment, are used as proxies for measuring behavioral engagement.

Drawing from the literature on advertising and digital marketing, several factors are identified as important drivers of engagement. In particular, vividness (Coyle and Thorson 2001; Fortin and Dholakia 2005; Lohtia et al. 2003), perceived interactivity (Liu and Shrum 2002; Mollen and Wilson 2010), content type (Cvijikj and Michahelles 2013; Dholakia et al. 2004; Jahn and Kunz 2012; Lim et al. 2005), post sentiment (De Vries 2012; Gruen et al. 2006; Korfiatis et al. 2012), and message length (Fortin and Dholakia 2005; Zhang et al. 2011) will be examined for their impact on consumer engagement in this study.

Advertising literature emphasizes the variability in consumer responses towards advertising campaigns based on the focal brand. Consumers' responses to the ad have been found to be different based on two brand types: whether the focal brand is utilitarian or hedonic, and whether the brand is of low or high involvement (Vaughn 1980; López and Ruiz 2011). These characteristics have been found by

several studies on social psychology (Vakratsas and Ambler 1999; Petty, Cacioppo and Schumann 1983; Petty and Cacioppo 1986) to have a direct effect on how consumers process a stimulus. Under this light, it can be assumed that in a social media context, the type of the focal brand can moderate the effects of content characteristics on CEB.

## Research Methods

A list of global brands with similar brand equities was drawn using BrandZ report study on the 100 most valuable brands in 2013 (MillwardBrown Optimor 2013). Facebook was selected as the most suitable social media platform due to its immense popularity and fast growth rate—as it counts over 1.23 active billion users per month (The Guardian 2014)—and to its attractiveness, given that 80 % of consumers stated their preference of connecting with brands on this "venue" rather than on other online platforms (Jorgensen 2014).

The populated brand list was narrowed down by deleting the brands that did not have official worldwide Facebook pages. Also, only the brand pages that have been created at least since 2012 were included. The final list consisted of seven brands with brand equities ranging between four and five million dollars. The foot cone and belding (FCB) grid was used to classify the brands based on the two identified dimensions (utilitarian vs. hedonic, high vs. low involvement). The resultant classification was cross-validated using five MSc students. As a result of the cross-validation, four brands were selected; each brand representing one of the four FCB categories.

CEB has been operationalized using likes, shares, and comments. *CEB* of each post was calculated as the weighted average of the action-specific *CEBs*. Overall, this measure captures the relative engagement (i.e., how much below or above the average engagement of all posts for a given page the engagement of the given post is).

The independent variables of this study include content characteristics, such as post form, content type, post sentiment, and message length. Post form includes vividness and perceived interactivity. The post sentiment includes comment sentiment and message sentiment. For the latter variable, sentiment analysis technique (Cvijikj and Michahelles 2011) was adopted to measure both comment and message sentiment. Then, Semantria—a data-mining tool—was used to classify words according to positive, negative, and neutral polarities, for sentiment indexing. Operationalization of the remaining independent variables is informed by existing literature and involved the creation of dummy variables to measure some of the content characteristics (e.g., content type, vividness, and perceived interactivity).

Data from the four brands' Facebook pages have been subsequently collected using the Facebook Graph API and converted from JSON to SPSS for further analysis. For the purpose of this study, the final dataset has been limited to only a 6-months time frame (June to December 2013) and to corporate posts as unit of analysis. After eliminating users' posts, 740 corporate posts were identified for the four brands and further investigated.

## Results and Discussion

Multiple regression analysis was performed using SPSS 22 to empirically test the model. Contrary to the existing literature (Cvijikj and Michahelles 2013; Dholakia et al. 2004; Jahn and Kunz 2012), the level of post's vividness is not found to play a significant role in driving CEB for high and low involvement/utilitarian brands ($\beta=-0.084$, $p>0.05$ for high involvement and $\beta=-0.096$, $p>0.05$ for low involvement). Interestingly, in the case of low involvement/hedonic brand, a low vividness can trigger more CEB ($\beta=-0.287$, $p<0.01$). However, the results show that featuring the product in the post's media has a significant and positive effect on engagement for all brands ($\beta=0.208$ for low high involvement/utilitarian, $\beta=0.410$ for low involvement/utilitarian, $\beta=0.245$ for high involvement/hedonic, $\beta=0.375$ for low involvement/hedonic, $p<0.01$). The possible explanation is that the richness of the media is a relevant factor only up to a certain threshold, after which other variables might play a greater role, such as the content of the media. Overall, our findings confirm expectations regarding the importance of brand type in determining the factors that reinforce CEB. Within the context of utilitarian brands, *textual content type*, *perceived interactivity*, and *message length* have been found to significantly affect CEB. When it comes to hedonic brands, however, factors that relate to the *sentiment* of the post/message are important.

The type of information that is preferred in textual format differs between high and low involvement focal brands. For high involvement utilitarian brands, there is a positive relationship between product-related information (product benefits and/or product features) and CEB ($\beta=0.334$, $p<0.01$). For the low involvement counterpart, this relationship is reversed ($\beta=-0.355$, $p<0.01$). In the former case where the consumption of the product is often instrumental and of high risk, the act of providing more detailed product-related information could directly satisfy consumers' utilitarian need. In contrast, for low involvement products, such as detergents or soft drinks, using "central cues," i.e., text to convey the information, is incongruent with the route to persuasion in low involvement situations (Petty and Cacioppo 1983). Thus, consumers (or, in this case, fans) might see it as a persuasive attempt, which can subsequently lead to an adverse reaction. Product-related information is also found insignificant in the context of hedonic brands ($\beta=-0.093$, $p>0.10$ for high involvement; $\beta=0.071$, $p>0.10$ for low involvement). For hedonic brands, consumers are after the fulfillment of an emotional desire rather than a utilitarian need (Hollebeek 2013), which explains the reasons why their CEB is not influenced by product-related information.

The results also show that, in contrast with the expectations, high *perceived interactivity* fosters consumer engagement in certain cases. This paper views interactivity in terms of the communication exchange between fans and companies—thus high interactivity occurs when the post moderator "calls to act." In the case of high involvement-utilitarian brands, this company's effort to engage in a two-way dialogue seems to be well appreciated by fans, leading to a higher level of engagement ($\beta=0.243$, $p<0.01$). This is in line with Petty and Cacioppo (1983), who argue

that under high involvement conditions, individuals are more motivated to engage in effortful cognitive processing and thus more likely to be positively affected by high interactivity features. However, in other cases a high level of interactivity seems to have no effect on the levels of CEB.

## Conclusion and Implications for Theory and Practice

This research adds to existing literature in two ways. First, it empirically tests a conceptual model that incorporates key driving factors of CEB, enhancing understanding of the mechanism behind consumer engagement in social media platforms. Second, it considers four different brand types (low/high involvement and hedonic/utilitarian brands) to understand the impact of the focal brand on CEB. Our research shows that the effects of the identified content characteristics vary according to the type of brands. This suggests that managers should take into account the nature of their brand to enhance the effectiveness of their communication on social media platforms and increase consumer engagement with their brands. High levels of consumer engagement with the brand (e.g., through a Facebook fan page) can result in various noteworthy implications in terms of enhanced marketing efficiencies (such as greater eWOM communication) (Hoyer et al. 2010) and ultimately brand's profitability (Hollebeek and Chen 2014). Several managerial recommendations arise from this study. When it comes to utilitarian brands, managers should emphasize textual cues when planning their communication strategies on Facebook pages. However, for hedonic brands, managers should place greater emphasis on evoking emotions. In the context of high involvement/utilitarian brands, managers are encouraged to provide clear message arguments regarding the product benefits. To reinforce this information-transfer, they should consider embedding prominently the product in the post media. In contrast, for low involvement-utilitarian brands, greater effort could be put on providing information about the product in the post media rather than via a text rich in the product information.

This study has some limitations that future research could address. First, the adoption of a relatively small sample (only one brand per brand type) surges the necessity to expand the sample and include more brands. In particular, future research could implement a larger-scale quantitative investigation, validation, and refinement of the proposed conceptual relationships. Second, similar to previous studies of engagement in online communities, the analysis focuses on the behavioral manifestations of the engagement construct. However, direct proof of how the investigated factors affect cognitive and emotional responses should be tested. This study's inferences about why the investigated factors have certain effects on CEB have been made based on the findings of advertising and consumer behavior research. However, there is a need for more empirical evidence of the connection between the cognitive and emotional states and the behavioral manifestation. Future research could conduct a mediation analysis of these constructs.

Finally, only official worldwide brand pages were analyzed, thereby not taking into account cultural idiosyncrasies. Recently brands have started to move toward a more localized communication strategy by creating different brand pages for local communities. Hence, further investigation could be carried out to understand whether the factors investigated have the same impact across different cultures.

**References available upon request**.

# @Size vs. #Impact: Social Media Engagement Differences Amongst Facebook, Twitter, and Instagram

**Alexandra Krallman, Mark J. Pelletier, and Frank G. Adams**

## Introduction

To say social media is popular amongst online users vastly understates the sheer volume of social media activity that takes place on a daily basis. For instance, the users of Facebook, the largest social media site in terms of size and activity, generate more than 2.5 billion items of new content per day, including over 250 million photos, and 10 billion instant messages sent between users (Facebook 2013). On the surface, Facebook users also appear to be highly engaged with the platform. According to Ajmera (2013), 26 % of Facebook's 1.36 billion users check their account more than five times a day. While Facebook remains the most popular site across nearly all demographics, Twitter (285 million) and Instagram (150 million) are the second and third largest social networking sites, respectively (Pew Research 2013). However, despite their smaller size, Twitter and Instagram have recently overtaken Facebook in purchase decision influence for the teen and young adult demographic (Pipar, Jaffary, and Company 2013). In fact, Instagram, the smallest of the three major social media sites in terms of size, was the most influential.

In a survey of marketing professionals, Stelzner (2014) found 92 % of marketers believe social media marketing is an important aspect of their business, with the vast majority citing Facebook as the most imperative social media site to consider. In line with the size of their respective networks, Twitter and Instagram were thought to be the second and third most important social media sites for marketers with

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83 % of marketing professionals running some sort of promotion on Twitter, while only 28 % of marketers currently utilizing Instagram. In addition, marketers report that original *written* content is the single most important aspect of their social media marketing efforts, with only 18 % of marketing professionals surveyed believing *visual* content, such as photographs, should be the primary focus. Although the majority of marketing professionals see social media as crucial for their businesses, the vast majority of these marketers (91 %) are also unsure of the most effective social media strategies to utilize in order to earn a return on investment (Stelzner 2014). In fact, 50 % of marketing professionals surveyed were unable to assign acquisition of even one new customer to social media promotions (Soskey 2013).

In part, the conundrum currently facing marketers stems from a lack of understanding of how value creation may differ from one social media platform to another (Hoffman and Fodor 2013). This research aims to explore the question of social media platform effect on social media co-creation intention. Are there differences regarding how consumers engage on the top three social media sites? Do any of the top three social media platforms lend themselves to increased levels of social media co-creation? In order to explore these questions, a brief overview of value co-creation is provided. Data regarding motivation for social media use and co-creation intention using Facebook, Twitter, and Instagram is collected and MANOVA analysis is conducted to examine differences amongst these variables on each of the three platforms. Preliminary empirical findings and future research directions are provided.

## Background

An examination of the prior literature suggests meaningful differences exist between social media and traditional media platforms. Points of difference between these two platforms have been shown to exist in level of customer influence, strength of relationships formed, and measurement of return on investment (Kumar et al. 2013; Lou et al. 2013). Unlike traditional media platforms, social media allows for constant and instant interactions between the consumer, company, and other customers. This new media channel in which both parties engage with one another to create value aligns with the basic premise of Service Dominant Logic. Vargo and Lusch (2004, 2008) propose that all exchanges between the company and consumer are services in which a co-creation process occurs. The value generated from such exchanges may not only differ in the social media context, but also vary based on the specific social media platform used.

Consumers often co-create the value attached to brands by interacting with those brands through various communication media (Kim and Ko 2012), and the motivations of consumers to engage with specific media have often been explored through the uses and gratifications theory (Katz 1959; Klapper 1963). Uses and gratifications theory states consumers will choose to utilize a particular type of media in order to fulfill a specific need. Because of this logical fit, uses and gratifications theory has been applied to social networking in several contexts. The most prevalent

application is the use of social networking sites to meet socialization needs. For example, users may join civil or political groups on social media to fulfill socialization or informational needs (Park et al. 2012; Raacke and Bonds-Raacke 2008). In short, uses and gratifications theory suggests the usage of social media sites will differ depending on the particular needs the user is seeking to fulfill while on the specific platform.

This research will attempt to take initial steps in exploring the influence of site platform on co-creation and usage intention motivation. Specifically, the reasons why consumers decide to use various social media platforms will be examined, as will how consumers co-create with companies via the social media platforms (Facebook, Twitter, and Instagram). Empirical results of the analysis and discussion for future research directions follow.

## Research Methods

A total of 1080 social media users were recruited to participate in this study via an online panel. Seventy-five responses were ultimately excluded from analysis due to incompleteness or failure to respond to an attention measure, resulting in a final total of 1005 usable responses. The scale items used to measure the constructs present in the survey were derived from existing marketing literature and adapted to fit the social media context (Vernette and Hamdi-Kidar 2013; Chang 2009; Escalas and Bettman 2005; Ko et al. 2005) . All scale items were 7-point Likert scales (1-*strongly disagree*, 7-*strongly agree*).

The sample consisted of users of Facebook ($n=331$), Twitter ($n=339$), or Instagram ($n=335$) that have interacted with a brand through one of the social networking sites within the last 6 months. Respondents were specifically asked about their social media usage motivations for using the designated media site. Four motivations were addressed in survey including use for social, informational, convenience, or entertainment purposes. Respondents were then asked about their level of co-creation with the brand on that specific social media platform. Measures were also taken regarding the involvement, identification, and attitude the consumer felt towards the specific brand. Each of the three surveys (one for each platform) was administered at three different times to avoid overlap amongst heavy social media users that use all platforms. The sample was made up of 59 % male, an average age of 31, over 89 % with at least some college education, and 58 % of respondents making less than $50,000 annually. This sample corresponds well to the demographics of the most frequent social media users (Pew Research 2013).

A reliability analysis was performed and the scales exhibited an acceptable level of coefficient alpha (>0.70, Nunnally and Berstein 1994). An exploratory factor analysis was then conducted using a maximum likelihood extraction method with an oblimin rotation. The results of this analysis showed each item loading on its respective construct, with no cross-loadings present. A confirmatory factor analysis was then performed using AMOS 22. The results of the analysis indicated an

acceptable fit (Hu and Bentler 1999) of the model to the data ($x^2 = 1739.19$, df $= 432$, CFI $= 0.95$, IFI $= 0.95$, RMSEA $= 0.05$). The convergent and discriminant validity of the scales were examined by calculating the average variance extracted for each construct. Furthermore, calculations for the shared variance between constructs were made as recommended by Fornell and Larcker (1981). The average variance extracted exceeded 0.50 for each construct, providing evidence of convergent validity. No shared variance measures between constructs exceeded the average variance extracted, indicating evidence of discriminant validity.

# Results

The MANOVA results indicate that the three samples from Facebook, Twitter, and Instagram are statistically significantly different from one another (Wilks' Lambda $= 0.909$, $F$ (10, 1996) $= 9.71$, $p < 0.05$). In regard to the social media usage motivations for particular social networking sites, results indicate Instagram users reported motivation to use the site statistically significantly more than the other two platforms for entertainment purposes ($M = 5.53$, $p < 0.05$). Twitter ($M = 5.32$, $p < 0.05$) reported the second highest levels of entertainment usage, which was also statistically significantly more than Facebook ($M = 5.11$, $p < 0.05$). Motivation to use a site for informational purposes was significantly higher for Twitter than either of the other two platforms ($M = 4.92$, $p < 0.05$) than the other platforms. Interestingly, Facebook was shown to be used significantly less than the other two sites for social interaction purposes ($M = 4.18$, $p < 0.01$).

Further, in examining the consumers' level of social media co-creation, statistically significant differences were noticed amongst the three platforms. Specifically, Instagram ($M = 2.76$) showed significantly higher levels of social media co-creation than Facebook ($M = 2.49$, $p < 0.05$). In addition, Instagram also demonstrated significantly higher levels of brand involvement ($M = 4.09$, $p < 0.05$) than that of Facebook ($M = 3.88$). Twitter users were not statistically different from neither the Facebook nor the Instagram groups in regard to co-creation ($M = 2.64$) or brand involvement ($M = 4.02$).

# Discussion

As previously stated, the vast majority of firms (94 %) invest social media marketing expenditures in Facebook (Stelzner 2014); however, based on these findings, investments in Instagram or Twitter may be more appropriate if the ultimate goal is to co-create with consumers. Facebook, considered the most popular social networking site by both consumers and marketers, shows the lowest levels of usage for social engagement and social media co-creation intention. Additionally, consumers also show the highest level of brand involvement when

interacting via Instagram. This finding illustrates the importance of the Instagram platform for marketers to consider, both in terms of involvement and co-creation potential. Interestingly, the Instagram platform is the only site that primarily contains visual content with very little original text, which directly contradicts marketers' current focus (Stelzner 2014). Further, Twitter is shown to be used primarily for informative purposes and is shown to have the second highest level of social media co-creation intention. Depending on the nature of the co-creation the company desires, more hedonic related posts may be most successful in stimulating co-creation on the visually dominant Instagram platform, whereas utilitarian posts containing greater levels of information may prove successful on Twitter.

The results show that differences amongst the social networking platforms can be crucial in understanding consumer social media co-creation tendencies. Firms must recognize the unique opportunities available for varying strategies for each specific platform and consider abandoning any "one-size-fits all" approach. Although size of the site may increase visibility, greater interactions through co-creating with consumers can enhance the impact of social media marketing efforts. Future research is underway to develop a conceptual model to help explain why consumers' choose to co-create with companies via social media. This model is planned to be tested through structural equations modeling and regression analysis.

**References available upon request**.

# Managing Social Consumer Voice: A Structured Abstract

**Joanna Phillips Melancon and Vassilis Dalakas**

## Introduction

The rise of social media has been heralded as the greatest paradigm shift for business and marketing since the industrial revolution (Qualman 2014). Over 97 % of businesses are using social media as a marketing tool and 84 % have plans to increase their use of popular social media sites such as Facebook, Twitter, and YouTube in the next year (Steltzner 2014). As a result, marketing communications are beginning to evolve from mass-media "sermons" where companies do all the talking to direct, two-way conversations with niche consumer audiences in social media outlets (Gillin 2009). Ninety-two percent of marketers say that social media is important to their business and they cite increased exposure for the business, increased traffic, development of loyal customers, the ability to gather market intelligence, and improved sales as some of the chief benefits of social media marketing for the organization (Stelzner 2014). However, the number one fear of marketers is that consumers will be negative on social media sites dedicated to the organization (Gillin 2009). This research explores consumer complaint behavior on social media outlets for an organization.

Social media stands to give consumers powerful and active voices in their relationships with organizations. However, the enormously influential and potentially negative consumer voice has left many companies unsure of how to address public criticism. Certainly many companies have experienced the sting of

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widespread negative social media backlash and firestorms; for example, United Airlines' failure to help a musician whose $1200 guitar was broken during a 2009 flight resulted in a music video series about the failure viewed by over 12 million people on YouTube that is estimated to have dropped the company's stock price by 10 % (or $180 million) (Sawhney 2009). Ironically, though marketers are generally fearful about negative consumer reports on social media, 23 % of marketers have no formal plan to address negative feedback on social media, 25 % are currently working on developing an effective plan, and 8 % have plans in place that are not effective (Redsicker 2014).

Although marketers have been slow to establish a method for addressing complaint on social media, customers have more quickly developed opinions about how complaints should be handled. One-third of consumers would rather contact a company to complain via social media as opposed to in-person or on the telephone (Taylor 2013), yet 64 % of consumers report that their customer service inquiries were not resolved via social media. Seventy-two percent of consumers expect brands to respond to complaints on Twitter within an hour; when consumer issues are not addressed on social media in a timely manner, 38 % of respondents will have more negative attitudes toward a brand and 60 % are more likely to take a negative action toward the brand in terms of negative word-of-mouth, escalating complaints through other avenues, buying less from the company or switching altogether (Gesenhues 2013). However, companies that responded in a timely manner to complaints had 47 % of consumers more likely to recommend the brand through social media, and 34 % of respondents indicated they would buy more products from the company (Gesenhues 2013). Other studies indicate that consumers will spend 21 % more if they receive good customer service through social media sites (Taylor 2013). Whether marketers choose to participate in the conversation or not, 2.4 billion mentions of brands take place every day in online media. If marketers want to help frame this dialogue in a manner benefiting the organization, it is apparent that marketers must understand and have strategies in place to handle social media complaints and negative comments. Marketers must be prepared to execute these strategies very quickly after complaints are voiced, and effective strategies require an understanding of the motivations of consumers who voice complaints on social media.

The impact and nature of social media complaint is different from traditional complaint behavior due to the public nature of complaint on social media as opposed to traditional complaint venues. This research identifies a new construct called Consumer Social Voice, which draws from two literature streams. The first is the Exit/Voice/Loyalty framework by Hirschman (1970); we are specifically focusing on voice, or the attempt to change company response to service failure through discussions with the company. We also draw from the negative word-of-mouth literature, which has traditionally been thought of as private complaining behavior to one or a few other people. Consumer Social Voice is defined as public complaining behavior that attempts to change the company's actions in some manner. This study defines dimensions of social voice by categorizing consumer motivations to complain on social media.

## Research Methods

This project is based on a qualitative study intended to develop a rich model of social media voice and marketing strategy in social media. We specifically used a content analysis of various instances of negative consumer voice on ten organizational social media (i.e., Facebook) pages in the tradition of netnography (Kozinets 2010). Public consumer comments were collected from the Facebook walls/timelines (public forums for discussion about a company) of multiple brands representing various industries. We captured any negative comment, concern, or consumer questions for 24 h-blocks from Delta, Red Lobster, Chick-fil-a, Coca-Cola, AT&T, Ally Bank, Chevy, BMW, Panera, and Under Armour. The analysis entailed an iterative reading strategy of all negative consumer comments from all companies in which data that appeared to pertain to similar types of complaints were grouped together and then categorized by common themes (Strauss and Corbin 1990). The emergent themes from the first round of analysis follow.

## Results and Discussion

Eight themes emerged from our analysis. A brief description, the percentage of complaints that aligned with each theme, and an illustrative quote can be found below:

1. **The Social Activist (11.3 % of posts):** These individuals look to activate change on a broader level on some political, social, religious, cultural, or philanthropic issue. These complaints arise not necessarily out of a specific incidence of failure on the firm's part, but the perception that the firm is in some manner not behaving in a responsible manner in society.

   - "… I am now Coke free for almost a month and if you continue to support what is happening in Russia by sponsoring the Winter Olympics, I see a Coca-Cola-LESS future."

2. **The Whistleblower (13.5 % of posts):** These are individuals that perceive some aspect of the organization is deceptive, dangerous, or unfair to consumers and is looking to warn other consumers of the perceived injustice or danger publically on the organization's social media sites.

   - "Your artificial sweeteners in your diet products are NOT safe."

3. **The Passive Aggressive (17 % of posts)**: These consumers cite no specific instance of service failure, but demonstrate deep-seated anger toward the organization. These messages are often cryptic and offer no sort of explanation from which the organization might garner the reason the consumer is disgruntled.

   - "It boggles my mind how your company's employees can blatantly lie to customers and not be held accountable."

4. **The "Dear John" (18.4 % of posts):** This is a public "breaking-up" with the organization, or a threat to leave the organization for another provider. These posts usually are accompanied by consumers who feel entitled to better treatment due to their number of years as a consumer of the organization or due to the size of their account or spending level at the organization. In this theme, it is often apparent that the consumer is looking for some sort of specific company response to fix the situation.

   • "7 years as customer and over $28,000.00 paid in for services—one would think you would want to consider an early upgrade option so LOYAL customers could get in on the new iPhone—but i have been told no. So maybe I take my family plan with (5) lines to Verizon instead - horrible treatment of good customers."

5. **The Story-of-My-Lifer (14.2 % of posts):** These individuals tend to write, in great detail, "blow-by-blow" accounts of service failures that they have experienced. These tend to take up quite a bit of space on a company's wall and quickly become long-winded. Oftentimes these stories reference very personal details and struggles the consumer faced as a result of the failure.

   • "To Whom It May Concern: In my entire lifetime I have never been made to feel this way…today October 4 2013 my character was defamed thanks to the service manger at Fields BMW in Winter Park, Florida. I never raised my voice nor said any profanity yet this manger had the audacity to say that I was "terrorizing" his staff. I spoke to a police officer because I felt threatened by the manger and was advised that if I actually did do anything to terrorize his staff the police would have been called and further action would have been taken. However, since there was no "terrorizing" on my behalf the service manager and his service advisor just threw threats at me. I am now fearful and believe that anytime I need service I can no longer go into the service department at Fields BMW in Winter Park like a normal customer. I might not be wealthy plus I have Multiple Sclerosis (MS) and I only a few years left before I'm not able to drive due to my MS but being able to own a BMW is an accomplishment that I am proud of…The only thing I am asking for the issue to be corrected before it happens again in the future to other clients; I would greatly appreciate someone reaching out to me in order to keep my faith with BMW."

6. **The Help Seeker (7 % of posts):** These are individuals that ask simple questions, give quick requests for help/clarification, and/or ask to be pointed in the right direction after a service or technology failure. These responses are usually not emotionally charged but are seeking a quick answer or solution.

   • "Do you have any idea when your autumn squash soup will be disappearing? I can't get enough of it and just want to mentally prepare myself for when it's not offered anymore."

7. **The (Unsolicited) Advisor (15.6 % of posts):** These comments are simple suggestions for improvement for companies to make their offerings better for

consumers, often given in the spirit of "helping" the organization by providing consumer insight into some decision made by the organization.

- "Delta, loyal diamond medallion for years. Your new same day confirm is the worst. Why did this need to take effect? Such a terrible inconvenience. Taking perks away is bad for morale. My two cents."

8. **The Troll (2.8 % of posts):** These are individuals responding to posts by consumers on social media in the spirit of either attempting to provoke the consumer who is complaining into further anger or attempting to gather anti-company sentiment by inviting others to discuss how much they hate the company or boycott the company. These comments are largely inflammatory and mean-spirited toward the organization and consumers on social media.

- "No one cares about your stupid shrimp issue. Shut up!"

## Implications

In conclusion, issues that motivated people to post would seem to be much more complex and emotionally charged than simple questions ("help-seekers" only accounted for 7 % of comments); thus, social media departments should be staffed with individuals with in-depth knowledge of products and company policies. Front-line social media representatives must also be empowered to quickly correct service or product failures in a public manner. Social media teams must have a good understanding of what outcome consumers posting on social media expect and they must be taught to exceed those expectations with outstanding customer care. Given the value of loyal customers, it is interesting to note that the most frequently occurring theme throughout the data was the "Dear John," a previously loyal consumer announcing intentions to switch because they felt they had been wronged. It seems clear in many of these situations that customers were giving the company a chance to "win them back," yet in many cases there was no public company response to these complaints. At the very least, a reasonable effort to pacify and recover these consumers could be made; and at the most dedicated efforts to retain the customer may be appropriate. Sincere and personal apologies are likely needed in some scenarios; those complainers classified as the "Story of My Lifer" gave very vivid and detailed accounts of their service failures, some of these accounts were several pages long. A standardized apology is likely not sufficient in these situations, given the extent to which consumers felt wronged (even humiliated) by some agent of the organization; yet, form-letter type responses were often presented. "Unsolicited Advisors" offering their opinion about how to make company offerings better or more consumer-friendly should likely be addressed in a spirit of gratitude, cooperation, and coproduction, whether the suggestions are actually implemented or not. "Social Activists" and "Whistleblowers" may provide early warnings on which company practices might later ignite into firestorms or even widespread boycotts

among consumers who challenge companies to rethink their stance on ethical, moral, or social issues; these postings should likely be brought to the attention of others in the organization as well as handled properly on social media. Finally, in many instances across responses and companies, it was consumers whose early posts were ignored that later moved into "passive-aggressive" and "troll" roles on a company's social media sites; many discussed how pervious postings had been removed with no response from the organization, which incited them to post even more numerous and more negative posts. Thus, it seems clear that many companies' current response to social media complaints of "no comment" is ineffective and that understanding the various consumer motivations behind social voice is critical in management of consumers complaining on social media.

**References available upon request**.

# Session 6.5
# Channel Integration and Business Networks

# Market and Organizational Influences on Inter-Organizational Network Participation

**Kimberly S. Davey and Thomas L. Powers**

**Abstract** There is a growing trend for organizations to participate in business-to-business relationships, such as inter-organizational networks, as a strategy to spur innovation and respond to market conditions. Despite significant growth in inter-organizational arrangements, limited knowledge exists on the market and organizational characteristics associated with inter-organizational network participation, particularly for emerging networks such as those in healthcare. This paper develops a framework and propositions to better understand the influence of market and organizational characteristics on inter-organizational network participation.

The literature indicates that organizations participate in inter-organizational relationships to expand the range of available strategic responses (Bleeke and Ernst 1993; Goes and Park 1997). Spanning organizational bounds provides organizations with business relationships and resources to spur innovation and adapt to fundamental market shifts (Powell 1990). The literature indicates that organizational and market characteristics are drivers of organizational adaptation (Lawrence and Dyer 1984; Mintzberg et al. 1998). However, limited attention has been given to the integration of market-level and organizational-level characteristics associated with participation in inter-organizational networks (Brass et al. 2004; Prell 2012; Provan et al. 2007). Market drivers identified in the literature are environmental complexity, environmental munificence, environmental dynamism, and market demand. Organizational drivers identified in the literature are organizational complexity, network relationships, slack resources, technological capabilities, and quality improvement. The literature review indicates that these components are the primary drivers although other factors may also influence inter-organizational network participation.

This paper provides a number of theoretical and practical implications. Theoretically, this paper contributes to the literature by exploring the influence of organizational and market drivers on inter-organizational network participation

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and which may be a more dominate driver of participation. Practically, managers that are aware of relationship drivers can leverage contexts and participation to competitively position their organizations within the market, enhance organizational performance, and ultimately provide a competitive advantage. Empirical research is needed to test the propositions to ascertain to what extent these factors provide a full perspective of network participation.

**References available upon request**.

# ICT's Integration Effects on the Relationship Benefits and Business Process in Industrial Markets

**Fumikazu Morimura, Chieko Minami, and Kenichi Nishioka**

## Introduction

Managing inter-firm relationships is important in industrial marketing for stable and timely procurement/supply, safeguarding investment, etc. In addition, there is more expectation toward business relationships. Both supplier and manufacturer companies expect to capture value from their ongoing relationships, also known as relationship values. Relationship benefits are considered a part of relationship values. This paper focuses on relationship benefits and aims to examine the enabling effect of information and communications technology (ICT) on relationship benefits and business processes, which influence business performance.

## Background

Relationship value is a multi-dimensional concept consisting of the benefits and costs derived from ongoing business exchanges (Ulaga 2003; Ulaga and Eggert 2006). Suppliers and customer companies are expected to obtain benefits from the relationships, while they have to pay some costs in terms of prices, delivery time, etc. Benefits from the relationships include customer companies' speeding up

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the time-to-market and knowledge sharing (Ulaga and Eggert 2006). How the relationship benefits influence business performance is an important issue.

On the other hand, ICT has enabled companies to facilitate interactions with each other. Electronic data interchange (EDI) is one example of an ICT-enabled relational exchange between companies. Besides facilitating supplier–buyer exchanges, ICT enables internal, cross-functional interactions such as enterprise resource planning (ERP) for building more efficient organizations. Thus, ICT involves inter-firm and intra-firm relationships. Relationship benefits are expected to be influenced by ICT.

ICT is regarded as the type of resource that has indirect effects on business performance by enabling other business resources. ICT enables two levels of business integrations: internal process integration and external integration (Chang and Wang 2011; Dong et al. 2009). Internal process integration refers to communication and information sharing (Chang and Wang 2011) and integration of operational protocols (Schwarz et al. 2010). On the other hand, external integration concerns the activities with other companies. It refers to the integration of operational protocols and communication with other companies (Chang and Wang 2011) and backend integration with other companies (Dong et al. 2009).

Considering ICT's enabling effect, the authors propose a causal model including relationship benefits and business performance (see Fig. 1). Integration via ICT improves the business process (Dong et al. 2009; Schwarz et al. 2010) and facilitates relationship benefits (Saraf et al. 2007; Ulaga and Eggert 2006). Therefore, internal and external integration via ICT are expected to influence both operation performance (upstream, downstream, and internal operations) and relationship benefits (time-to-market, know-how). In addition, flexible customization is also to create benefits for customers.
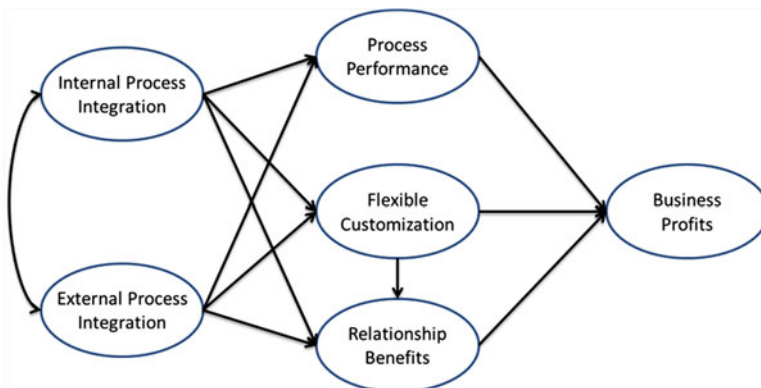


**Fig. 1** Proposed model

We propose the following hypotheses:

H1: Internal process integration and external process integration interactively have positive effect on process performance.
H2: Internal process integration and external process integration interactively have positive effect on relational benefits.
H3: Internal process integration and external process integration interactively have positive effect on flexible customization.
H4: Flexible customization has a positive effect on relationship benefits.
H5: Process performance, flexible customization, and relationship benefits have a positive effect on business performance.

## Research Method

The authors conducted a survey in the spring of 2012. The items were derived from the literature on ICT-enablers and relationship values. Questionnaires were sent to 1358 divisions in the machine/equipment industries. Sampling was conducted using a commercial service, which identified senior and middle management people in each targeted division within listed companies in Japan; of the samples taken, 473 were used in the research. The response rate was 35.6 %. The measurement and validity assessments are shown in Table 1. External process integration, backend integration, and partner support are used as observed variables regarding relationship benefits. To test the proposed model, the authors adopted structural equation modeling (maximum-likelihood method) (Table 2).

## Results and Discussion

The results are summarized in Table 3. All coefficients are found to be significant, except the relationship between flexible customization and business performance. The important statistical values are as follows: GFI = 0.906, AGFI = 0.873, CFI = 0.940, NFI = 0.910, RMSEA = 0.065, AIC = 495.780, $x^2$ = 397.780 (df = 141), and Hoelter 0.05 = 183.

The results show a reasonably good model fit. The results showed that relationship benefits were influenced by ICT-enabled internal and external integration, and that these benefits influence business performance. However, flexible customization indirectly affects business performance only when it affects relationship benefits, implying that relationship benefits have a positive effect on business relationships if they are enabled by ICT, process operations are well performed, and flexible customization is available. Relationship benefits require flexible customization; however, flexible customization itself does not significantly affect business performance.

**Table 1** Measurement items and validity assessment

| Construct | Measurement | Factor loadings | AVE | Alfa | Reference |
|---|---|---|---|---|---|
| Internal process integration | There are adequate multiple communicative channels among different departments in the enterprise. Those channels are used fully. | 0.589 | 0.656 | 0.844 | Chang and Wang (2011) |
| | There is free information exchange in every department of the enterprise. | 0.977 | | | |
| | There is frequent professional interaction between staff in the different departments. | 0.816 | | | |
| IT-enabled external integration | External business process integration | 0.611 | 0.699 | 0.848 | Chang and Wang (2011) and Dong et al. (2009) |
| | Backend integration | 0.864 | | | |
| | Partner support | 0.942 | | | |
| Process performance | Improvement operations including reduced procurement constructs. | 0.852 | 0.696 | 0.811 | Dong et al. (2009) |
| | Improvement in internal operations including increased internal process efficiencies. | 0.816 | | | |
| Flexible customization | The firm created value for the customers by fine-turning its technical solutions with additional processing. | 0.87 | 0.819 | 0.926 | |
| | The firm created value for the customers by fine-turning its technical solutions with additional programming. | 0.928 | | | |
| | The firm created value for the customers by fine-turning its technical solutions with additional engineering. | 0.916 | | | |

| | | | | | |
|---|---|---|---|---|---|
| Relational value | We perform better in helping the main supplier improve their time to market. | 0.708 | 0.519 | 0.869 | Ulaga and Eggert (2006) |
| | We help us more in improving the main supplier's cycle time. | 0.804 | | | |
| | We help the main supplier more in getting their products to market faster. | 0.862 | | | |
| | We provide the main supplier a better access to our know-how. | 0.651 | | | |
| | We know better how to improve the main supplier's existing products. | 0.554 | | | |
| | We know better how to help the main supplier drive innovation on in their products. | 0.701 | | | |
| Business profit | Over the past 3 years, our firm's market share of the main product has been outstanding. | 0.869 | 0.626 | 0.749 | Bhatt et al. (2010) |
| | Over the past 3 years, our firm's sales growth has exceeded the competitor's sales growth. | 0.705 | | | |

**Table 2** Descriptive statistics and construct validity

| Construct | Mean | SD | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|---|---|
| Internal process integration | 4.81 | 0.946 | 0.844/0.656 | | | | | |
| IT-enabled external integration | 3.89 | 1.015 | 0.46 | 0.848/0.669 | | | | |
| Process performance | 4.33 | 0.982 | 0.34 | 0.366 | 0.811/0.696 | | | |
| Flexible customization | 4.16 | 1.554 | 0.273 | 0.363 | 0.11 | 0.926/0.819 | | |
| Relational value | 4.76 | 0.978 | 0.386 | 0.464 | 0.235 | 0.464 | 0.869/0.519 | |
| Business performance | 4.25 | 0.949 | 0.288 | 0.282 | 0.314 | 0.071 | 0.219 | 0.749/0.626 |

Diagonal = Cronbach's alpha/Fornell and Larcher's average variance extracted

Subdiagonal = Inter-construct correlations

**Table 3** Estimated path coefficients

| Path | Standardized path estimate | *t*-value |
|---|---|---|
| Internal process integration → Process performance | 0.22* | 3.51 |
| Internal process integration → Flexible customization | 0.14 | 2.44 |
| Internal process integration → Relationship benefits | 0.19* | 3.47 |
| External process integration → Process performance | 0.26* | 4.16 |
| External process integration → Flexible customization | 0.26* | 4.33 |
| External process integration → Relationship benefits | 0.28* | 4.97 |
| Internal process integration ↔ External process integration | 0.44* | 4.14 |
| Process performance → Business profits | 0.30* | 6.83 |
| Flexible customization → Business profits | | −0.47 |
| Flexible customization → Relationship benefits | 0.14* | 6.59 |
| Relationship benefits → Business profits | 0.17 | 2.45 |

*$p < 0.01$; others $p < 0.05$

This study examines the causal model to show how ICT enables relationship benefits and business performance. It contributes to the literature on inter-firm relationships by introducing ICT's enabling effect.

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# Supplier–Customer Relationship in a Business Network Context

**Susumu Ohira, Daisuke Ishida, and Naoto Onzo**

## Introduction

Using 122 dyadic data collected from customers and suppliers of industrial air conditioning systems, the authors examined the role of relationship quality and supplier's competence in a business network context. The findings suggest that business network connection is an antecedent to relationship commitment and relationship outcomes (i.e., repurchase intention and value creation). The present study also indicates that sales planning competence is a mediator between relationship quality and relationship outcomes.

## Research Background

*Business Network Connection/Resource-Based Theory* Möller and Törrönen (2003) indicate that when supplier–customer relationship becomes more complex, the value creation is more future-oriented. In the situation, the supplier's networking function is important. As Anderson et al. (1994) suggest, the supplier–customer relationship should be considered within a business network context. Although the network embeddedness is an important concept, there is a lack of understanding how business network and supplier's competence affect the relationship performance.

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For better understanding, this study draws on two theories, business network connection (Blankenburg et al. 1999) and resource-based theory (Barney 1991). Interaction with partners within business network leads to competitive advantage owing to effective use of resource heterogeneity between partners (Håkansson and Snehota 1995).

*Sales Planning Competence* In this research, sales planning competence refers to a supplier's ability to propose a solution to the customers' problem or to support customers' planning. Many researchers maintain that proper sale management program brings profitability to suppliers. For example, Pelham (2006) suggests that consulting-oriented sales management program leads to favorable sales and profit performances in industrial market. In the management programs, the importance of supplier's ability to diagnose and solve customers' problem is stressed. Ishii and Shimaguchi (1995) reveal that proposal-based sales practice is an effective way of sales to solve customers' problems especially in case when the supplier has more knowledge than the customers.

*Relationship Quality* Commitment is a desire to maintain relationship continuously and is commonly used as a key dependent variable in the relationship marketing literature. Prior research indicates that strong commitment leads to relationship expansion, less propensity to leave (Morgan and Hunt 1994; Ulaga and Eggert 2006), and customer loyalty (de Ruyter et al. 2001). However, most research has not dealt with the supplier's commitment but rather the customer's commitment. Joshi (2009) proved that the customer's collaborative communication fosters the supplier's commitment and that leads to continuous supplier's performance improvement. Since business network connection is a form of collaborative interaction, we posit that business network connection leads to the supplier's sales planning competence, which is mediated by the supplier's commitment.

## Methodology

*Questionnaire Development* Firstly, we needed to confirm that the chosen product, or a natural gas heat pump air conditioning system, was appropriate for the research purpose. To this end, the authors conducted in-depth interviews with six managers who were responsible for making decision to purchase air conditioners for their building. The interviews showed that since the chosen product is complex and highly specialized, the purchasers normally collect product and market information from business networks via their suppliers or on their own. The interview also identified key stakeholders in these business networks. As a result, we found that the chosen product was appropriate for the survey. Secondly, we developed a questionnaire based on the prior research and the interview results. Finally, the questionnaire was reviewed by three marketing managers from suppliers' point of view. The questionnaire was refined based on their feedback.

*Sampling Procedure* Several steps were taken for data collection. In the first step, 160 firms and schools were selected from the customer lists which were possessed by the supplier (i.e., three major gas companies in Japan. They not only produce and supply gas itself, which amounts to about 70 % share of Japanese market, but also supply gas appliances including air conditioners to both the consumers and industrial customers.) In the second step, the salespersons of the suppliers visited their customers to handover the questionnaire and ask them to answer it. Concurrently, the salespersons were asked to answer the questionnaire which was specially designed for suppliers. Reminders were sent by us to both customers and suppliers several times during the period of 3 months. In final, the questionnaires were sent back to our research institute via snail mail. Our final effective data set consisted of 122 supplier–customer dyads with a response rate of 76.3 %. The data set was used to test the hypotheses.

*Data Analysis* PLS-SEM (Partial Least Squares Structural Equation Modeling) was employed to test the hypotheses. As a result of analysis, our main hypotheses were supported. The major findings are shown in the following section.

## Major Findings

There are few academic empirical studies that investigate supplier–customer relationship in a context of business network. One of the contributions of this study is that resource-based theory and business network connection concept are applied to relationship marketing literature by using dyadic data. The findings suggest that strong business network connection gives positive impact on suppliers' relationship commitment, which, in turn, results in favorable customers' repurchase intention and value perception. The proven mediating effect of sales planning competence bridges the gap between relationship quality and relationship outcomes.

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# Session 6.6
# Branding and Sales Management

# An Empirical Examination of Firm-Initiated Service Termination: A Perceived Justice Perspective

**Amin Nazifi and Dahlia El-Manstrly**

**Abstract** Nowadays, companies treat their customers differently based on their merits (i.e. rewarding desirable customers with the royal benefits while disengaging undesirable customers). The latter was the case when Sprint Nextel terminated mobile phone contracts of over 1000 customers due to excessive calls to its call centres (Mittal et al. 2008). Despite the strategic importance of customer disengagement in terms of its impact on firm's profitability (Narayanan and Kaplan 2001), firm reputation (Alajoutsijärvi et al. 2000) and customers' negative behaviours (Haenlein and Kaplan 2012; Mittal et al. 2008), existing empirical research is limited. Existing research tends to focus on specific types of disengagement strategies (e.g. direct and indirect firm-oriented strategies) and lacks an examination of the impact of other disengagement strategies on disengaged customers' perceived justice and negative behavioural responses. More specifically, empirical examinations of consumers' perceived fairness of service termination have been very limited (Mayser and von Wangenheim 2013) and only examined among other existing and prospective customers (Haenlein and Kaplan 2010). Therefore, this study examines the effects of two direct disengagement strategies (e.g., fait accompli—a firm oriented strategy and state-of-the-relationship talk—a customer oriented strategy) on customers' perceived justice and in turn their negative behaviours. More importantly, the study investigates the extent to which using a specific compensation type (e.g. monetary compensation, explanation, and apology) can influence customers' perceptions of justice and in turn their intended negative behaviours. The study will also examine the moderating effect of the severity of termination strategy on effectiveness of different compensation types. Given the limited resources available to marketing managers, it is important to establish whether offering any compensation can have a positive influence on customers' fairness perceptions. In the end, this study will improve our understanding of the disengagement process and will also help practitioners manage the termination more effectively.

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**Keywords** Customer disengagement • Service termination • Compensation • Perceived justice

**References available upon request**.

# Salespeople as Specific Human Assets: An Application of the Transaction Cost and Relational Approaches to Exchange Governance

**Matthew M. Lastner and Rebecca L. Rast**

**Abstract** An important question confronting organizational strategists is how to best organize transactions between firms. Multiple streams of literature have attempted to address the inherent governance challenges that exist when two distinct, but complementary firms choose to enter into an exchange agreement with one another. The transaction cost approach (TCA) to organization proposes that firms incur transaction costs owing to the costs of conducting exchanges in the market over the costs that would be realized by organizing the exchange within the firm (Coase 1937). According to the TCA, when the transaction costs of market governance are high, it makes more sense for firms to vertically integrate rather than engage in exchanges with another firm. In response to the TCA, relational exchange theory posits that market exchanges can be governed by the cultivation and strengthening of relationships between two exchange partners (Palmatier 2006, 2008). That is, the relational perspective suggests that many of the costs identified under the TCA can be reduced or eliminated in the presence of strong relationships to govern the transaction between parties in a market exchange. The introduction of relational governance mechanisms to an exchange featuring specific assets should serve to quell the threat of opportunism while at the same time enhancing the commitment of both parties.

However, despite the significant contribution that the relational perspective has made to the governance literature, there are still some shortcomings that this perspective has failed to address. First, the relational paradigm has failed to address how governance mechanisms inside the firm should be aligned with the governance mechanisms imposed externally in relationships with exchange partners. That is, a framework has yet to be developed to explain how the organization of human capital *within* a firm is conceptually related to the success of exchange relationships *between* firms. It is our contention that organizations that cultivate

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strong relationships between managers and employees will also demonstrate higher levels of relationalism in their dealings with other firms. Second, and related to the first shortcoming, the relationship literature has not adequately built on the TCA's indication that *human* specific assets can also be invested into exchange relationships. A framework is needed to guide firms on how these assets can be managed and deployed in order to yield the desired exchange outcomes. In the present research, we build such a framework, using the TCA and relational exchange theory, to illustrate how the cultivation of relationships between sales managers and sales personnel within sales organizations will significantly increase the likelihood that sales employees will cultivate relationships outside of the firm, with exchange partners. Thus, on the basis of these two unique characteristics of the selling function, we will argue that applying a relational perspective within sales departments is important for the success of those departments.

# Brand Valuation in the PRC Market: Toward Understanding the Nuances in Consumers' States of Mind

**Jiani Jiang**

## Introduction

The value of a brand is inextricably linked to consumers' values, attitudes, and lifestyles, underscoring the complexity of developing global brand identity and equity. While technology-enabled globalization has produced synergies in the marketing and logistics of branded goods, it has also challenged brand managers to accommodate the heterogeneity within and across markets and cultures. Market entry and expansion in emerging markets are particularly timely as the demand for branded products increases in two of the largest emerging consumer markets, China and India (Wilson and Purushotaman 2003). While developed economies such as the USA and Canada have experienced sluggish population growth and competitive retail density consistent with economies in a maturation stage, big emerging markets such as the People's Republic of China (PRC) market offer opportunities for garnering increased market share (Berner et al. 2001). Understanding subtle nuances and differences in new markets has become a resource advantage for multinational consumer goods marketers (Golub and Hopkins 2003).

While much research attention has been given to branding, there lacks an understanding of symbolic value in brand equity. Prior research has shown that the symbolic value of brands plays an important role in consumers' buying behaviors. Yet, little research has been done to improve our understanding of how Chinese consumers' attributions of symbolic value are related to their ensuring evaluations of brand value. If symbolic value is a meaningful factor in brand equity, then the dimensions or sub-constructs underlying consumer-based brand equity warrant empirical attention. The PRC market is the fastest-growing consumer market in the

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world. Chinese consumers provide a population of interest with identifiable symbolic nuances in their culture. Does brand equity theory (largely from the West) accommodate symbolic nuances manifest in the PRC consumer market? Therefore, this research addresses symbolic value of brands as an antecedent of each dimension of brand equity among the PRC consumers.

## Literature Review

### *Customer-Based Brand Equity*

To measure customer-based brand equity, most marketing researchers employ Aaker's (1991) and Keller's (1993) brand equity dimensions. Aaker (1991) formulated the concept of brand equity, defined it as "a set of assets and liabilities linked to a brand that create value for both customers and the organizations." Aaker (1991, 1996) classified brand equity into five categories: brand loyalty, brand awareness, perceived quality, brand association, and other brand proprietary assets. Compared to Aaker's general conceptual framework of brand equity, Keller (1993) developed a brand equity framework from a customer perspective. He defined customer-based brand equity as "the differential effect of brand knowledge on consumer response to the marketing of the brand." Keller's customer-based brand equity framework consists of two broad components: brand awareness and brand association. However, Keller's (1993) customer-based brand equity framework lacks practical implications for the markers. Yoo et al. (2000) adapted three dimensions (brand loyalty, perceived quality, and brand association) of Aaker's (1991) conceptual framework to conduct a study that explored the relationship between marketing mix and brand equity dimension.

### *Symbolic Value of Brand*

Value of brands can be either functional or symbolic (Wee and Ming 2003). Consumers purchase items not only for what they do, but also for what they mean (Levy 1959). Symbolic value usually associates with "non-product-related attributes and related to underlying needs for social approval or personal expression and outer-directed self-esteem" (Keller 1993, p. 4). Foreign brands in developing countries or emerging markets mean not only the high quality but also the social and symbolic value for the consumers (Zhou and Hui 2003). Batra et al. (2000) found that symbolic value is the primary driver for consumers purchasing products from foreign brands. In some developing countries, foreign products and brands represent global or affluent western consumption or lifestyle. Consumers in these countries buy foreign brands products not only for the high quality but also for establishing their social identities (Alden et al. 1999; Arnold and Quelch 1989). By

understanding the desires of consumers' in developing countries, global retailers sell their products as a symbol of high social status and the Western lifestyle. Indian consumers view foreign products and brands as symbols for the enhancement of their social status (Batra et al. 2000). The symbolic value of foreign products and brands was found to be the key driver for product preference, especially for those consumers who like the Western lifestyles. From the review of previous research, the author discovered that most of them focused on how symbolic value of brand influences consumers' buying behaviors. The understanding of symbolic value in brand equity is lacked.

## Research Propositions

In order to fulfill the literature gaps, the research proposes a framework with eight propositions that addresses symbolic value of brand as an antecedent of each dimension of brand equity among PRC consumers and the relationship between each dimension and brand equity in the PRC market.

P1: Symbolic value of brands has a positive impact on brand awareness in the PRC market.
P2: Symbolic value of brands has a positive impact on brand association in the PRC market.
P3: Symbolic value of brands has a positive impact on perceived quality in the PRC market.
P4: Symbolic value of brands has a positive impact on brand loyalty in the PRC market.
P5: There is a positive relationship between brand awareness and brand equity in the PRC market.
P6: There is a positive relationship between brand association and brand equity in the PRC market.
P7: There is a positive relationship between perceived quality and brand equity in the PRC market.
P8: There is a positive relationship between brand loyalty and brand equity in the PRC market.

## Potential Theoretical Contributions

This research makes several important contributions to the marketing literatures. First, this research contributes to the marketing literature by demonstrating that symbolic value of brands has an impact on each dimension of brand equity in the PRC market and suggests that existing theories on brand equity need to be supplemented with information on symbolic value of brands. Second, this research makes contribution to the literature on symbolic value of brands. Previous research has

shown that the symbolic value of brands plays an important role in consumers' buying behaviors. Nevertheless, little research has been done to improve our understanding of how Chinese consumers' attributions of symbolic value are related to their ensuring evaluations of brand value. Lastly, this research addresses the world's fastest-growing consumer market: PRC. More important, can these propositions be applied across culturally endemic nuances in other emerging consumer markets?

## Managerial Implications

Understanding symbolic value of brands is important for market entry and expansion in the PRC market. This research provides several managerial implications. First, foreign brand managers should "think global, act local" for marketing their brands in the PRC consumer market. Local adaption is a good approach to understand the symbolic value of brands in the PRC market. Second, marketing managers need to be cautious about using "global symbols" such as color, numbers, languages, and so forth to emphasize the "foreignness" of the brand in the PRC market.

## Future Research Directions

Future research looking at symbolic value in brand equity may want to focus on the following issues. First, because this research focuses on the PRC market, it may not be generalizable in other cultures. Further research can empirically test the generalizability of the proposed framework by collecting data across different culture. Second, this study does not take into considerations the factors that moderate the influence of symbolic value of brands on the components of brand equity. Thus, future research can be conducted in expanding the proposed framework incorporating moderating factors such as luxury goods versus inexpensive products.

**References available upon request**.

# Session 7.1
# Gambling, Drinking, Fantasies, and American Football!

# Beautiful Brutality: Subjective Personal Introspection and One Consumer's Struggle to Enjoy American Football

**Jason Flores**

**Abstract**  Sport consumption creates a vast array of personal connections which are often expressed as, for example, values, attitudes, and behaviors (Meir 2000; Westerbeek and Smith 2003). Attempting to understand the behaviors of sport consumers has been the subject of an extensive research stream for many decades (Stewart et al. 2003) yet only recently has a more holistic approach been taken to model spectator sport consumption (Trail and James 2011). Missing in the literature is research pertaining to how one's perspective, developed through participation and as a fan consuming the same sport, of contemporary sport related issues and how those issues are addressed may impact consumption behavior. The purpose of this paper is to utilize the method of Subjective Personal Introspection because of the privileged access this method provides to the author's American football consumption experience as a participant and fan of the sport. The resulting existential-phenomenology (Thompson et al. 1989) based impressionistic interpretation of the researcher's private experiences is intended to lead to an enhanced view of the consumption experience.

My engagement with American Football includes past sport participation and past and current consumption that creates within me experiences of each of the "Three F's" (Fantasies, Feelings, and Fun) of consumption experience that are central to Holbrook's and Hirschman's (1982) experiential approach to consumer research. But, my experience is not one that can be expressed as, for example, unbridled joy or exhausting sorrow. Rather, it is marked by an internal mental struggle with roots in my more than three decades of past experiences that ultimately shape the way I consume sport (football as the point of reference) today and creates within me a series of contradicting feelings that can be described as cognitive dissonance.

My historical experience with American football is traced to provide a holistic presentation of my current experience with football. This historical perspective provides deep insight and allows for the connection of specific experiences that

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form the "overall context of the life-world" as described by Thompson et al. (1989). The events of my experience include gatherings with family and friends to watch football games dating back to my earliest childhood memories in the early to mid-1980s, but my first profound memory occurred in 1989 after viewing an ESPN special that was effectively a biography of Ronnie Lott who would be playing in Super Bowl XXIII the day after I viewed the program. This program was followed by 30 min dramatic recaps of each Super Bowl up to Super Bowl XXII. These programs and Super Bowl XXIII served to launch my new found interest in football.

In subsequent years I experienced the game as a participant for 7 years and as a fan for more than three decades. During these years I lost a close friend as a result of a spinal cord injury sustained playing football and experienced the extreme emotional highs and lows as a participant and ardent fan. Additionally, I experienced disillusionment with the game due to issues such as the use of illegal or banned performance enhancing drugs, the underlying business foundation of the game, the issue of debilitating head injuries, and off the field violence related issues that seem to occur with alarming regularity. Together these intricately connected experiences have created a continuous mental struggle for the author that has changed the way in which I have consumed the sport over time.

Existing sport consumption models may capture an understanding of some of the behaviors I engaged in and continue to partake in when consuming football but they do not account for the internal mental conflict I experience when consuming football and the impact that has on my consumption behaviors. American football consumption may seem to be a rather simple experience with high levels of excitement and entertainment rather than any particular level of in-depth thought. Admittedly, part of the joy of football consumption comes from the simplicity and emotional depth associated with game. However, the nuanced experience that creates the cognitive dissonance I experience suggests a nuanced approach to address these issues is needed if a similar state of cognitive dissonance is experienced by other consumers of football. There is evidence to suggest that a type of dissonance similar to that experienced by the author may be occurring for some consumers of football.

**References available upon request**.

# Is Fantasy Becoming Reality and Leaving Reality Behind? Investigating the Impact of Fantasy Leagues on Professional Sports League Consumption

**Arne Baruca, Roberto "Bobby" Saldivar, and Jason Flores**

**Abstract** This article investigates how participation in fantasy leagues has changed fan consumption habits towards actual sports franchises and leagues. Various fantasy sport leagues (FSL) have become popular in today's sports markets. According to the Fantasy Sport Trade Association (FTSA) the number of players has grown from 500,000 in 1988 to 41.5 million in 2014 in the USA and Canada. Out of those male represent 80 %, and 78 % have at least a college degree or more. Football is the favorite sport played (69.4 %). This shift is recognized in popular culture as the FX channel airs a sit-com titled "The League" where characters' lives revolve around a fantasy football league that illustrates the popularity of FSL. The popularity of FSL arguably effects the lifestyle and sport consumption of many people in today's world. Howard (2009) argues that the growing interest in FSL may diminish sponsorship opportunities because of the lack of desire to attend actual sporting events. These actions could potentially threaten sport franchises around the world by eliminating important revenue streams. Howard (2009) also warns of diminishing revenue streams from event purchases such as game tickets, food, and merchandise sales. Specifically, Howard (2009) warns that fans may shift from following their favorite team to following specific players from their fantasy teams. Rather than buying tickets and going to games of one specific team as many loyal fans do,

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fantasy players prefer to watch and follow many teams not because they are fans of those teams, but to track the performance of specific players. The preliminary analysis suggested that avid fantasy league players tend to be engaged more in real sports leagues than previously imagined. Fantasy participations lead to increased consumption, but on the level of the entire league rather than specific teams. In other words, there is tendency to support their favorite team and all their fantasy players. These findings contradict previous findings and show that fantasy leagues are a tool that promotes a deeper desire to consume games on TV and person therefore making the said league a part of everyday life.

**Reference available upon request**.

# Fantasy Sports and Gambling: A Comparison of Antecedent Traits and Motivations

**David Houghton, Bryan McLeod, and Edward Nowlin**

## Introduction

Fantasy sports have witnessed remarkable growth in the USA and around the world. While most fantasy sports players prefer free leagues, pay-to-play (P2P) fantasy sport contests are growing in popularity, with 46.9 % of players paying league participation fees (FSTA 2014). The nature of P2P fantasy sports, with its focus on entry fees, uncertain outcomes, and cash prizes, leads many to classify fantasy sports as a form of gambling. The trend toward P2P fantasy sports also raises questions regarding the nature of fantasy sports players and their motivations.

Research is divided over whether fantasy sports contests are games of chance which promote gambling, or whether they are games of skill which promote sports interest but not gambling. However, little empirical research exists to support either position. Fantasy sports are often linked to gambling for many reasons. First, from a layman's perspective, P2P leagues resemble gambling in that players wager an entry fee for a chance to win cash and other prizes based on the outcomes associated with sporting events. Second, unlike traditional sports betting, wagering money on fantasy sports is legal in the USA. The legal status of fantasy sports affords it a level of credibility which enables firms that have taken a strong stance against sports betting, such as the National Football League, to embrace fantasy sports. Finally, anecdotal evidence is building that some fantasy sports participants exhibit behaviors and life problems traditionally associated with problem gamblers (Carter 2012; Goodhart 2007; Snyder 2014).

The purpose of this paper is to contribute to this debate by examining the personality trait makeup of fantasy sports players and gamblers. Which personality traits

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are predictive of fantasy sports participation? Which traits do fantasy sports players share with gamblers? Which do they not? By answering these questions, we seek to enhance marketers' understanding of fantasy sports players, an under-studied group of consumers in marketing literature. Fantasy sports, which started as a hobby for baseball enthusiasts, is now a multi-billion dollar industry that can be found in nearly every major sport in the world (Karg and McDonald 2011). The trend towards money games is changing the nature of fantasy sports, and is likely drawing new types of players to fantasy sports. Thus, our research questions are:

**RQ1**: What is the personality trait makeup of a fantasy sports player?
**RQ2**: How do fantasy sports players and gamblers differ in regard to personality traits and motivations?

## Conceptual Framework

The 3M Model of Motivation and Personality (Mowen 2000) provides the conceptual and organizational framework for our trait analysis. The 3M Model incorporates personality and evolutionary perspectives into a hierarchical arrangement of traits organized by their level of abstractness or concreteness.

Four levels of traits make up the 3M model. Elemental traits are the most basic and abstract, and consist of the "Big Five" traits from psychology (openness to experience, conscientiousness, extroversion, agreeableness, and neuroticism), as well as three additional traits from evolutionary psychology (need for material resources, need for arousal, and body resource needs). Compound traits are less abstract than elemental traits, and represent enduring dispositions influenced by culture and the combined effects of various elemental traits. Situational traits are dispositions that point to behavioral consistency in situational contexts. They are made up of combinations of the more abstract traits. Surface traits are the least abstract (and thus most concrete) personality traits. Their concreteness makes them easily observable and strongly predictive of future behavior (Mowen 2000). The hierarchical nature of the 3M Model bridges the gap between the basic personality traits and concrete predictable behaviors. We thus consider the 3M Model to have more explanatory power than other models of personality, and consider it to be more useful for marketing practitioners and researchers.

Compound and situational traits were chosen for this study based on a literature review of well-established drivers of gambling behavior and postulated drivers of fantasy sports participation. The compound and situational traits in our model are impulsiveness, general self-efficacy, need for learning, financial conservativeness, and superstitiousness. The surface traits are two behavioral predictors: gambling propensity and fantasy sports propensity. Due to the space limitations of this abstract, we have not included the theoretical support for the hypothesized paths in our model (there are 20 in total). However, this information is available in our full manuscript.

## Methodology

Data was collected using Amazon.com's Mechanical Turk (MTurk) system. A general sample of U.S. residents 18 years of age or older was collected ($n = 480$). While the sample is general in nature, the survey was listed as a "Sports and Personality" study in MTurk, in an effort to attract respondents with an interest in sports. Scales for the 13 elemental, compound, and situational traits, and the scale for gambling propensity were adapted from previous literature (Carlson et al. 2009; Licata et al. 2003; Mowen and Carlson 2003; Mowen et al. 2009). The scale used to measure fantasy sports propensity was adapted from the measure for gambling propensity.

A confirmatory factor analysis was performed to assess the measurement model, and structural equation modeling was used to examine both the direct and indirect paths in the model. Common method variance was controlled for by measuring social desirability and using this construct as a latent method factor per Podsakoff et al. (2003). The measurement model was a good fit to the data, and no significant differences were found in the model when social desirability was added.

## Results

In accordance with previous research, the propensity to gamble was found to be driven by (lack of) conscientiousness, emotional instability, need for arousal, materialism, impulsiveness, (lack of) financial conservativeness, and superstitiousness. Body resource needs, or one's tendency to protect, maintain, and enhance the body, was surprisingly found to have a positive influence on gambling propensity. Self-efficacy and need for learning had no impact on gambling propensity.

Results indicate that the propensity to participate in fantasy sports is influenced by conscientiousness, (lack of) emotional instability, need for arousal, materialism, body resource needs, impulsiveness, self-efficacy, need for learning, (lack of) financial conservativeness, and superstitiousness. However, the directions of many of these relationships were surprising. Need for arousal, materialism, impulsiveness, and superstitiousness are known antecedent traits of gambling, however we had hypothesized they would have the opposite effect on the propensity to participate in fantasy sports.

Taken together, these findings indicate that the propensity to engage in fantasy sports is driven by many of the same personality traits as the propensity to gamble. These findings contradict many commonly held notions regarding the nature and motivations of fantasy sports participants. For example, despite the fact that most fantasy sports players prefer free leagues (FSTA 2014b), materialism is a positive predictor of fantasy sport propensity. While this relationship does not appear to be as strong as the relationship between materialism and gambling propensity, it is still significant and positive. This may help explain the recent popularity of fantasy sports contests which award frequent cash prizes. Another surprise is the role

superstitiousness plays in driving fantasy sport propensity. Fantasy sports proponents often state that fantasy sports are games of skill which require extensive research and strategy, and that they are wholly unlike games of chance. If this were true, one would expect superstitious players to find fantasy sports contests unappealing. However, it appears that individuals who believe in fate or luck are drawn to fantasy sports.

## Discussion

Fantasy sports are becoming increasingly popular both in the USA and abroad. P2P leagues which offer cash prizes have seen the most growth, and this trend toward money games is attracting new players to fantasy sports. However, little is known about the motivations of fantasy sports players. In particular, it is unknown whether today's fantasy sports players are more like sports enthusiasts or more like gamblers. This research seeks to contribute to our knowledge of fantasy sports participants at this crucial point in time, when gambling elements are being woven into fantasy sports contests.

Our results indicate that fantasy sports players and gamblers may have much more in common than previously thought. In fact, many of the personality traits traditionally associated with gamblers (e.g., impulsiveness, superstitiousness, materialism, lack of financial conservativeness) appear to be present in fantasy sports participants as well. These findings are relevant to marketers who wish to engage fantasy sports players, as well as public policy makers currently considering the possible relationship between fantasy sports and gambling.

Fantasy sports is a topic of interest to public policy makers due to its close similarities to sports betting and online gambling, two activities which are heavily regulated. During the passage of the Unlawful Internet Gambling Enforcement Act of 2006, U.S. lawmakers used specific language to carve out an exemption for fantasy sports. This language effectively legalizes all fantasy sports contests which are not based directly on the results of real-life games or the performance of individual players. For example, betting on the St. Louis Cardinals to win their next game is illegal, as is betting that Adam Wainwright will strike out ten batters in his next game. However, it is legal to create a fantasy team made of individual players (including Adam Wainwright) and wager money on that team's combined performance. This splitting of hairs has stirred debate over whether or not fantasy sports should be categorized a form of gambling. While the law considers fantasy sports to be different than gambling, our research finds that fantasy sports players are very much like gamblers.

This research also makes an important theoretical contribution. Most personality studies in consumer behavior, with the exception of Jadlow and Mowen (2010), examine the motivations behind a single predictor of behavior, such as gambling propensity (Mowen et al. 2009), job resourcefulness (Licata et al. 2003), volunteering (Mowen and Sujan 2005), word-of-mouth communications (Mowen Park and

Zablah 2007), and body enhancement (Mowen et al. 2009). However, human behaviors do not occur in isolation. This "silo" approach to the study of personality and behavior makes it difficult to compare the trait profiles of people who participate in similar yet different behaviors. Our research takes a different approach, and examines the antecedent traits of two similar behaviors, across the same set of traits and with the same sample. Thus, direct comparisons of motivational drivers can be made more easily.

Finally, some intriguing questions remain which should be addressed in future research. Are all fantasy sports players alike in regard to their personality makeup? Some fantasy sports players prefer free leagues, while others prefer paid leagues. Would the findings from this study hold true for both of these groups? Also, it is important to keep in mind that the list of traits examined in this study is by no means exhaustive. There is a social aspect to fantasy sports participation that is not captured in this study. An examination of the social drivers of fantasy sports could shed light on additional player motivations.

**References available upon request**.

# Session 7.3
# Social Perspectives

# A New Insight into Customer Citizenship Behavior: Concept and Theoretical Framework

**Arash Hosseinzadeh**

## Introduction

Customer behavior in service offerings may emerge either in the form of in-role behavior or extra-role behavior (Bettencourt and Brown 1997). Extra-role behaviors are referred to customer citizenship behavior (CCB) which entails customers' inputs in terms of time, information, idea, and even physical possession (Bettencourt 1997; Bitner et al. 1997; Groth 2005; Prahalad and Ramaswamy 2004). CCB originated from the notion of prosocial behavior in the social psychology field (Brief and Motowidlo 1986; Motowidlo and Scotter 1994). Prosocial behavior has been conceptualized by two behavioral stipulations of voluntary and benevolent performances (Walster and Pilivian 1972). CCB is rooted in the notion of prosocial behavior in social psychology studies, but most of the previous studies neglected the benevolent aspect of this concept.

The lack of knowledge about the underlying mechanisms of CCB not only has raised the overlook into underlying theoretical framework but also has raised the diversity in dimensionality of this construct (Bove et al. 2009; Glid et al. 2011). In order to capture the essence of the CCB concept, two behavioral aspects of customer voluntary and benevolent performances have been proposed as components of CCB. In this regard, relative notions and theories from marketing, management, and social psychology fields will be discussed to provide future studies with fruitful theoretical frameworks.

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# Customer Voluntary Performance (CVP) and Customer Benevolent Performance (CBP)

CCB is defined as "voluntary and discretionary behaviors that are not required for the successful production and/or delivery of the service, but that, in the aggregate, help the service organization overall" (Groth 2005, p. 11). Voluntariness and benevolence are two underlying CCB components resulting in two different types of behaviors. In the extant literature these behaviors have been treated the same and considered as the CCB (e.g., Bove et al. 2009; Dai and Chen 2014; Groth 2005).

CVPs refer to "discretionary behaviors of customers that support the ability of the firm to deliver service quality" (Bettencourt 1997, p. 384). This type of performance includes customer loyalty, cooperation, and coproduction (e.g., Bettencourt 1997) which addresses customer participation behavior (Yi and Gong 2013).

CBPs are charitable and kind acts from the customer's side (Lengnick-Hall et al. 2000). This type of activity supports altruistic intentions of customers' performances including tolerance, politeness, and helpfulness (Yi and Gong 2008, 2013; Lengnick-Hall et al. 2000; Smith et al. 1983).

The lack of attention towards CVP and CBP as the components of CCB in the extant literature has resulted in the dissension in conceptual and even in dimensionality of this construct. Bettencourt (1997) suggests participation, loyalty, and cooperation as the CVP dimensions while recent studies operationalize CCB construct with the same dimensions for CVP (e.g., Dai and Chen 2014). Recently Yi and Gong (2013) identified four dimensions of CCB including customers' feedback, advocacy, helping, and tolerance.

Several studies have been conducted to expand the theoretical framework of CCB construct (e.g., Bettencourt 1997; Bove et al. 2009; Groth 2005). Reviewing 32 relevant researches illustrated that previous studies mostly explain CCB by the well-established social exchange theory (SET; Emerson 1976). While, SET considers social behaviors as ways to exchange tangible or intangible, rewarding or unrewarding activities between at least two parties (Homans 1691) and does not cover the CVP and CBP within the CCB notion. Theoretical framework of this study is presented in two parts including: (1) when people help; (2) why people help.

# Theoretical Framework

## *Bystander Intervention*

Latane and Darley (1970) indicate the well-recognized model of bystander intervention decision which indicates a series of individuals' decisions prior to performance (e.g., Darley and Latane 1968; Dozier and Miceli 1985). The series of prior decisions involve three basic assessment phases including the situational decision, taking personal charge decision, and the decision regarding how to help. These

three phases can be decomposed to five sequential occurrences which individuals fulfill in order to intervene such as (1). To notice the situation (2). To construe an intervention requirement (3). To develop responsibility feelings (4). To believe having enough skills to succeed (5). To reach a conscious decision to help (Latane and Darley 1970).

## Cost-Reward Analysis

Cost-Reward analysis proposes people are prone to minimize their cost and maximize their rewards. Customers are potential helpers who analyze circumstances in terms of costs, rewards, comparison with other alternatives, and eventually arrive at a decision resulting in their best personal outcome (Bloom and Clark 1976; Penner et al. 2005).

Implications of cost-reward analysis consistent with CCB reveal the significance of customers' self-interest in terms of the cost and reward. CCB including voluntary and benevolent behaviors is a trade-off between customers' input costs such as time, emotion, effort and reward outputs such as meeting altruistic wills, helping, and even charity.

## Theory of Social Function (TSF)

TSF proposes that individuals generate their own well-being by achieving universal goals, including social and physical well-being, within their set of resources and constraints (Lindenberg 1996). Three means has been known as generators of social well-being consists of affection (i.e. showing others the feeling of caring), behavioral confirmation (i.e. feeling of doing the right thing), and status (i.e. feeling of being better than others) (Garma and Bove 2011). Based on this theory, customers conduct citizenship behaviors to seek out three means of affection, behavioral confirmation, and status.

## Theory of Normative Social Behavior (TNSB)

TNSB of communication studies identifies descriptive norms and three underlying mechanisms as the dominant antecedents of individuals' behaviors (Rimal and Real 2005). Based on this theory descriptive norms (i.e., individual's perception of others' behaviors) influence an individual's own behavior through the intervention of three normative mechanisms including injunctive behavior (others expectation about individual's behavior), outcome expectation, and group identity (Jang et al. 2013; Real and Rimal 2007).

## *Theory of Normative Conduct (TNC)*

TNC posits that norms are more likely to direct behaviors to the extent that individuals pay more attention to them (Cialdini et al. 1991). A norm can be activated and become salient due to specific situational conditions or people's dispositional attention to them (Jonas et al. 2013). Based on TNC, CCB will increase in a situation in which citizenship behavior is induced by another customer or one employee who conducts such behavior.

## *Theory of Stimulus-Organism-Response (S-O-R)*

S-O-R theory conceptualizes stimulus as an effect which arouses an individual's feeling (Eroglu et al. 2001; Mehrabian and Russell 1974). Previous research in service encounters illustrates that employees' attitudes and behavior influence customers' service perceptions due to its contagious nature (Bowen et al. 1999; Hartline and Ferrell 1996; Yi and Gong 2008). I would like to expand this argument to customers' self-effects in which they establish each other and employees' behavior whilst producing market place norms and culture (Arnould and Thompson 2005).

## *Theory of Normative Conduct*

An organism is represented by "affective and cognitive intermediary states and processes that intervene in the relationship between the stimulus and individuals' responses" (Eroglu et al. 2001, p. 180). The integration of organism definition with TNC illustrates the significance of situational conditions and individual's dispositional attention in service encounters in individuals' responses.

As it was explained, customers observe and learn the citizenship behavior of employees and other customers which constitutes the stimulus element of S-O-R theory. In this regard, customers might go through the process of affective and cognitive states and exhibit CCB (Yi and Gong 2008). Situational conditions and the individual's dispositional attention in service encounters intervene between stimulus and response. Eventually, customers exhibit desire or apathy towards performing citizenship behavior in the service encounter.

## Conclusion

This study captures a gap regarding the notion and underlying theoretical framework of CCB. The author attempts to expose the ignored aspects of CCB by digging into the relevant literature of management and social psychology. An overlook into CCB concept and adopting a myopic insight into theoretical establishment of studies have resulted in neglecting benevolent performances as a significant component of CCB. Borrowing organizational citizenship and prosocial behavior from other fields along with proposed relevant theories from social psychology studies develop fruitful theoretical frameworks for future studies. This study contributes to the expansion of CCB knowledge in terms of notion, dimensionality, and relevant theories. Besides, I call for future empirical studies in order to test the validation of proposed theoretical frameworks.

**References available upon request**.

# Forgiven the Right Way: The Role of Regulatory Fit in Brand Apologies and Forgiveness

**Young-A Song, So Young Lee, Tae Rang Choi, and Marcos Duran**

## Abstract

In brand transgression context, some consumers forgive the brand because they want to gain the relationship back while others might forgive the brand because they do not want to lose the relationship. Using a regulatory fit perspective (Avnet and Higgins 2006), this research investigates how a match of motivational approach between consumers' goal orientation and brand apology impacts on brand forgiveness. The results show that consumers with a dominant promotion focus are more likely to forgive a brand when they receive a promotion-focused brand apology, while those with a dominant prevention focus are more likely to forgive a brand when receiving a prevention-focused brand apology.

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# An Exploratory Investigation of the Impact of Consumer Emotions and Attitudes on Patronage Intention After Mall Shooting Episodes

**Jennifer Yurchisin, Kittichai Watchravesringkan, and Ruoh-Nan Yan**

## Abstract

Acts of gun violence at shopping malls have been occurring with greater frequency in recent years (O'Donnell 2014). These incidents can have a devastating impact on business if consumers do not return to the mall after the incident (Morris and Stevens 2014). While managing consumer perceptions of the shopping mall is very important, little research has been conducted on post-incident consumer behavior at shopping malls. The purpose of this exploratory research was to investigate consumers' emotional, attitudinal, and behavioral responses to acts of gun violence at shopping malls. The research is grounded by the stimulus-organism-response framework (Mehrabian and Russell 1974) as well as the attitude-behavior connection (Ajzen and Fishbein 1977). Data were collected via an online questionnaire. Amazon's Mechanical Turk was utilized to recruit participants to complete the questionnaire. A total of 244 usable questionnaires were completed by U.S. consumers. The questionnaire contained four sections. Participants were first asked to respond to Likert-type scale items to assess their current intentions to visit their favorite shopping mall (Stoehl et al. 2004). In the second section of the questionnaire, participants read a fictional newspaper article about a shooting that recently occurred at their favorite shopping mall. The newspaper account was based on a collection of actual newspaper articles about recent mall shooting incidents. In the fictional newspaper article, the act of gun violence was described as being a random event in which one customer was killed by a gunman who later killed himself. After participants read the fictional newspaper article, they completed a semantic differential scale designed to assess their feelings of pleasure and arousal associated with visiting their favorite shopping

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mall following the shooting incident (Donovan et al. 1994). Next, participants were directed to respond to Likert-type scale items designed to assess their attitudes toward the mall following the shooting incident (Yoo and MacInnis 1998). Participants then responded to the same items from the first section of the questionnaire again to assess their post-incident intentions to visit the mall. Demographic information was collected in the fourth and final section of the questionnaire. Structural equation modeling was used to test the hypotheses. The structural model exhibited a moderate, but acceptable, fit. Participants' intention to visit the shopping mall following an act of gun violence was predicted by their attitudes toward the shopping mall. Although level of pleasure and level of arousal were both hypothesized to be emotional antecedents of consumers' post-incident attitudes toward the shopping mall, only level of pleasure was significantly related to attitudes in the model. Hence, mall managers should perhaps try to emphasize the pleasurable aspects of the shopping mall to encourage consumers to re-patronize the mall following a shooting episode.

**References available upon request**.

# Need for Drama: Scale Development

**Christy Ashley**

## Introduction

Drama, which is defined as a situation or series of events having vivid, emotional, conflicting, or striking interest or results, contributes to and is reflected in the development of products and services. Products and services "perform" for consumers (Deighton 1992). Marketers use drama in advertisements, product placements, and retail events in an effort to develop affective bonds with consumers since these "stories" are processed less evaluatively than arguments (where the marketer's persuasive intent is clear) (Deighton et al. 1989). Drama is also important because it can appeal to consumers in a way that affects consumption behavior. For example, in July 2010, NASCAR considered changes to the race format to make it more dramatic because it thought doing so would entice lost NASCAR viewers to return (Long 2010).

Although drama may have a general appeal among consumers, some consumers may be characterized by a stronger desire for frequent exposure to highly dramatic events. Someone with a high need for drama might actively seek out performances, situations, and/or sequences of events that are highly emotional, tragic, or turbulent. The high need for drama individual might have a strong desire be a part of the drama, or may simply enjoy observing as drama unfolds. When drama does not exist, s/he may be willing to blow something miniscule out of proportion or seek out people who are engaged turbulent situations, in real life or through media, because life without drama seems dull or dreary. As such, this characteristic may affect how consumers respond to service failures, engage with other customers, choose products, and react to advertisements. Therefore, it should be useful to understand how need for drama, an individual trait, affects consumer response to products and

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marketing efforts, which has not previously been explored in the literature. This manuscript reports on the first steps toward the development of a need for drama scale.

The manuscript ends with next steps for the scale's development, which will allow another way to segment customers and will permit the study of interactions between need for drama and various marketing activities such as: advertising, retail sales promotions, branded entertainment, product introductions and customer engagement in services and consumer–brand relationships.

## Methodology

The current manuscript reports the initial stages of a need for drama scale development effort, including 67 interviews that elicited consumer descriptions of need for drama, generation of items from the interviews and the literature, and expert judging that resulted in 80 items. The manuscript also reports the results of an initial test and refinement of the items using a survey of 223 respondents.

## Results and Discussion

The thoughts generated via the 67 interviews were coded by two independent judges (who agreed 92 % of the time, disagreements were resolved by discussion) and organized under three main themes. Individuals with a high need for drama were perceived to be (1) Controversial and Disruptive (e.g., "A person with a high need for drama would be manipulative in situations in order to make them as dramatic as possible. I feel like they would be somewhat selfish and uncaring of others because they desire to see drama in the end."). They were also perceived to be (2) Insecure and Gossipy (e.g., "Typically they are unsatisfied with themselves and seek out the drama to hide that or make up for it. Insecure, self-centered, deflection"). The third theme was more general: they were perceived to have a higher need for emotion or stimulation (e.g., "Someone that seeks out emotional, tragic, and turbulent situations. May only want to watch the drama unfold or may want to be part of the situation").

Additional scale items were gathered from the literature in psychology, sociology, and leisure studies. Purification of the 91 scale items continued with ratings by five independent coders. Five graduate students served as judges that rated each proposed scale item as acceptable, somewhat acceptable, or unacceptable for reflecting the extent to which some experiences a need for drama (defined as an affinity for or attraction to situations or series of events with vivid, emotional, conflicting, or striking interest or results). Specifically, drama was defined and they were instructed that "someone with a higher need for drama might seek out situations or sequences of events that are highly emotional, tragic, or turbulent. The high need for drama might have a higher desire to be a part of the drama, or may simply enjoy observing as drama unfolds."

The 80 items that were rated as acceptable by at least three of the judges were retained for additional testing via a survey. Two hundred twenty three respondents provided valid responses to the survey, which included 80 need for drama items. The sample was 47.1 % male, the most represented age ranges were 18–24 (29.5 %) and 25–34 (19 %), and the most represented income was less than $25,000 per year (26.6 %) and the most represented education level was a Bachelor's degree (32.9 %). Most of the sample was White and Non-Hispanic (52.3 %).

The resulting data was analyzed using exploratory factor analyses that used different methods of extraction and rotation (e.g., principal components analysis with Varimax rotation). Scale items with high cross-loadings were eliminated. The resulting items loaded on three components with eigenvalues greater than one and that preceded the elbow in the Scree plot and explained 74.9 % of the variance. The 3 components, comprised of 20 items, were named "Need for Drama," "Need for Conflict," and "Need to Observe Drama."

Need for Drama had the highest eigenvalue, and included ten items like "I crave drama" and "Drama alleviates the dull dreariness in which so many of us exist." Need for Conflict included seven items like "I seek out heated arguments" and "I enjoy the company of people who pick fights." Need to Observe Drama included three items like "I like to see others engaged in dramatic situations" and "I like gossip."

The results show some initial directions for the development of a scale that captures need for drama. One result of the initial survey is it may be a challenge to get people to respond honestly. Although individuals reportedly engage in behavior that suggests they have a high desire to experience or observe drama, social desirability bias may prevent them from reporting it in a scale. It will also be important to test the scale's discriminant validity and its ability to predict important market outcomes.

## Conclusions and Implications for Theory and Practice

This manuscript represents the first step in a scale development to capture need for drama and suggests it is a multi-dimensional construct. Individual differences in motivation to pursue drama may have important implications for the way firms attempt to engage consumers. A scale that captures need for drama at the individual level will permit the study of interactions between need for drama and various marketing activities such as: advertising, retail sales promotions, branded entertainment, product introductions, and customer engagement in services and consumer–brand relationships. The scale may also be used to segment customers who might enjoy different types of products (e.g., sports, movies, music, and plays). Further, the scale will permit the study of need for drama across genders, age cohorts, and across cultures. It will also permit the study of interactions between need for drama and pedagogical approaches.

**References available upon request.**

# Session 7.4
# Effective Communications in B2B Marketing

# Understanding the Strengths and Weaknesses of a Firm's Overall Restaurant Brand Image: An Importance Performance Analysis

**Jennifer A. Espinosa, Lisa Monahan, and David J. Ortinau**

**Abstract** In increasingly competitive and complex retailing environments, the overall brand image, or a customer's expression of their global attitudinal impressions of the brand, represents a critical construct with many close associations with key performance indicators and metrics (e.g., satisfaction, loyalty, etc.). Although prior research highlights the importance of overall retail brand image to key performance outcomes such as customer satisfaction and intentions to recommend, this research seeks to answer a more fundamental question: how does the overall retail brand image of one brand compare to another brand? In this paper, we examine a specific type of overall retail brand image—a restaurant's overall brand image—to determine the composition, strengths, and weaknesses of the restaurant's overall brand image for four known restaurant brands (Applebee's Grill & Bar, Chili's Grill & Bar, Morton's the Steakhouse, and Ruth's Chris Steakhouse). In addition to identifying the strengths and weaknesses of the restaurant's overall brand image, we compare the restaurant's overall brand image between casual-dining and fine-dining restaurants. To answer our main research question, we employ a multiple methods research methodology, combining insights gathered from qualitative in-depth interviews with restaurant customers and a broader online restaurant survey with American restaurant customers. Data from the online restaurant survey was analyzed through importance performance analysis, a hybrid method useful for understanding the strengths and weaknesses of a product, brand, etc., based on the underpinnings of confirmation/disconfirmation theory, latitudes of performance, and perceptual mapping (Ortinau 2008; Tillman 1967). Counterintuitively, the importance performance analysis reveals that customers are willing to accept lower levels of performance on some attributes for fine-dining restaurants (e.g., convenience, competitive prices), while preferring higher performance on all attributes for casual-dining restaurants. This finding suggests the type of restaurant needs to be considered as a moderator of overall restaurant brand image. Results further suggest

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that there exists little differentiation between competitors' performance on important attributes within the restaurant category, unveiling an opportunity for managers to focus resources on achieving meaningful comparative advantage on key restaurant attributes.

**References available upon request**.

# Branding and Consumers' Narratives of Banking in the Financial Crisis

**David A. Gilliam and Teresa K. Preston**

## Abstract

The financial crisis that began in 2008 offers an opportunity to examine consumer behavior in response to an industry crisis. Focus groups were used to gather consumer narratives of retail banking in the financial crisis. The personal narratives are useful in themselves as managerial touchstones and were further used to create possible archetypal narratives of groups of consumers and a cultural narrative or "big picture" view of the crisis. The narratives are examined through frameworks of both the humanities and psychology (narrative identity). The narrative results revealed the impact of the crisis on consumer's identity, views of other entities, and retail banking activity to yield actionable information for branding and communication. Narratives are shown to be a useful tool in examining consumers' reactions to an industry crisis and in formulating branding and communication responses.

**References available upon request**.

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**Session 7.5**
# People in Sales: Consultative Selling, Relationship Building, and Job Satisfaction of Salespeople

# The In's and Out's of Incumbent Sales Rep Consultation in the Pre-decision Stage of Organizational Purchasing

**Leff Bonney, Willy Bolander, and Bryan W. Hochstein**

## Introduction

Historically, sales reps' main source of influence came from their ability to demonstrate that their products and services were the best fit *after* the customer had defined their own needs and requirements (Farrell and Schroder 1996). However, as Tuli et al. (2007) point out, customers are including suppliers much earlier in the organizational buying process. In many cases, customers have come to expect suppliers to be an integral part of needs identification and requirements definition, a step in the process traditionally owned solely by the organizational buying center (Galbraith 2005; Handfield and Giunipero 2009). This has led sales organizations to realize that sales people who are able to influence the buying center much earlier by helping to identify customer problems or opportunities will have a significant advantage over reps consulted later in the buying process.

This leads to the main research question addressed herein; what factors contribute to a salesperson being consulted in the early stages of industrial purchasing? There is a lack of research on the role of sales reps in the pre-decision stage of industrial purchasing; particularly what factors put reps in "better positions" of influence? One could speculate that incumbent reps that are highly integrated into the buying center might be in the best position to influence the buying process. An incumbent sales rep (ISR) is one that interacts on a regular basis with the subunits of the buying firm (Bradford et al. 2010). These ISRs likely possess important contextual knowledge of the buyer's organization, including operational issues and business goals. This insight would allow them to surface new needs and frame emerging issues in a way that aligns with their offerings. However, non-incumbent

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reps (NIRs), unbiased by past events and with an outsider's perspective, might have the advantage of bringing new ideas to a customer's situation. NIRs may also be in the best position to challenge or disrupt current customer thinking (Dixon and Adamson 2011) en-route to a better solution. For ISRs or NIRs, it is conceivable that the degree of their influence in the pre-decision phase would differ depending on a range of possible buying conditions.

With this in mind, the purpose of this research is to investigate the mechanisms through which buyer's source information from sales reps in the pre-decision stage of organizational purchasing. Specifically, concepts concerning relationship ties are used to justify the proposition that ISRs have the upper-hand (compared to NIRs) in their ability to influence the buying center in the early buying stages. From this main proposition, we then look to the problem solving literature to build a contingency model illustrating conditions when the sourcing of information from ISRs and NIRs is accentuated or attenuated, respectively.

## Literature Review

Bunn (1990) posits that there are three distinct stages of the organizational buying process (pre-decision stage, decision stage, and post-decision stage). Before suppliers can be selected and evaluated, the buying center must go through the process of developing solution requirements, which is the main deliverable of the *pre-decision stage*. Given that the main objective of the pre-decision stage is to develop a solution to an organizational problem or opportunity (Ozanne and Churchill 1971; Robinson et al. 1967; Wind 1978), it is appropriate to consult the problem solving literature for a more detailed overview of the processes involved in the pre-decision stage. According to this literature, problem solving is rarely just one decision, but actually several smaller decisions leading to one big decision (Cross and Sproull 2004; Hirokawa and Salazar 1999).

First, organizational buyers must acknowledge that a problem exists. Second, the problem must go through a stage of ideation whereby the buying center internally generates possible ways of solving it (Runco and Chand 1994). The final step involves evaluation of the ideas generated in the ideation process. Here, convergent thinking is used to evaluate the outcomes of what may occur if certain ideas are implemented. The outcomes that converge with some defined level of success (ROI, cost, etc.) are typically selected as the best solution (Mumford et al. 2000; Runco and Chand 1994).

Research in this area underscores the importance of information sourcing (Cowan 1986; Larson and Christensen 1993). In the problem recognition stage, information sourcing becomes critical in being able to recognize and define problems. Information sourcing is also important in the ideation stage as the buying center seeks to develop ideas for how to address the problem or opportunity. Information sources are equally important when trying to evaluate ideas, especially when determining the outcome that may be realized once an idea has been implemented.

Despite the relative importance of information sourcing in the pre-decision stage of organizational buying, a review of the sales and marketing literature produced no articles dealing with the phenomenon. While scholars have conducted studies involving buyer information sourcing, the focus of these studies is on sources of information that are used in the decision stage of organizational buying. This body of research mainly deals with the breadth of sources used during the selection process and the contingency factors that drive the importance given to each of these sources, factors such as purchase importance and length of decision making process (e.g., Bunn and Clopton 1993; Järvi and Munnukka 2009). Specifically, the literature focuses on the breadth of sources used (e.g., sales reps, Internet, etc.) versus the depth of the different sources (e.g., sourcing information from current sales reps compared to new sales reps).

## *Conceptual Model of Buyer Information Sourcing*

Two different theoretical perspectives are used to address our research questions. The first comes from research that describes how the strength of relationship ties affects how buyers and sellers interact concerning information sourcing. The second relates to information sourcing found in the problem-solving domain. Concepts from these two theoretical perspectives are employed in the development of the conceptual model found in Fig. 1.
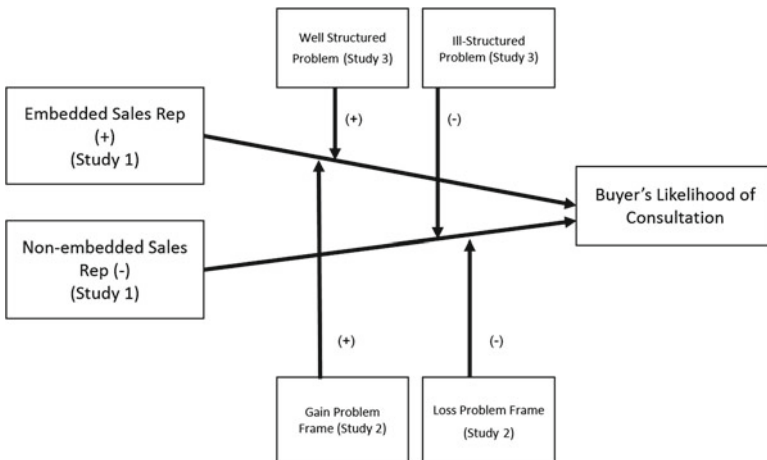


**Fig. 1** Conceptual model of moderators of embedded/non-embedded consultation during the pre-decision stage of industrial purchasing

## Information Sourcing from ISR & NSRs

For many years, economists assumed away the idea that individuals are influenced by social relationships in economic decision-making. Yet, some began to point out that experience gained in transacting with certain parties explained a great deal more about future transaction behavior than the explanations provided by classic market mechanisms, such as price (Granovetter 1985). As parties begin to build a transaction history, they are more likely to rely on each other for future transactions due to "trust and the abstention from opportunism" (Granovetter 1985, p. 490). Parties who build these types of relationships are said to become embedded with one another.

Researchers have characterized relational embeddedness as two or more actors that have strong levels of trust, reciprocity and indebtedness or dependence (Rindfleisch and Moorman 2001). Descriptors of these strong relationships include frequency of interaction and stability of the relationship (Brass 1995; Marsden and Campbell 1984). Based on this research, we define the ISR as a sales rep that engages with the buying firm in an on-going, frequent basis.

The strength of relationship ties theory has been used to explain information sharing among individuals found within a particular group (Rindfleisch and Moorman 2001). Essentially, information sourcing is a function of trust in the sender (Maltz and Kohli 1996; Moorman et al. 1992). Likewise, the closeness of the ISR allows for much greater information flow, which leads to higher levels of information sourcing on the part of the buying center due to the frequent interactions and close relationships (Frenzen and Nakamoto 1993; Hansen 1999). As shown in Fig. 1, buyers are more likely to source information from ISRs due to higher levels of trust created by frequent interactions and relationship stability.

Weak relationship ties are conceptualized as loose connections between actors (Frenzen and Nakamoto 1993). These weak relationships are synonymous with the NIR that has infrequent contact with the buying center and/or fewer connections with the individual members of the buying center. According to Granovetter (1973), these weaker relationships are thought to be important sources for channeling new information to the buying firm, yet by definition are consulted less frequently during decision-making processes. Thus, despite the lower levels of information sourced by the buying center from NIRs, this information can be important because it brings in new ideas not provided by ISRs.

This review of the strength of relationship ties for ISRs provides justification for the idea that ISRs will naturally be more likely to be consulted as a source of information in the pre-decision stage. Thus:

*H1*: *Buyers are more likely to consult with ISRs* (*versus NIRs*) *in the pre-decision stage of industrial purchasing*.

## The Moderating Effects of Problem Conceptualization

Having illustrated the importance of relationship ties in the sourcing of information from ISRs, it is also important to consider key contingencies of information sourcing in the pre-decision stage of organizational buying. The following sections

illustrate how problem-solving theory provides a useful lens for viewing situational factors as important moderators of embedded and non-embedded sales rep information sourcing. Specifically, we propose that the manner in which the problem is conceptualized plays a major role in the nomological framework found in Fig. 1 (Kameda and Davis 1990).

Using suppositions from the group problem solving literature, problem conceptualization plays an important role in the way that a particular problem gets solved (Anderson 1990; Anderson and Tushman 1990). Problem conceptualization deals with determining the type of problem the decision makers are faced with (Fiore and Schooler 2004; Larson and Christensen 1993). Through a synthesis of the problem solving and decision making literature, an expansion on the problem conceptualization construct is presented by elaborating on two dimensions of the concept: (1) problem frame and (2) problem structure.

*Problem Frame*  In the context of this research, problem frame is defined as the reference frame that the buying center applies to the problem in terms of losses or gains. Consequently, the reference frame has a dramatic impact on decision-making. Kahneman and Tversky (1979) demonstrate that an individual's tolerance of risk changes depending on the initial problem reference frame. These researchers found that when faced with a decision of gain that the majority of study participants chose the probabilistic safe or "sure thing" option. Further studies have found that when faced with decisions associated with a loss, decision makers are more accepting of risk (Kahneman and Tversky 1979; Tversky and Kahneman 1986).

Reference frames have been used to study industrial purchasing in the context of supplier selection in the decision stage (e.g., Puto 1987; Puto et al. 1985) but never in the pre-decision stage. The current study suggests that in the pre-decision stage when the problem is framed as a gain, information sourcing is from less-risky, more familiar entities such as ISRs. Conversely, when the problem is framed as a loss, new, unfamiliar sources of information will be consulted such as NIRs.

*H2*: *Buying center problems framed as* (*a*) *a gain problem frame will increase the likelihood that ISRs will be consulted in the pre-decision stage of organizational buying and* (*b*) *a loss frame will increase the likelihood that NIRs will be consulted.*

*Problem Structure*  The most common categorization of problem structure is as either ill-structured or well-structured (Reitman 1964). Ill-structured problems occur when critical pieces of decision making information are unknown. Well-structured problems are characterized by more complete knowledge of the decision making information. For example, when the buying center knows the extent of the problem, what needs to be done, and what options are available.

The problem solving literature recognizes that problem structure will impact the sources of information used to solve a problem (Hirokawa 1990; Larson and Christensen 1993). For ill-structured problems, decision makers expand the sources of information they seek to gain a better NIR understanding of the problem. Here the emphasis is on problem explanation more so than problem resolution (Dutton 1986). For a well-structured problem the decision maker is not likely to seek out a

variety of sources as the problem is well understood and routine solutions are thought to suffice. The information from the ISR is likely to be used to verify that certain routine solutions are still the optimal means of solving the problem in the evaluation stage of problem solving. Taken together, we hypothesize that:

*H3*: (*b*) *Well-structured problems will increase the likelihood that ISRs will be consulted while* (*a*) *ill-structured problems will increase the likelihood that NIRs will be consulted.*

## Method

### Scenario Design and Procedure

We test our hypotheses through three experimental studies using a hypothetical pre-decision stage scenario administered to IT project managers with purchasing responsibilities. The use of written scenarios to operationalize independent variables is a widely used and credible research approach (Dabholkar and Baggozi 2002; Scheer and Stern 1992). Specifically, the scenarios outlined the early stages of an information technology (IT) project. The scenarios were designed by working directly with the IT staff in the lead author's college technology department as well as a local IT consulting firm owned by alumni of the lead author's university.

### Dependent Variable

Participants were asked to indicate the likelihood that they would consult with various sources at this stage in the project. This "likelihood of consultation" (or LOC) was measured on a 9-point Likert-like scale for all of the choices presented to the participants (1 = Not Very Likely and 9 = Very Likely). The same dependent variable was used across all studies.

### Sample Pool

The sample for the study was solicited from the membership of a large, national association of IT project managers. Names of IT project managers were randomly drawn from a 2200-member list provided by the association. The names drawn were initially telephoned by undergraduate students (from the lead author's college) and asked if they would be willing to participate in the study after hearing a brief description of the research. If they agreed, the scenario and survey were emailed immediately. The email asked that the subject complete the survey within 24 h. An email reminder was sent to nonrespondents at three days and again at 1 week. The details of sample size and response rate for each study are contained in Table 1.

**Table 1** Sample details

|         | Names drawn | Agreed to participate | Surveys returned | Response date | Group distribution |
|---------|-------------|-----------------------|------------------|---------------|--------------------|
| Study 1 | 150         | 79                    | 68               | 45.3 %        | 34/34              |
| Study 2 | 225         | 139                   | 95               | 42.2 %        | 48/47              |
| Study 3 | 225         | 124                   | 82               | 36.4 %        | 41/41              |

## Study 1

The goal of study 1 was to test the main effect of sales rep embeddedness on the information sourcing behavior in the pre-decision stage of industrial purchasing. The scenarios highlighted various sources of information that may be consulted in this stage of the hypothetical scenario including two sales reps that had worked with the participants' company in the past. The embeddedness of the reps was established via the description of each rep's past relationship with the project manager's firm. Three key characteristics differed between reps as the operationalization of incumbency: length of relationship, number of projects completed by each supplier and the total expenditures with each supplier. The ISR was described as having worked with the project manager's company for 4 years completing ten projects worth roughly $4,000,000 in that time period. The other, NSR had far less experience, fewer projects and fewer dollars in prior sales to the manager's company. All other aspects of the sales reps were held constant. In order to disguise the purpose of the research project, three additional personal sources of information were included in the choice set, none of which were sales people. These choices were added on the suggestion of the project managers that were used to design and pre-test the scenarios. (See Appendix for Scenario Overviews.)

### Results

A paired t-test ANOVA was used to assess if the LOC was different between the ISR and NIR groups. The results support H1. (See Table 2)

## Study 2

The goal of study 2 is to assess the impact that a loss or gain frame has on the main effect of sales rep embeddedness/non-embeddedness and information sourcing. The scenario from study 1 was used again but with two additional groups to account for the loss/gain manipulation.

**Table 2** Results table (Dependent variable = Likelihood of consultation LOC)

| Study 1: Test of H1* | ISR | NIR | | |
|---|---|---|---|---|
| | 6.91 | 4.69 | | |
| Study 1: Test of H2** | ISR/Gain | ISR/Loss | NIR/Gain | NIR/Loss |
| | 7.65 | 6.72 | 5.67 | 6.51 |
| Study 1: Test of H3*** | ISR/Well | ISR/Ill | NIR/Well | NIR/Ill |
| | 7.05 | 6.54 | 5.02 | 5.78 |

*Between group difference significant at $p < 0.01$
**Both within group differences significant at $p < 0.01$
***Both within group differences significant at $p < 0.01$

**Independent Variables**

In addition to the sales rep embeddedness variable, an additional paragraph was added to the original scenario to establish a gain or loss frame, respectively. This framing was established by indicating that the project manager's company stood to gain/lose $75,000 if the client's performance targets were hit upon completion of the project. Differences between conditions were tested using manipulation check that was presented to participants at the very end of the survey (e.g., *Based on the scenario*, *which is the best characterization the goals of the owner of your company based on the arrangements around meeting the client's needs*? (1 = The owner wants to avoid a loss of revenue, 9 = The owner wants to gain additional revenue)). Differences between the two conditions were significant.

**Results**

H2a and H2b were both supported (see Table 2)

## *Study 3*

The goal of study 3 is to assess the impact that ill-structured and well-structured problems have on the main effect of sales rep embeddedness and rep information sourcing. Two new groups were added to the study 1 scenario to account for the ill-structured/well-structured manipulation. The dependent variable choices were operationalized as before.

**Independent Variable**

The first new condition added for study 3 was the ill-structured problem group who saw an additional paragraph that indicated the client was experiencing a problem with its point-of-sell database but with no insight as to why this problem was

occurring and no understanding of the extent of the problem. In contrast, the well-structured problem condition provided a paragraph outlining a very specific problem where the decision maker simply had to choose between two alternative solutions. The manipulation was confirmed via a check as in previous studies.

### Results

Both H3a and H3b were supported (see Table 2).

## *General Discussion*

Study 1 confirmed the hypothesis that ISRs have the upper hand when it comes to the likelihood that they will be consulted in the pre-decision stage of organizational buying. The more interesting findings come from studies 2–43. Study 2 found that a problem framed as a gain will increase the likelihood of the ISR being consulted. However, in the loss frame, we observe an increase in the likelihood of the NIR being sought. In study 3, a similar result was found in that a well-structured problem enhanced the ISR's position as an information source while the same effect was found for the NIR when dealing with an ill-structured problem. However, in study 3 the ISR maintained significant advantage over the NIR in both conditions.

### Managerial Implications

The development and testing of an empirical model explaining the relationship between embedded versus non-embedded salespeople and information sourcing on the part of the buyer provides interesting insights for practitioners. The results of study 1 seem to indicate that NIRs are caught in a "catch-22" situation. Trends in today's selling environment indicate that success comes from being able to influence customers in the early stages of purchasing. Yet, without a deep relationship, NIRs will have less of a chance to influence buyer thinking in the pre-decision stage perpetuating their position as an NIR. Taken alone, the results of study 1 also appear to show that ISRs will always have the upper hand in early influence on buyer decision-making. However, studies 2–4 have important implications for how ISRs might maintain their position and how NIRs can break the "arms-length" cycle.

First, the research findings provide several lessons for ISRs that wish to maintain long-term relationships with their respective accounts. It is clear that the ISR has a significant advantage in the pre-decision stage of the buying process. It is not altogether surprising that buyers are more likely to turn to sales reps that have been important part of past transactions. Therefore, it is important for these ISRs to stay apprised of current issues and challenges in order to provide useful information when called upon in the pre-decision stage.

During the pre-decision stage, it is also crucial to monitor the buyer's perception of the problem (e.g., gain or loss). When appropriate, it is imperative for the ISR to help the buying center frame the problem as a "gain" to maximize the likelihood that the buyer will include the rep as a source of information in the pre-decision stage. Likewise, the ISR should work to create a perception of what needs to be done to address a buyer's challenge is clear (well-structured problem).

In contrast, NIRs seeking to establish a relationship with an account should be particularly aggressive, upon discovering a problem, to encourage the buying center to frame the issue as a loss. When encountering these situations, the NIR should emphasize the magnitude of the loss being incurred as result of the problem. The NIR may also want to highlight all of the things that the buyer doesn't yet know about the issue as a way of demonstrating to the buyer that the true extent of the problem is unknown (ill-structured).

**Limitations and Future Research Implications**

Aside from the obvious need for further empirical support, the proposed model sparks some interesting avenues for future research in terms of joint problem solving by buyers and sellers. The purpose of the present research was to isolate factors that strengthen and weaken ISR and NIR position of influence in the early stages of organizational buying. Therefore, a controlled, scenario based experiment was used in testing the hypotheses. Further work in the area is needed that investigates the role of the focal constructs in a field setting in an effort to move the research from high validity to high generalizability.

Perhaps the most important issue future research should address is the relationship between influence on solution development and sales rep selection. In this manuscript, no claims are tested as to whether having a large impact on the solution definition would increase a particular vendor's chances of being selected as the eventual supplier of the solution. While intuition would say that there is a strong relationship between solution influence and supplier selection, potential moderators/mediators should be contemplated and the relationship should be tested empirically.

# Appendix: Scenario Overview

**Instructions**: **Thank you for participating in this study. Please read the scenario below and then indicate which sources you would focus on in relation to your search for more information. Remember that there are no right or wrong answers to the scenarios so please answer the question based on what you would think that you would normally do in this situation**.

You have been hired by an IT consulting company as one of its lead project managers. You are currently working on a major network upgrade for a large grocery store chain that has just relocated to a new corporate headquarters building. The

client is using the move as an opportunity to upgrade its technology infrastructure. You have been selected as the IT project manager for this technology upgrade. Your role in this project will be to gain a clear understanding of the client's goals and the obstacles standing in the way of these goals. Eventually, you will spec out the new server configuration that best meets the client's needs. Once these specifications have been determined, you will evaluate and select IT hardware providers for the project.

This client's general goals for the new technology upgrade are to increase database space for mining customer purchasing patterns in point-of-sale data and to increase the speed of the internal network for desktop computers in the new corporate office that run the various data-mining software tools. Again, you are in the very initial stages of this project and you are still trying to get a handle on the client's specific issues and challenges for this upgrade. This is an important client for your company given the scale of the project. With this in mind, you might need to seek some advice from various people that have insight into this type of project.

## Study 2:

*Gain Manipulation:*

There is also performance bonus on this project. The owner of your firm reminds you that this project is very important and that if your company can exceed the client's performance targets, your firm will receive a 15 % bonus on top of the normal fees associated with this project. This would mean approximately $75,000 more in revenue on this project, which is a big deal to the owner of your company.

*Loss Manipulation:*

There is also performance guarantee on this project. The owner of your firm reminds you that this project is very important and that if your company cannot meet the client's performance targets, your firm will have to give the client an additional 15 % discount off of the normal fees for this project. This would mean approximately $75,000 less in revenue on this project, which is a big deal to the owner your company.

## Study 3:

*Well-Structured Problem Manipulation:*

It appears that the point-of-sale data storage issue is going to be a bit of a challenge. The main data capture and sorting software that collects the data from the store point-of-sale systems frequently freezes up under the old network configuration.

You and your team have analyzed the old network to determine the problem and you have discovered that the database software is locking up because the software is running across several different servers and is running into RAM issues. So the main question now is whether to move the database software to a new, dedicated server or to install a more up-to-date RAM optimization software on the old set of servers.

*Ill-Structured Problem Manipulation:*

It appears that the point-of-sale data storage issue is going to be a bit of a challenge. The main data capture and sorting software that collects the data from the store point-of-sale systems frequently freezes up under the old network configuration. You and your team have analyzed the old network to determine the problem but you can't seem to locate the source of the problem or even how often the problem is occurring.

## Dependent Measure for Each Study

Please indicate the likelihood that you would consult with the following sources in assisting you in this stage of the project. In other words how much involvement would each of the sources have in meeting with you and perhaps the client to help in detailing the challenges and obstacles in the technology upgrade?

| Source name | Source description |
|---|---|
| Joe, Sales-Rep from On-Demand IT Services | You have worked with On-Demand IT services for approximately 4 years having completed ten different projects with Joe. These projects have been worth roughly $4,000,000 in purchases from On-Demand IT services. Your company rates suppliers at the end of each project and On-Demand has received an average rating of 9.4 out of 10. On-Demand IT provides the following products and services: Server installation/configuration; software integration; website design and interface; desktop support. |
| Kathy, Project Manager in your own company | Your firm employs several other project managers that are tasked to work on other projects. Kathy has been at the firm for about the same amount of time as you. She has no prior knowledge of the grocery store chain project but has worked on similar IT projects in the past. |
| Terry, Sales-Rep, ITS Technology | You have very limited experience with ITS Technology. In fact, you have only worked with Terry on two projects over the last 10 months. These projects have been worth roughly $750,000 in purchases from ITS. ITS's supplier rating at the end of each project has averaged 9.2. ITS provides the following products and services: Server installation/configuration; software integration; website design and interface; desktop support. |

| Source name | Source description |
|---|---|
| Sam, IT Maintenance at the grocery store chain | Sam works in the IT department for the grocery store client but has no authority in terms of how the new server system should be configured. Sam is head of internal IT service. In this role, Sam oversees the IT support staff that fields computer related questions from all employees in the grocer's organization. This includes fielding calls from local stores for any issues with store computers and cash-register systems. |
| Jamie, Project Manager at Local Bank | You have known Jamie for a couple of years. You met Jamie at a networking event for the local chapter of your IT Project Manager Association. Jamie is a project manager at local bank with responsibility of maintaining the server system that handles computer service to the bank's various branches. |

| | Highly unlikely | | | | | | | | Highly likely |
|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Joe, Sales-Rep from On-Demand IT Services | | | | | | | | | |
| Kathy, Project Manager in your own company | | | | | | | | | |
| Terry, Sales-Rep, ITS Technology | | | | | | | | | |
| Sam, IT Maintenance at the Grocery Store Chain | | | | | | | | | |
| Jamie, Project Manager at Local Bank | | | | | | | | | |

Please indicate how likely you would be to consult with each of the sources above based on the current state of this IT project. Remember that there are no right or wrong answers. Simply draw on your own past experiences to answer based on what you think you would do in this situation.

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# Salesperson Market Orientation Behavior: Its Antecedents and the Mediating Role of Working Smart Behaviors in Sales Performance

**Yen-Chun Chen, Adriana Amaya Rivas, and Wann-Yih Wu**

**Abstract** Recent research highlights the importance of market orientation in service providers. In the current knowledge-intensive economy, salespeople act more as a knowledge brokering role by transferring knowledge to customers instead of only convincing customers to buy products so as to create superior customer value. Therefore, this paper proposes a research model to identify the antecedents of salesperson market orientation behavior (SMOB) as well as its impacts on working smart behaviors (i.e., sales planning and adaptive selling) and sales performance. More specifically, the research model comprises three sets of antecedents of SMOB: salesperson goal orientation; sales control systems and sales management support. The research model and hypotheses are tested using data obtained from a sample of 264 Taiwanese salespeople in the financial service industry. The empirical findings suggest that salesperson learning orientation and behavioral controls are significantly and positively related to SMOB. The results also show that SMOB has positive impacts on both sales planning and adaptive selling, which in turn achieve better sales performance. These results provide some new insights into the sales management literature.

**References available on request**.

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# Relationship Marketing Through Personal Selling in the Pharmaceutical Industry

**Nadine A. Yehya**

## Introduction

The Global pharmaceutical sales for 2014 were projected to reach $1 trillion (Thomson Reuters 2014). The pharmaceutical market is characterized by a derived demand process relying on intermediaries (physicians) to influence the end consumers (patients) of the product. The pharmaceutical industry mainly targets physicians using push strategies to influence their prescribing decisions (Brennan et al. 2010; Spiller and Wymer 2001).

Promotion through personal selling remains the key to success in this industry (Stros et al. 2012). With 80–95 % of physicians meeting regularly with medical sales representatives (Brennan et al. 2010), the controversial relationship between the pharmaceutical industry and the medical profession constitutes a complex case of relationship marketing practice. These relationships have developed into a form of an alliance and an understanding of profit sharing (Al-Hamdi et al. 2013). Yet, the mechanism of building and maintaining these relationships has never been examined in terms of its dynamics and factors affecting its development.

In this research, I investigate the forms of relationships the medical sales representatives engage in as part of performing their sales work. I further analyze the factors and the stakeholders influencing the development of these relationships. Through a qualitative empirical study conducted in a developing country (Lebanon), I examine the relationship building and maintaining process between pharmaceutical companies and the physicians.

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## Pharmaceutical Marketing in Developing Countries

With the saturation of markets in the developed countries, multinational corporations (MNCs) are rushing to find new opportunities for growth in emerging markets around the globe (London and Hart 2004). MNCs compete with local companies in emerging markets within loosely regulated environments. In many of the developing countries, medical representatives (med reps) constitute a major source of information on drugs, diseases, side effects, and medical research for the physicians (Masood et al. 2009; Rohra et al. 2006). There is a dependency relationship where there is little conformity to regulations and minimal access to independent information, rendering the physicians vulnerable and reliant on the monetary resources and information dissemination of the pharmaceutical companies (Rohra et al. 2006). Acts of bribery to key stakeholders and opinion leaders in the medical field were documented in various developing countries (Al-Hamdi et al. 2013; Masood et al. 2009).

Lebanon, a Middle Eastern country on the Eastern shore of the Mediterranean Sea, with a population of around 4.5 million, is taken as a market case. The $1.3 billion (2011) Lebanese Pharmaceutical Industry is characterized as being strong, growing, having relatively low barriers to entry, and high prices for drugs especially that of the generic forms. The Ministry of Public Health (MoPH), the official regulatory board overseeing the establishment and enforcement of laws in the Pharmaceutical Industry, has traditionally played a weak role in examining the ethics of the marketing practices (BMI 2013; Kronfol 2006).

## Relationship Marketing

Relationship marketing theory explores the ways to "identify and establish, maintain and enhance and, where necessarily terminate, relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met; and this is done by mutual exchange and fulfillment of promises" (Grönroos 1994).

RQ1: How do pharmaceutical companies use medical sales representatives to establish, maintain, and grow relationship with physicians to promote their products?

RQ2: What factors and entities affect the relationship of pharmaceutical companies with physicians?

# Methodology

## Data Collection and Analysis

A total of 34 (22 females, 12 males) medical representatives were interviewed in-depth between September 2012 and February 2013. Medical sales representatives from multinational companies (13, 38%), regional companies (4, 12%), and local

companies (17, 50%) were intercepted during their fieldwork visiting the physicians to pitch their products. The interviews were transcribed and translated.

I used Grounded Theory (Strauss and Corbin 1998) to analyze the data. I engaged in open coding followed by note-taking leading to a preliminary set of broad themes and codes. After grouping the preliminary codes into categories and subcategories, words and concepts were assembled into meaningful clusters and refined and collapsed into themes. Data, thus, organized, analyzed, and summarized became the findings in this study.

## Results and Discussion

### *Profiling Doctors*

One determining factor of the level and the nature of the relationship between the pharmaceutical company and the physician is the perceived degree of power of the physician. The more the doctor sees patients and prescribes drugs from the relevant drug category of the company, the more powerful the doctor is considered. The power levels impact the frequencies of visits and the offers provided. There are three main profiles outlined by the participants. There is the Class A doctors (key opinion leaders, prescribe the most, and see more than 15 patients per day), Class B doctors (doctors who see less patients), and Class C doctors (see the least number of patients usually practicing in rural areas or serving non-primary markets).

As the Adaptive Selling Behavior (ASB) literature indicates, the strategy used in the sales call depends on the understanding of the doctor's relationship oriented profile. Three main themes emerged regarding the profiles of doctors that govern the relationships and communication styles. The first type of doctor is the *scientific doctor*, meaning that his/her main interest is the effectiveness of the medication and all the medical information related to it. This kind of doctors is convinced through logic, facts and scientific support material. Other doctors are *relational* meaning that they prefer to have a friendly relationship with the med reps and would rather have a light mood during the call. These doctors prefer rapport engagement and interpersonal interaction. Then there are *dealer* doctors interested in the personal material benefit they can gain from this relationship. Such doctors expect and request deals in order to prescribe medications for the pharmaceutical company.

Another classification used by pharmaceutical companies to segment doctors based on their personality type includes: the "amiable," the "analytical," the "director," and the "expressive." Each personality type outlines the approach to be used with the doctor and the strategies the sales representatives would use.

The pharmaceutical companies also classify doctors based on their place/location of their practice and consequently weave relationships with the doctors based on their affiliation. The type of patients the doctors see including their socioeconomic standards affect the strategy of relationship building some pharmaceutical companies use. The doctor's affiliation with reputable medical centers dictates a different approach than with doctors serving in marginalized or underserved

communities. Doctors who are generally well-off, charge a substantial amount for consultation, and generally do not accept monetary offers from pharmaceutical companies. They have a very short period of time to talk to med reps and therefore salesperson needs to give the critical information in the shortest period of time. Then there are doctors who work in less prestigious locations or usually treat a different class of patients, and charge lower for their consultations. They usually accept offers to attend local and international medical conferences. As for doctors who serve in rural areas, they are generally poorly paid and cater to patients with low purchasing power. These doctors would ask for monetary deals and expect free samples to give to the less advantaged.

## *Influence of Company Policies and Practices on Relationship Dynamics*

It was evident from the participants that their companies adopted policies to regulate their relationship with the physicians. MNCs trained their employees on an ethical code of conduct yet the participants varied in their recall of specific ethical codes. They were consistently referring to themselves as belonging to organizations with ethics compared to local companies that by large lack formal ethical training. MNCs' sales force accused salespersons from local companies of engaging in unethical practices. MNCs enjoyed a positive reputation in the market and leveraged their brand equity in promoting the image of being professional and at the fore-front of science. This positioning opens doors to MNCs and provides their sales force with credibility, confidence, and trust. Yet, local companies accused multinational and regional companies of having more resources and using those to pamper physicians and corrupt them in under the table deals.

The company further influenced the relationship with doctors through the provision of samples to the med reps. Samples constitute an integral part of most sales call performed with doctors. Sometimes the samples are used to promote a good relationship between the physicians and the patients.

## *Salespersons' Role in Relationship Building*

The relationship between the company and the physician is mediated by the sales representative. The characteristics of the ideal sales representative as presented by the participants include being presentable, elegant, able to adapt, calm, ambitious, intelligent, wise, alert, motivated, inquisitive, observer, organized, disciplined, flexible, and patient. Salespersons are also expected to be information hunters as much as information givers.

### *Relationship with the Secretary as a Gatekeeper*

The secretary plays an important role in the salesperson's job as s/he plays the role of the gatekeeper who regulates to some extent the relationship of the med reps with the physicians. S/he has the ability to facilitate the task by either telling the med rep when the doctor is available and at what times to come, thus reducing their waiting time or, by actually doing a favor for the salesperson by letting him or her in the doctor's office even when there are patients waiting. Med reps try to build good relationships with secretaries using public relations techniques and sweet talking, or by giving them samples and other offers. Most of the accounts of the participants described their relationship with the secretary as artificial and role playing to get access to the doctors.

## Conclusions and Implications for Theory and Practice

Within the realm of the pharmaceutical industry, corporations engage in a self-assessment of resources, vulnerabilities, commitments, and interests. They proceed to understand, assess, and segment the physician market. MNC participants were coached in promoting how ethical their companies are and how scientifically anchored their business. MNCs capitalized on their brand and image they have established and the trust they have built with the doctors and the medical institutions. They have prioritized working with Class A doctors affiliated with prestigious institutions and influenced by scientific rhetoric. Local companies, usually selling generic drugs, capitalized on the affordability of the products chasing more the Class B and Class C doctors who cater to less the privileged patients. Local companies relied more on personal relationship and fostering partnerships with doctors.

Practical implications from this study include understanding the segmentation strategies used by pharmaceutical companies in developing countries and the different criteria used to profile physicians. Policy applications are needed to regulate the relationship between the pharmaceutical industry and physicians, through the collaborative effort of governmental and non-profit agencies. Ideally, a National Code of Ethics to promote pharmaceutical products could be established and promoted with the need to advance accountability. While the relationship between med reps and physicians remains debatable, the solution is not in avoiding all relationships with pharmaceutical companies but in nurturing an ethical marketing relationship.

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# The Impact of Salespeople's Attribution Biases on Job Satisfaction: The Concept of Unwarranted Satisfaction

**Christine Jaushyuam Lai and René Y. Darmon**

**Abstract** Keeping a high level of job satisfaction in the sales force is an essential prerequisite to ensuring sales force motivation and, consequently, high performance (Walker et al. 1977). One of the efficient ways to ensure job satisfaction is to enhance its antecedent. Drawing from the social and applied psychology, job satisfaction is determined by one's psychological comparison between the perceived job experience and a reference point (Locke 1969; Rice et al. 1989; Weiss et al. 1999). Salespeople who are assigned sales objectives frequently experience a gap between these objectives and their actual performances. The perceived discrepancy between expected and actual performances is known to directly induce salespeople's job satisfaction/dissatisfaction (JS/D) (Silvester et al. 2003). Specifically, the causal attributions to explain this discrepancy should be a major antecedent of a salesperson's JS/D. However, sales managers have often overlooked this key antecedent of JS/D.

Attribution theorists claim that individuals tend to make dispositional attributions for their successful performances but make situational attributions for the unsuccessful performances (Tetlock and Levi 1982). This evaluation bias may arise when one's perception focuses on the causes that favor what one is doing rather than the factors surrounding those actions. Sales force researchers have demonstrated that salespeople are known to make biased attribution such that they are likely to attribute their sales successes to themselves and their failures to non-personal-related causes (Dixon et al. 2001; Teas and McElroy 1986). Such inaccurate attributions may lead to increased or decreased job satisfaction. We define the increased or decreased JS/D caused by the attribution bias as unwarranted JS/D. We argue that the unwarranted JS/D may result in inappropriate behaviors and lower future performances. For example, a salesperson erroneously ascribing a sales increase to his own efforts may be satisfied with his job, while in fact, an effective advertising campaign is the actual cause of the sales increase. Because of this inaccurate satisfaction, this salesperson

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may become overconfident and refuse to attend specific trainings that would have given him the ability to keep his sales at a higher level, particularly when a firm's advertising campaign is not as effective as previously. This "unwarranted satisfaction" has made him inefficient once the conditions have changed with a probably drop of his own satisfaction. This study (in progress) proposes a conceptual framework and a method for analyzing how salespeople develop accurate or inaccurate performance causal attributions and assessing the impact of such attributions on satisfaction toward the various aspects of their JS/D levels. As a result, sales managers should carefully deal with such unwarranted satisfaction increases or decreases because they reveal salespeople's inaccurate assessments of the actual situation that may result in the sustained incorrect attitudes and misbehaviors, and lower performances.

**References available upon request.**

# Session 7.6
# Services Marketing

# The Effect of Information Organization and Decision Process on Decision Speed and Accuracy in a Purchase Task Context

**Shih-Lun Tseng and Shuya Lu**

**Abstract** Little research have explored purchase as a task. What is the decision process of the employee when asked by the boss to purchase a printer for the office? In a purchase task scenario, the onus is on the retailer to provide organized information for consumers. We offer a human factor's perspective. Information organization influences decision time and decision accuracy. This relationship is moderated by the decision process of the shopper. We predict that when faced with information organized into paragraphs, consumers who use type 1 (heuristics) decision processes would make less accurate decisions than those who use type 2 (rational) processes. A similar relationship exists for information organized into matrices, but we predict the difference in accuracy would be smaller. The results would have implications that suggest retailers should better organize their information to facilitate purchase decisions.

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# Let Me Get My Manager: The Effects of Participation in Cocreated Service Recovery on Frontline Employees

**Michael C. Peasley and Joshua T. Coleman**

**Abstract**  No firm can completely escape service failure, and when a failure occurs, a firm's reaction has implications on the customer and the employee. While customer cocreation of value is an important part of the service recovery process (Vargo and Lusch 2004), frontline employees (FLE) are a critical part of the equation as well. FLEs are different from other employees in that they are often the first point of contact for customers and are seemingly placed directly in between the company and customers (Anderson and Onyemah 2006). When a customer experiences a service failure, the FLE has an opportunity to provide a solution to the customer's needs. The customer usually wants a fair and efficient response, and while the employee would prefer to provide a positive and swift solution, it is unknown if they would feel more comfortable providing the service recovery or passing the customer on to a superior.

Drawing on self-determination theory (Deci and Ryan 1985), the purpose of the current study is to examine the impact of cocreated service recovery on FLEs' task motivation and service recovery performance. Self-determination theory (SDT) is rooted in the belief that humans are intrinsically motivated to grow and achieve and will even engage in uninteresting tasks when their value is understood. Through using SDT as a framework to integrate employee literature with literature on service recovery, the current research links FLE involvement in cocreated service recovery with service recovery performance. The present research posits that in attempting a cocreated service recovery, employees being provided with the autonomy to cocreate will have higher service recovery task motivation and perform service recovery at a higher level.

**References available upon request.**

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# What Attracts You to Shopping Malls?: The Relationship Between Perceived Shopping Value and Shopping Orientation on Purchase Intention at Shopping Malls in Suburban Areas

**Seolwoo Park**

## Introduction

Retail is the typical appearance of consumer behavior. Today, many large shopping malls are established and consumers have come here for many reasons. Bloch et al. (1994) explained the shopping mall as consumer habitat and shopping mall for a place to show the typical appearance of consumer behavior. Consumers can get two values through the shopping. We visit to shopping malls for several reasons: to buy a product that we need (utilitarian shopping value) or to focus on the atmosphere and to enjoy the environment (Hedonic shopping value). Many current studies showed utilitarian and hedonic value. Most of the shopping malls have been made with a focus only, such as price and convenience on the practical side. However, today, the shopping mall will try to provide special things such as appearance and feel of the buildings and other events. Previous research focused only on store environments, not on the relationship between shopping value and shopping orientation on purchase intention at shopping mall especially those located in suburb outlet. Therefore, in this study, first, we check the relationship between the values of consumers' shopping behavior. Also we verify if the shopping orientation has a mediate effect between shopping value and purchase intention.

## Background

### Shopping Value

Many researchers define the value largely divided into the four dimensions (Zeithaml 1988). First, as the value of the price, and second and third will get in the process of the exchange. It means that I get as much as I give and abstractly shows the mechanism of

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recognition of what the consumers feel. The concept was used in classical studies that determine the final choice of consumers (Rao and Monroe 1989). Finally, it defines the quantitative and qualitative or subjective and objective factors by experiencing shopping (Schechter 1984; Zeithaml 1988). Consumer shopping activity is subjected to a very complex process. It may not be very fully; just use prices to explain the shopping value (Hirschman and Holbrook 1982). There are not only the results of buying the products but also the emotion through the process of shopping experience (Bloch and Bruce 1984). Therefore, we will consider shopping value as two perspectives.

## *Utilitarian Shopping Value and Hedonic Shopping Value*

Several researchers have explained the perspective of value recognized through shopping experience describing as functional/utilitarian and experiential/hedonic perspective as discussed above (Babin et al. 1994; Bloch and Bruce 1984; Fiore and Kim 2007; Kim et al. 2007). Specifically Babin et al. (1994) empirically analyzed into the shopping value in two ways. Therefore, the hedonic shopping value was recognized as an entertainment and emotional value obtained through the shopping activities. However, utilitarian shopping value was described as to choose the products in an effective and a careful way and gave a definition of the value you get from shopping to choose depending on the needs.

## *Shopping Orientation*

Shopping lifestyle reflects the point of view of the complex shopping phenomena associated with the customers' style, shopping activities, interests, opinions, etc. Shopping orientation explains the human mind's reaction, and process-oriented or goal-oriented shopping can be divided according to the personal goals when trying to get through shopping (Baker and Wakefield 2012). Process-oriented shopping based on the research of McGuire (1974) may be related to human motivation. This includes altruistic phenomenon such as relationships with others and offering and receiving other's opinion through shopping. That is, process-oriented shopping enables one to share pleasure with others through shopping. In contrast, the goal- and result-oriented shopping has utilitarian and economic factors rather than pleasure to get through the shopping experience. The most important thing is for these people to shop and buy the product they need.

## *Relationship of Shopping Value and Shopping Orientation*

The meaning of shopping value and shopping orientation is similar, but different in perspective or viewpoint. Based on the previous studies, shopping value is the value obtained through the shopping experience and connects to shopping motivation. In other words, following shopping value and shopping orientation as discussed above,

utilitarian shopping value reflects the value associated with the object in a shopping experience, but hedonic shopping value reflects the value associated with the purpose of looking at the activity itself (Babin and Attaway 2000).

## Research Methods

Hypotheses are the following:

H1: Utilitarian shopping value will positively influence purchase intension at malls.
H2: Utilitarian shopping value will have a stronger influence on task shopping orientation.
H3: As task shopping orientation is higher, people will go shopping at malls.
H4: Hedonic shopping value will positively influence purchase intension at malls.
H5: Hedonic shopping value will have a stronger influence on social shopping orientation.
H6: As social shopping orientation is higher, people will go shopping at malls.

To test the conceptual model, a consumer survey was conducted. As the limitation of resource, a convenience sampling technique was adopted to collect the survey data. Once a potential respondent agreed to complete the questionnaire, the researcher made arrangements to pick up the questionnaires 4–7 days later. 230 people who had experienced a shopping mall located in suburb area received the survey questionnaires, and 211 complete questionnaires were included in this study after deleting some with missing and invalid data. Following deletion, the percentage of missing data was less than 5 % for each variable, and those missing data were randomly distributed. Therefore, they were handled by using maximum likelihood estimation. Of the 211 respondents, approximately 54 % were male and 46 % were female. Scale items were derived from Babin et al. (1994), Babin and Attaway (2000)(shopping value), Arnold and Reynolds (2003) (shopping orientation), and Stafford (1996)(purchase intention).

The Anderson and Gerbing's (1988) two-step method was applied to estimate the measurement model in the first step and the structural model in the second step. The two-step model is an approach to structural equation modeling (SEM) to separate the measurement failures from the structural ones. In the first step, a confirmatory factor analysis identifies the specification errors in the measurement model (i.e., the model that includes the relations between latent variables and their indicators). Then, in the second step, specifications in the structural equation model (i.e., the model that tests the relations between endogenous and exogenous variables) are identified. Doing so, problems of measurement specification are isolated from the problems of structural specification.

SPSS 18.0 and PLS are used to check confirmatory factor (CFA) and path analysis. Cronbach's alpha of all used variables is higher than 0.7, and average variance extracted (AVE) and composite reliability (CR) are also satisfied (see Table 1).

Discriminant validity was assessed by comparing squared correlations among the constructs against variances extracted by their respective factors (Hair et al. 2010). As shown in Table 2, all squared correlations were less than variances

**Table 1** Confirmatory factor analysis

| Construct | Items | Factor loadings | Cronbach's α | Composite reliability | AVE |
|---|---|---|---|---|---|
| Perceived utilitarian shopping value | USV1 | 0.88 | 0.84 | 0.91 | 0.76 |
| | USV2 | 0.88 | | | |
| | USV3 | 0.86 | | | |
| Perceived hedonic shopping value | HSV1 | 0.88 | 0.87 | 0.91 | 0.72 |
| | HSV2 | 0.88 | | | |
| | HSV3 | 0.83 | | | |
| | HSV4 | 0.79 | | | |
| Task shopping orientation | TSO1 | 0.79 | 0.86 | 0.90 | 0.64 |
| | TSO3 | 0.73 | | | |
| | TSO4 | 0.83 | | | |
| | TSO5 | 0.87 | | | |
| | TSO6 | 0.79 | | | |
| Social shopping orientation | SSO1 | 0.86 | 0.88 | 0.91 | 0.73 |
| | SSO2 | 0.90 | | | |
| | SSO3 | 0.84 | | | |
| | SSO4 | 0.81 | | | |
| Purchase intention at shopping mall | PI1 | 0.94 | 0.93 | 0.94 | 0.87 |
| | PI2 | 0.93 | | | |
| | PI3 | 0.94 | | | |

**Table 2** Discriminant validity

| Construct | Perceived utilitarian shopping value | Perceived hedonic shopping value | Task shopping orientation | Social shopping orientation | Purchase intention at shopping mall |
|---|---|---|---|---|---|
| *Perceived utilitarian shopping value* | 0.76* | | | | |
| *Perceived hedonic shopping value* | −0.09** (0.01)*** | 0.72 | | | |
| *Task shopping orientation* | 0.65 (0.42) | 0.01 (0.00) | 0.64 | | |
| *Social shopping orientation* | 0.13 (0.02) | 0.41 (0.17) | 0.29 (0.09) | 0.73 | |
| *Purchase intention at shopping mall* | 0.24 (0.06) | 0.21 (0.05) | 0.23 (0.05) | 0.42 (0.18) | 0.87 |

*AVE, **correlation coefficient, ***(correlation coefficient)$^2$

**Table 3**  Goodness-of-fit criterion for each size of the effect of $R^2$

| Index | Interpretation | Size | Recommended criterion | Mean of $R^2$ | Mean of AVE |
|---|---|---|---|---|---|
| | Effect size for | Small | 0.02 | 0.27 | 0.75 |
| | | Medium | 0.13 | | |
| | | Large | 0.26 | | |
| | | | | | |
| | Goodness of fit | Small | 0.1 or greater | | |
| | | Medium | 0.25 or greater | | |
| | | Large | 0.36 or greater | | |
| | | | | | |
| $f^2 = R^2 \div (1 - R^2) *$ | | | | $f^2 = 0.37$ | |
| $\mathrm{GoF} = \sqrt{\mathrm{AVE} \times \overline{R^2}}$ ** | | | | $\mathrm{GoF} = 0.45$ | |

*is significant at the 0.05 level
**is significant at the 0.01 level

extracted. This result implies that the variances shared among variables (squared correlation coefficients) were less than the variances explained by each construct (variances extracted), showing that all indicators are better explained by their respective constructs than other constructs explaining indicators in different construct. The test shows that all constructs adopted in the current study are different from one another and thus have discriminant validity.

Goodness of fit and effect size for expected model should be also satisfied. They are shown in Table 3. A global fit measure (GoF) for PLS path modeling ranges from 0.00 to 1.00 and is defined as the geometric mean of the average variances extracted and average $R^2$ for endogenous constructs (Wetzels et al. 2009). According to Wetzels et al. (2009), formula calculating GoF is as follows: $\sqrt{\mathrm{AVE} \times \overline{R^2}}$. Three different effect sizes for $R^2$ have different acceptable GoF values. The effect size for $R^2$ ($f^2$) defined by Cohen et al. (2013) is determined by $f^2 = R^2 \div (1 - R^2)$. Three effect sizes for $R^2$ include small = 0.02, medium = 0.13, and large = 0.26. Following GoF criteria for each effect size has been proposed; $\mathrm{GoF_{small}} = 0.1$, $\mathrm{GoF_{medium}} = 0.25$, and $\mathrm{GoF_{large}} = 0.36$ (Wetzels et al. 2009). All these statistics demonstrates that the proposed two research models of the current study have a good fit to the collected data sets.

## Result and Discussion

A nonparametric bootstrapping procedure with 500 resamples was performed to get the path coefficients, their respective standard errors, and t-statistics for their path coefficients. The results are shown in Table 4. Except hypothesis 3, all hypotheses are accepted.

**Table 4** Result

| | Path | Coefficient (*t*-value) | Result |
|---|---|---|---|
| **H1** | **Perceived utilitarian shopping value -> purchase intention at shopping mall** | **0.20 (2.87)\*\*** | **Accept** |
| **H2** | **Perceived utilitarian shopping value -> task shopping orientation** | **0.65 (16.05)\*\*\*** | **Accept** |
| **H3** | *Task shopping orientation* **->** *purchase intention at shopping mall* | *−0.02 (0.16)* | *Reject* |
| **H4** | **Perceived hedonic shopping value -> purchase intention at shopping mall** | **0.23 (3.08)\*\*** | **Accept** |
| **H5** | **Perceived hedonic shopping value -> social shopping orientation** | **0.41 (7.39)\*\*\*** | **Accept** |
| **H6** | **Social shopping orientation -> purchase intention at shopping mall** | **0.36 (4.41)\*\*\*** | **Accept** |

\*\*is significant at the 0.01 level
\*\*\*is significant at the 0.001 level

According to results, utilitarian shopping value only affects purchase intention at outlet mall, not through task shopping orientation. Furthermore, hedonic shopping value not only affects purchase intention at outlet mall directly but also affects purchase intention at outlet mall through social shopping orientation. In this phenomenon, we can find that people want to get both shopping value when they go to outlet mall located in suburb area. Customers do not go to outlet malls just because of its low price. There are other reasons to attract customers to shopping mall.

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# Session 7.7
# Social Responsibility and Business

# Developing a Business Sustainability Framework Based Upon the Triple Bottom Line Approach

**Göran Svensson, Nils Høgevold, Daniel J Petzer, Carlos Ferro, Carmen Padin, Beverly Wagner, Juan Carlos Sosa Varela, and HB Klopper**

## Abstract

The research objective is to develop and test a business sustainability framework (BS-framework) consisting of economic, social, and environmental dimensions and items. This study follows a quantitative research process based upon the results of a 5-year qualitative research process. Companies employing more than 100 employees were identified to take part in this study. A sample of 261 Norwegian companies was selected, achieving a response rate of 40.6 %. An exploratory factor analysis generated a 17-factor solution out of 20 dimensions originally identified from the 5-year qualitative research process indicating satisfactory convergent, discriminant, and nomological validity, as well as reliability of each dimension. The study proposes a BS-framework, and it concludes that the measurement metrics of the BS-framework developed and tested are valid and reliable. Suggestions for

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applications, research limitations, and further research are provided. The BS-framework is a second-order construct that companies may use to assess and monitor their sustainable business practices in the marketplace and society. It provides managerial structure and guidance in terms of the dimensions to be taken into consideration and also the items to measure each one of the dimensions of the BS-framework in the market and society. A principal contribution of this research is the empirically developed and tested BS-framework (a second-order construct), uniquely consisting of economic, social, and environmental dimensions and items. The BS-framework is furthermore based upon a first-order construct of the triple bottom line approach.

**References available upon request.**

# Corporate Social Responsibility and Nonfinancial Disclosure: The Need for Reporting Guidelines to Be Based on Simplicity, Comparability and Accessibility, A Structured Abstract

**Heather F. Ross and Tina Harrison**

## Introduction

The increasing interest in the wider societal responsibilities of the business community has highlighted the call for the employment of transparent and accountable commercial practices (Initiative for Responsible Investment 2014). This pressure for transparency in business activities has resulted in a growth of information disclosure methods. The most recent addition in the approaches used to convey the responsibility message has centred on the disclosure of nonfinancial information, involving both mandatory and voluntary actions taken by companies (BIS 2013). This focus has now entered an increasingly monitored period, with laws, directives and regulations being introduced at an international level. According to research headed by the United Nations Environment Programme (UNEP et al. 2010), this is aimed at strengthening compliance and comparability of corporate social responsibility (CSR)-related initiatives.

At the same time, the proliferation of the World Wide Web (WWW), as a communication tool, has supported the dissemination of CSR information. This is due to its capacity to store and manage graphic and textual material, both of which are increasingly being used by brands in their CSR disclosure (Ross 2014). Thus, the information increasingly has the potential to reach and impact on the behaviours of a wide variety of stakeholders, from those involved in the supply chain through to the consumer as the end user of the products.

However, despite the growth in reporting and dissemination, this research investigates whether CSR information transmitted through the communication process enhances the comprehension of the issues involved. Furthermore, it gives consideration as to whether the growing complexity in both content and mode of

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transmission is enhancing, or diminishing, the communication of the business responsibility message, enabling the information to reach, engage and motivate consumers' buying behaviour.

## Background

### *Voluntary Versus Mandatory CSR*

There has long been a debate over whether CSR should be voluntary, mandatory or a combination of both (Chaplier 2014). The traditionally favoured voluntary approach can result in companies choosing not to publically disclose whether or not they undertake CSR-related activities. To improve disclosure rates, CSR supporters have campaigned through the last two decades for the mandatory reporting of nonfinancial data to be introduced (Howitt 2014).

To determine the current rate of reporting across the international community, the UNEP et al. (2010) undertook a review of both mandatory and voluntary CSR initiatives. They found that '…the regulatory landscape has evolved substantially in all parts of the world', which had led to a strong evolution of '…international and national standards, codes and guidelines as well as legislation for sustainability reporting' (UNEP et al. 2010: 4). However, they assert that further work is needed in aligning international standards, to allow comparability across borders in a way that is relevant to a multitude of stakeholders.

As an example of this, the European Commission (EC) has adopted a directive on the disclosure of nonfinancial and diversity information (EC 2014a). This directive will require approximately 6000 EU-operated companies, with 500-plus employees, to make public in their annual management reports details of their '…policies, risks and outcomes as regards environmental matters, social and employee-related aspects'. It will also include the reporting of anti-corruption and bribery policies, with the identification of the diversity of their board of directors. After a 2-year transitionary period, reporting by applicable companies will commence in 2017 (EC 2014a). This directive has the potential to represent an important step forward in nonfinancial reporting, with greater transparency and accountability in operations. Krishnamurthy (2014) described it as marking '…the most significant effort to date to mandate non-financial reporting on companies across all sectors of the economy'. As a result, Chaplier (2014) declared that CSR had now moved from being a voluntary action to a mandatory requirement. However, concerns have been expressed in regard to whether the directive would bring about meaningful change. This is because, under this new directive, companies will be permitted to choose the indicators, standards and guidelines they will employ (EC 2014a), allowing them '…a huge amount of flexibility in how they comply with the reform' (Chaplier 2014). Searcy and Ahi (2014) describe this flexibility as both the key challenge and an opportunity. However, Passant and Hewitt (2013) believe that this will make comparison between companies difficult. Furthermore, the EC (2014b) acknowledges that the current guidelines facilitating the

disclosure of nonfinancial and CSR-related information require further work. Therefore, at this time of development, it is essential to identify what impact such information currently has and how its disclosure can be improved.

Whilst the reporting landscape evolves, the Initiative for Responsible Investment (2014: 3) predicts that businesses will respond to what they believe to be '…a cultural shift of how individuals view the operation of corporations', which is likely to influence how individuals perceive and interact with the business community. Blackwell et al. (2006: 70) identified the seven-stage consumer decision process (CDP) model. In the model's initial stages, individuals identify needs, search for information and evaluate alternative offerings. During this time, brands communicate information to encourage action to be taken. This process of communication involves '…the transmission of a message from a sender to a receiver via a medium (or channel) of transmission' (Schiffman and Kanuk 2010: 280).

Relating these theories to the communication of CSR, UNEP et al. (2010: 11) identified growing complexity, by observing that the growth in the number of reports required was occurring in parallel to '…an increasingly dense network of national and international standards for sustainability reporting'. However, they suggest that 'integrated reporting' combines business information disclosure and included that which is published via Web-based channels (UNEP et al. 2010). This was supported by Passant and Hewitt (2013) who claimed that a company's website was one of the most important sources of CSR information.

Assessing empowerment through the provision of information via the Internet, Harrison et al. (2006) found that this channel was enabling, but that complexity of content diminished the full realisation of knowledge facilitation and acquisition. Thus, they suggested that there were two elements to consider when using the Internet to communicate with consumers: the first being their '…access to reliable information' and the second the '…ability to understand that information' (Harrison et al. 2006: 976). Applying this to consumer empowerment through access to, and understanding of, CSR information relates to the wider domain of consumer sovereignty and whether acquired knowledge effects purchase decisions. Therefore, as the complexity of information published via the Internet grows, consideration should be given to CSR disclosure and whether this channel enhances consumers' ability to access, understand and act on related information.

## Research Methods

This research was undertaken as a part of a larger study. It utilised a grounded theory strategy to establish primary data, by employing qualitative methods to identify patterns of behaviour and to determine '…the "why" of consumer behaviour' (Evans et al. 2009: 426). Creating a framework for the data collection involved choosing a specific business sector upon which to concentrate the research. According to Storm (2014), the fashion industry has '…a history of issues with workers' right and challenges around its polluting production processes'. Thus, this

was deemed to be a global sector with identifiable CSR interests, displaying constituent parts, for example, extended supply chains, which are applicable to a variety of other consumer good markets.

The opinions of fashion-buying consumers were elicited through face-to-face, focus groups, which were undertaken at UK-based locations. The participants were selected using non-probability snowball sampling, which involved contacting five known individuals and requesting that they convene a group of between four and eight participants (Saunders et al. 2009), leading to 26 respondents in total. A semi-structured focus group format was utilised, with the question schedule based on the information search and evaluation stages in the CDP, and focused on the nonfinancial CSR information published via the Internet as a medium of communication. This data collection strategy was aimed at eliciting information regarding the '…interviewees' own behaviour or that of others; attitudes; norms; beliefs; and values' (Bryman 2012: 209). The discussions were audiotaped and transcribed, with the data examined through thematic analysis.

## Results and Discussion

The findings showed that the consumer groups demonstrated a lack of engagement with information published by brands relating to their CSR strategies. When asked if they had accessed relevant information via the Internet, typical replies were 'Not in your wildest…never', 'Nobody would bother to read all of that' and 'I don't think it enters your mind, to be honest'. Furthermore, there was a general agreement that CSR information was published for 'lawyers', 'the corporate world' and 'the government', with the participants believing it to be 'a disclaimer' rather than made public for their benefit.

The participants did acknowledge that they were aware of negative publicity regarding CSR, which they had acquired through media news stories, especially related to environmental and social issues in the supply chain. However, they felt its impact was limited, with one replying that 'It makes you think about it, but I don't think you think too deeply for very long' and another stating that this was because:

> …you don't think where it has come from [a garment], the conditions they have to work in, the wages that are paid and things, you don't. It doesn't enter your head, you just think 'Oh there's the price ticket, that's how much it's gonna cost'…you only think of how it affects you, not how it affects other people.

Conversely, when asked what would encourage them to engage with published information, simplicity and comparability were seen to be key. Endorsing that, a participant said '…we're all mightily confused about what it means', with a second stating 'I want bullet-points'.

Therefore, the consumers did not perceive that the publication of nonfinancial data was for them, nor did they currently consider it as part of their information search behaviour. However, they reported that they would be more likely to take it into account in their decision-making if it was presented in a format that allowed them to compare and contrast the strategies adopted by a variety of different brands.

## Conclusions and Implications for Theory and Practice

To increase transparency regarding CSR activities of the business community, the international regulatory landscape has been evolving (UNEP et al. 2010). This has included the development of reporting mechanisms, the most recent being the EU directive on nonfinancial and diversity information (EC 2014a). This initiative has been welcomed (Howitt 2014; Krishnamurthy 2014), but also criticised due to the high level of flexibility in its current reporting methods (Chaplier 2014). However, the EC (2014a) reported that they view the directive as a starting point for further work, which they suggest will involve the development of more detailed reporting guidelines in the future.

For the CSR disclosure to be meaningful, and to allow stakeholders to access relevant information, the disclosure mechanism needs a user-friendly communication channel. There was clear evidence from the primary research participants of an increase in Internet use. However, Harrison et al. (2006) found that to gain full benefit from this channel, information needed to be not only accessible but also reliable and understandable. The consumer participants, whilst reporting that they were aware of negative media news stories, believed that CSR information was published for the benefit of other stakeholder groups. Therefore, whilst relevant information was currently available via the Internet, they did not access it, and it was not considered to be a key component of their decision-making when purchasing items, including clothing.

The strongest message to come out of the primary research was the need for simplicity in reporting, with agreement that engagement would be enhanced by presenting CSR information in an uncomplicated format, via an accessible communication channel. Therefore, this research argues that the greater the complexity, the less effective the CSR message is, which stifles the potential for behavioural change to occur.

To move the business responsibility agenda forward, and encourage stakeholders to engage in CSR information, the development of reporting guidelines should focus on the key tenets of simplicity, comparability and accessibility. Hence, the current disconnect between the proposed mandated, but variable, CSR disclosure and what consumers desire in order to access and understand the information will now be explored by the research.

**References available upon request.**

# Corporate Social Responsibility Scale Development Proposal

**Jeremy Morgan**

## Abstract

It has been found that social ratings have a positive association with corporate success. Institutional investors are more likely to invest in socially responsible companies (Graves and Waddock 1994; Teoh and Shiu 1990). There is also a positive link between social rating and performance (McGuire et al. 1988; Wokutch and Spenser 1987). Waddock and Graves (1997) have noted that the most serious problem with studying social responsibility in the past has been issues with measurement.

Today, the most widely used measurement of social responsibility is compiled by Kinder, Lydenberg, and Domini (KLD). Based on Ullmann (1985), KLD rates all 500 S&P companies based on eight attributes. Five of the attributes are focused on stakeholder relationships (Prahalad and Hamel 1994): community relations, employee relations, environmental performance, product characteristics, and treatment of women and minorities. The final three attributes are military contracting, participation in nuclear power, and involvement in South Africa.

Most of this information comes directly from the companies being rated (Waddock and Graves 1997). I believe that the independence of these ratings comes into question. It is generally the role of the investor relations office to generate positive "spin" in favor of the company. While some corporate-controlled data is subject to strict standards (such as annual financial reports), most of the data obtained by KLD is not.

I believe that KLD, or anyone seeking to rate companies on socially responsible performance, must find a more independent source of data. I propose that because five of the eight important attributes that make up the construct of social responsibility are stakeholders (Ullmann 1985), it is those very stakeholders that should be surveyed. It is the relationships with those groups (customers, employees, women, and minorities) that represent a large part of social responsibility.

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# Session 8.1
# Branding of Products and Services

# Celebrity Endorsement in the Airline Sector

**Stephen W. Wang, Angeline Close, and Waros Ngamsiriudom**

## Introduction

As the demand for air transport services has risen much faster than that of other goods and services in the world economy, it is extremely important that airlines retain their passengers to remain profitable (Wang 2014a) by differentiating themselves to increase their perceived value (Woodruff 1997). Among various marketing strategies, celebrity-themed aircraft campaigns (Budd 2012; Wang and Ngamsiriudom 2014a, b) and celebrity endorsements are arguably very effective ones. Celebrity endorsement in airlines is not a new phenomenon (Basusta 2009; Virgin Atlantic 2013; Air New Zealand 2013; Emirates 2014; China Airlines 2006a, b; Ricki 2013). Through these campaigns, airlines hope to gain more brand awareness, model a better corporate image, expand the market share, and increase its profit margin.

This study aims to investigate the influence of airlines' celebrity endorsement campaigns on purchase intention. Despite the salient benefits and the popularity of airlines adopting a celebrity endorsement campaign as a marketing communication strategy, surprisingly very few studies have been done to investigate the topic. Based on the theoretical model built upon the renowned theory of credibility (McGuire 1969; Petty et al. 1983; McCracken 1989; Ohanian 1991; Erdogan

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1999) and data collected from Taoyuan International Airport in Taiwan, this study specifically examines the effects of celebrity endorsement campaigns on purchase intention.

## Background

Despite the airline industry having achieved high growth rates (IATA 2014), it suffers from intrinsically low-profit margins (Hanlon 1999) and high volatility in returns (Tugores-Garcia 2012). In addition, to join one of the three existing global strategic alliance networks (Wang 2014b), most airlines strive to imply competitive marketing campaigns such as celebrity-themed jet campaigns (Wang and Ngamsiriudom 2014a, b) and celebrity endorsements. This study defines and operationalizes three kinds of credible sources of celebrity, i.e., expertise, trustworthiness, and attractiveness, and empirically validates their impacts on both brand attitude and brand credibility of the product/service endorsed and, finally, their influence on purchase intention. Figure 1 shows the framework of this study.

The impact of deploying a credible spokesperson to improve message persuasiveness has been assessed in many studies (Goldsmith et al. 2000; Mathur et al. 1997). The credibility model suggests that the efficacy of the message communicated by an endorser depends on the consumers' perceived expertise, trustworthiness, and attractiveness of the endorsers (Hovland and Wiess 1951; McGuire 1969; Ohanian 1991). An endorser's expertise is the source's qualification which directly influences the level of conviction in order to persuade the consumers to purchase the product. It describes the degree of perceived understanding, skills, and knowledge that the endorser possesses (Hovland et al. 1953). Till and Busler (2000) suggested that expertise has a positive influence on both brand attitude and purchase intention.

Perceived trustworthiness is the attribute of dignity, believability, and honesty possessed by the endorser and observed by the consumers. Trustworthiness was found to be an important forecaster of source credibility (Friedman et al. 1976). Therefore, the
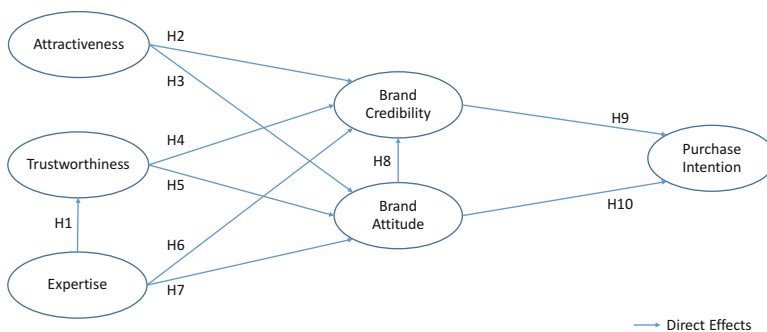


**Fig. 1** Conceptual framework

effectiveness of a celebrity endorser may transfer from a greater perceived trustworthiness of the celebrity by the consumer (Hovland and Weiss 1951; Choo 1964; Horai et al. 1974). Further, it is noteworthy in Erdem and Swait's (2004) study that in all product categories the main effects between trustworthiness and expertise constructs are statistically significant, indicating that higher expertise leads to stronger trustworthiness.

McGuire (1969) argued that source attractiveness directly influenced the effectiveness of a communication message. Attractiveness was related to three attributes, namely, similarity, likeability, and familiarity, of the endorser. An attractive endorser was able to affect the consumers as they accepted the information given to them by the attractive source (Kelman 1961). Further, consumers' purchase intention was also affected when the source was found to be attractive (Joseph 1982; Petty et al. 1983; Petroshius and Crocker 1989; Erdogan 1999).

Bagozzi and Recall (1983) operationalized the definition of brand attitude as consumer attitudes in an undimensional sense as the sum of the products of beliefs times evaluations. A great deal of studies (Atkin and Block 1983; Friedman and Friedman 1979; Langmeyer and Walker 1991; McCracken 1989; Mowen and Brown 1981; Till and Busler 2000; Till and Shimp 1998) have shown that there can be an impact on a product's and brand's attributes through a celebrity endorsement.

Previous literature has studied the credibility of brand signals (Erdem et al. 2006; Erdem and Swait 2004; Rao and Ruekert 1994; Rao et al. 1999; Wernerfelt 1988). While endorsement comprises some of the signal of the endorsed brand, it seems likely that the credibility of an endorser will subsequently transfer to the brand. Finally, high endorser credibility should lead to higher brand credibility. Relevant hypotheses are listed below:

H1: Perceived expertise of celebrity endorser will positively affect the trustworthiness of celebrity endorser.

H2: Perceived attractiveness of celebrity endorser will positively affect the credibility of the endorsed brand.

H3: Perceived attractiveness of celebrity endorser will positively affect consumer's attitude toward the endorsed brand.

H4: Perceived trustworthiness of celebrity endorser will positively affect the credibility of the endorsed brand.

H5: Perceived trustworthiness of celebrity endorser will positively affect consumer's attitude toward the endorsed brand.

H6: Perceived expertise of celebrity endorser will positively affect the credibility of the endorsed brand.

H7: Perceived expertise of celebrity endorser will positively affect consumer's attitude toward the endorsed brand.

H8: Consumer's attitude toward the endorsed brand will positively affect the credibility of the endorsed brand.

H9: The credibility of the endorsed brand will positively affect consumer's purchase intention toward the endorsed brand.

H10: Consumer's attitude toward the endorsed brand will positively affect consumer's purchase intention toward the endorsed brand.

## Research Methods

The framework embraces information on expertise, trustworthiness, and attractiveness of celebrity endorsers, brand attitude, brand credibility, and purchase intention. All measures use a five-point Likert-type scale. This study first conducted literature reviews on research constructs to examine the external validity of the research model. A set of questions was developed based on the literature review. To measure expertise, trustworthiness, and attractiveness of a celebrity endorser, four items are adopted from the study of McCracken (1989) and Ohanian (1990), respectively. Brand attitude has three items that were adopted from the study of Brett et al. (2008) and Mitchell and Olson (1981). Seven items of the brand credibility construct were adopted and modified from the study by Erdem and Swait (2004). To measure purchase intention, two items were adopted from the studies of Jamieson and Bass (1989) and Putrevu (1994). Finally, nine involvement items were adopted from the works of Kapferer and Laurent (1985a, b), Laurent and Kapferer (1985), and Rodgers and Schneider (1993), which includes interest, pleasure, and sign value.

A self-administered questionnaire was used to collect data from international airline passengers. The questions were based on a review of the literature and specific airline service contexts, and the questionnaire was pretested and revised. The questionnaires were distributed and collected at Taoyuan International Airport in Taiwan based on the "convenience" sampling method during May 2014. 637 out of a total of 700 questionnaires were deemed usable, yielding a 91 % response rate from those who agree to participate. The sample size ($n=637$) is considered large enough to compensate for a likely model misspecification and model complexity (Hair et al. 2006). This study checks for possible univariate and multivariate outliers, which reveals no significant violations. Specifically, the analytical outcome shows that the value of kurtosis ranged from −0.671 to 1.645 and that the value of skewness ranged from −0.197 to −0.976, which satisfies the evaluation criteria (ranging from −2 to +2) suggested by Mardia (1985).

## Results and Discussion

The results reveal that all significant relationships between latent constructs match the hypothesized directions, except for the relationship between expertise and brand credibility and the relationship between expertise and brand attitude, not supporting H6 and H7. In our proposed models, only the two celebrity endorsement idiosyncratics of trustworthiness and attractiveness have significant positive effects on both brand attitude and brand credibility, supporting H2, H3, H4, and H5. Meanwhile, expertise has a significant positive effect on trustworthiness, supporting H1; a positive brand attitude significantly affects both brand credibility and purchase intention, supporting H8 and H10. And finally, the effect of brand credibility on purchase intention is also significant, supporting H9. Relevant informations are shown in Table 1.

**Table 1** Structural parameter estimates and goodness-of-fit indices

| Hypothesized paths | H# | Standardized coefficients |
| --- | --- | --- |
| Expertise→trustworthiness | H1 | 0.905 (16.397**) |
| Attractiveness→brand credibility | H2 | 0.325 (2.140**) |
| Attractiveness→brand attitude | H3 | 0.205 (3.002**) |
| Trustworthiness→brand credibility | H4 | 0.340 (2.208**) |
| Trustworthiness→brand attitude | H5 | 0.593 (3.490**) |
| Expertise→brand credibility | H6 | 0.255 (1.516) |
| Expertise→brand attitude | H7 | −0.162 (−0.853) |
| Brand attitude→brand credibility | H8 | 0.150 (3.083**) |
| Brand credibility→purchase intention | H9 | 0.198 (4.427**) |
| Brand attitude→purchase intention | H10 | 0.771 (15.732**) |
| Fit statistics | | $\chi2=835.693$, ($P=0.00$, df$=232$), $\chi2/$df$=3.602$, GFI$=0.893$, CFI$=0.928$, RMSEA$=0.048$ |
| Sample size | | $N=637$ |

** denotes $p \leq 0.05$. The value in the parenthesis is $t$ value

In regard to the relationship between the three characteristics of celebrity endorser, positive expertise significantly influences brand attitude and brand credibility via the mediate of celebrity endorser's trustworthiness enhancement. However, celebrity endorser's expertise does not have a positive significant influence directly on both brand attitude and brand credibility across the full sample model, highly involved group, and lowly involved group. The results indicate that air transportation service is a highly professional orientation service, while celebrity endorsers are mostly orchestrated with elegance proclivity, physically attractive (beautiful, elegant, classy), and trustworthy (dependable, honest, sincere, reliable) characteristics that receive less negative recalls and, finally, lead to a more respectable and desirable paragon of the celebrity endorser. Therefore, a celebrity endorser of air transportation service could end up with hardly respectable expertise (skilled, qualified, knowledgeable, experienced) on air transportation services.

The results of the full sample test reveal that both celebrity endorser's attractiveness and trustworthiness have a positive significant influence on both brand attitude and brand credibility. However, despite the relationship between celebrity endorser's expertise and both brand attitude and brand credibility, as mediated by trustworthiness, celebrity endorser's expertise influences indirectly both brand attitude and brand credibility. Finally, both brand attitude and brand credibility have significantly led to purchase intention, while brand attitude is a positive significant associate with brand credibility.

**References available upon request.**

# A Postmodern Perspective on Marketing Strategies in the Necessitation of Products: A Structured Abstract

**Jakob Braun**

## Abstract

Postmodernists suggest that necessities are socially influenced. Therefore, products that are not perceived as necessities might come to be viewed as such over time. This study attempts to shed light on the role of marketing strategies in this necessitation process. Three companies whose products are considered necessities are identified. In employing content analysis, aspects of their marketing strategies are examined. The investigation is guided by a theoretical framework adapted from postmodern literature, including image is the product, fluctuating feelings, fragmented images, and inseparability of production and consumption.

*Image is the product* suggests that consumers buy products to realize the value that they perceive in the image. The product is representing the image and needs to do so well. Marketers need to think in terms of products representing the images and not vice versa. The idea of *fluctuating feelings* proposes that the image will be evaluated based on its contributions to the self-image. Thus, in addition to demographics, activities, interests, and lifestyles, opinions and beliefs, and values and attitudes, marketers need to address the feelings of consumers. Feelings will vary because consumers might seek different images in the work sphere, domestic sphere, and recreational sphere. These are continuously redefined. The point on *fragmented images* advocates that depending on time, spheres, and circumstances, consumers might seek different self-images. Marketers need to understand how to best allow consumers to immerse in and find elements (re)presenting and (re)producing self-images. Finally, *inseparability of production and consumption* states that the consumer becomes complete partner in the production process(es) of the organization(s).

The consumer's necessities are closely tied to these corner points of successful marketing strategies. For instance, the necessities will be determined by the self-image that a consumer is seeking. Moreover, when combining production and consumption, the consumer will be better able to articulate her or his needs

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to the firm. It is proposed that, in a postmodern world, marketers play a significant role in identifying, addressing, and better meeting the necessities of consumers. Moreover, in these fragmented markets, customers can better articulate their necessities. Therefore, marketing strategies play a significant role in the necessitation process.

The findings suggest that the companies can embrace the four criteria to actively help their customers through the necessitation process with certain products although they seem not to have embraced the importance of fragmented images yet.

**References available upon request.**

# Session 8.2
# Advancing the Cause
# of Cause-Related Marketing

# Special Sessions Description: Advancing the Cause of Cause-Related Marketing

**Josh Coleman, Katharine Howie, Parker Woodroof, and Rebecca VanMeter**

**Abstract** Today, many companies have the resources and expertise to make meaningful contributions to worthy causes. They also possess the visibility and advertising wherewithal to lend credibility to these causes and generate awareness for pressing social issues. This special session highlights the evolution, current development, and potential changes in the world of cause-related marketing (CRM) since its inception in 1983 by the American Express. Moreover, although countless campaigns have generated successful outcomes for various stakeholders of the firm, CRM is far from a foolproof marketing communication tool. This panel presents its own primary research findings focused on how companies, consumers, and non-profits are affected by this type of corporate social responsibility. This session also illuminates some of the challenges and shortcomings that currently exist within a CRM context. For example, although many companies are drawn to social sponsorship that is easily marketable (e.g., helping sick children), still, less marketable important social issues are left unaddressed (e.g., needs of the homeless). Our intention is not only to celebrate the successes of CRM but also develop an agenda for future research to combat the current weaknesses to ensure the health and longevity of this valuable marketing tool.

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# Session 8.3
# Decision Making

# The Role of Distraction Effects on Weak-Tie Brand Extensions

**Yuli Zhang and Hyokjin Kwak**

**Abstract** Distraction occurs quite often when consumers do not engage in an effortful justification of a marketing message (e.g., product descriptions). It has been known that distraction affects negatively an individual's ability to process a marketing message in a decision process and consumer attitude toward the decision task. However, growing evidence demonstrates that distracted consumers may make better decisions of complex tasks than those who fully focus on the tasks themselves (Lerouge 2009). That is, this research shows that distraction (vs. conscious thinking) can indeed help consumers evaluate weak-tie brand extensions more favorably. Theoretical and managerial implications are discussed.

## Reference

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# Mental Accounting and Tuition Increases

**John Godek, Kyle B. Murray, and Gary Karns**

**Abstract**  Over the past decade, the price index for college tuition grew by nearly 80 %, a rate nearly twice as fast as the overall consumer price index during the same period (Kurtzleben 2013). College graduates in the class of 2014 are the most indebted ever, with an average student loan debt of $33,000, and over 70 % of bachelor's degree recipients are leaving school in debt as compared to less than 50 % just 20 years ago (Izzo 2014). The present research examines one stratagem for influencing student responses to tuition increases. It explores how the framing of tuition increases may affect the decisions students make regarding school choice, financing, and accommodating tuition increases by adjusting their other expenditures.

In this research, we conducted two experimental studies that framed tuition increases differentially to determine the influence on student participants' responses to choice of school, sources of funding, and nonschool-related expenditures. In both studies, participants read a brief scenario concerning increases in tuition and then were asked to complete a short survey. In the scenario for the first study, participants read that either there would be a hypothetical percentage increase in their monthly payments on their student loan or that their monthly payments on their student loan would increase by a fixed dollar amount. In the second study, participants were either told that the payback time on their loan would hypothetically increase by a percentage or that their payback time would increase by a fixed number of years. In all conditions participants were then asked how likely they would be to cancel registration, look for a cheaper school, look for other means to finance their education, how much disposable income they felt they had available, and how their spending and commuting habits might change.

Results of the first study showed that participants in the percentage-framing condition were significantly more likely to cancel registration and look for a less expensive school than those in the dollar-per month condition. There were no significant differences in the remaining dependent measures. In the second study,

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there were no significant differences for these first two measures. However, the remaining measures were statistically significant such that for the "Years" condition, participants were more likely to feel poorer and make changes in their financing of school, spending habits, and commuting habits than in the "Percentage" condition.

These results suggest that framing of tuition increases affects the decisions students may make with regard to enrollment, school choice, and other spending. Further, whether this framing is in terms of percentages, dollars, or time, all can have varied effects on student decisions. This research suggests that differential framing may mitigate the effects of tuition increases on students' enrollment and persistent decisions.

**References available upon request.**

# How Service Recovery Saves the Buyers: The Role of Forgiveness

**Weiling Zhuang and Maxwell K. Hsu**

## Introduction

When a service failure occurs, this negative disconfirmation of expectations is likely to result in a variety of unfavorable consequences such as customer dissatisfaction, negative word of mouth, increased costs, and customer revenge. Therefore, understanding how companies can effectively respond to service failure has become a very important area to both academicians and practitioners. Despite the topics of service failure and service recovery that have attracted considerable research attention in the past decade, customer's psychological reaction to firm's effort to address the service failure remains understudied. Drawing on equity theory, this study examines how customer's perceived interactional, procedural, and distributive justice influence customer return intention through the impact of perceived forgiveness. This study focuses on the neglected, but important, mediation effects of perceived forgiveness. Based on a survey of 501 customers, the results find that distributive justice has the strongest impact on perceived value followed by procedural justice and interactional justice, respectively. In addition, customer forgiveness positively and strongly affects customer return intention.

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# Background

Perceived justice theory suggests that the received outcome (i.e., distributive justice), the interpersonal communications and behavior (i.e., interactional justice), and the recovery procedures (i.e., procedural justice) are three key cognitive influences on post-complaint behavioral responses (Blodgett et al. 1997; Tax et al. 1998). Distributive justice refers to the complainer's perceived fairness of the offer provided by a company. For example, some companies offer refund, reduced price, or free products to the complainers to address their reported problems and encourage them to continue the business relationship with the company. Interactional justice concerns the complainer's perceived fairness of the company's employees' interpersonal behavior during the recovery process. As an example, complainer is happy with employees' responses when he perceives employees' politeness, empathy, and support during the recovery process. Finally, procedural justice refers to the complainer's perceived fairness of the recovery process with respect to the company's recovery efforts. It relates to such issues as the transparency of the recovery process, the company's responsiveness to complainer's requests, and the complainer's perceived control during the recovery process. Customers are likely to experience a better recovery when they perceive the justices in the abovementioned three areas. However, the role of feeling in translating perceptions of justice into post-complaint behavior remains understudied. There has been relative little explicit consideration of how positive/negative feeling influences customer's judgment of service recovery. To contribute to this underexplored area, the current research examines the role of forgiveness. Forgiveness refers to consumers' willingness to give up retaliation, alienation, and other destructive behaviors but respond to the service failure recovery in a constructive way (Xie and Peng 2009). Based on marketing literature, we expect these three components of justice are positively related to forgiveness and then the return intention.

# Research Methods

LISREL 8.80 (Jöreskog and Sörbom 1993) was applied for data analysis in the current study. To ensure the quality of the survey instrument, a series of pretests were performed before the main study. Based on the feedback from those who voluntarily participated in the pretests and the empirical results of our preliminary data analysis, the wording of a few items was modified to better reflect the constructs being studied. Through several rounds of small-scale pretests, empirical data analysis suggested that the questionnaire was adequate to be used in a larger-scale administration.

A survey instrument was designed and used to gather data for use in this study. Data were collected using an online survey administration tool (www. qualtrics.com). Respondents for this study were the US consumers who registered as panel group members with Qualtrics. Potential respondents were invited

to take part in a survey that dealt with common consumer situations. During this process, qualtrics.com sent the invitations to its online panels in two different rounds to solicit participation.

501 usable responses were finally obtained. Two steps were used to obtain the final sample. First, a screening question was added by qualtrics.com: "To ensure you are reading the questions, please choose 'strongly disagree' as your answer to this statement." Therefore, respondents who did not correctly answer this question were deleted from the final data set supplied to the user. Second, the authors examined the remaining sample and deleted those respondents with a significant amount of missing or nonsensical information. After these two steps, 501 respondents were retained for data analysis.

49.5 % of the respondents were female. The majority of respondents were between 26 and 65 years old (95.8 %), and 1.8 % of respondents were younger than 26 years old and 2.4 % were older than the age of 65. In terms of educational background, 65.5 % were college or university educated or above. Furthermore, 25.7 % had received a high school diploma. Of the respondents, 26.5 % had annual household incomes less than $20,000, 52.9 % of respondents had annual household incomes that ranged from $20,000 to $74,999, and 14.8 % of respondents had annual household incomes between $75,000 and $154, 999. The remaining respondents (5.8 %) had annual household incomes greater than $155,000.

## Results and Discussion

The objective of the measurement analysis is to verify that scales adopted appropriately represent the latent constructs before testing the proposed structural model. Five latent constructs (return intention, forgiveness, interactional justice, distributive justice, and procedural justice) were assessed to confirm that the scales were unidimensional and reliable, and thus the conclusions of hypotheses tests could be supported by valid measurement. Confirmatory factor analysis (CFA) was applied before testing theoretical hypotheses as a way of validating the measurement theory formed by combining all the previously used scales described above (Gerbing and Anderson 1988). Nineteen scale items captured the five latent constructs.

The resulting $\chi^2$ fit statistic of five constructs model was 679.14 with 142 degrees of freedom ($p<0.01$). The statistical significance of the test did not necessarily suggest a poor fit due to the large sample size and the fact that the test statistic is a mathematical function of sample size (Bagozzi and Yi 1988). The model comparative fit index (CFI) was 0.98, the root mean squared residual (RMSEA) was 0.087, and the parsimony normed fit index (PNFI) was 0.81. All factors were highly significant ($p<0.05$), and the variance extracted estimates ranged from 0.64 to 0.80. Construct reliability coefficients ranged from 0.89 to 0.92. Thus, the measurement model exhibited adequate convergent validity and fit.

Discriminant validity was assessed using conventional procedures (Fornell and Larcker 1981). Eight of ten squared correlation estimates were less than the variance

extracted estimates for the respective constructs. In the remaining two cases, constraining the measured variables from both factors onto a single factor led to a worse model fit, suggesting the constructs were distinct. These results suggested acceptable discriminant validity among the constructs. Therefore, given adequate model fit and construct validity, the results suggested that the measurement model adequately represents the theoretical constructs.

As the analysis of the measurement model suggests a satisfactory fit, the structural equation model representing the proposed theory can be satisfactorily tested. The model fit was estimated, and the resulting $\chi^2$ from testing the theory model was 693.72 with 145 degrees. The RMSEA was 0.087, the CFI was 0.98, and the PNFI was 0.83. These results suggested a reasonably good fit for the theoretical model given the model parameters. Further, the $\chi^2$ difference between the structural and measurement model was significant ($\Delta\chi^2 = 14.58$, df $= 3$, $p < 0.05$), but the amount of $\chi^2$ difference was relatively small, suggesting that the theoretical paths still fit the covariation among the latent factors. Therefore, these acceptable findings lead to hypotheses test.

The three components of perceived justice were significantly and positively related to forgiveness. More particular, interactional justice ($\gamma = 0.15$, $p < 0.01$), distributive justice ($\gamma = 0.38$, $p < 0.01$), and procedural justice ($\gamma = 0.33$, $p < 0.01$) displayed significant effects on forgiveness. In addition, forgiveness showed a positive effect on return intention ($\beta = 0.89$, $p < 0.01$). The results supported our proposed relationships: The three components of justice are positively related to forgiveness, and the forgiveness influences the return intention.

Summarizing, the results suggest that the three components of perceived justice (distributive justice, interactional justice, and procedural justice) are related to consumers' perceived forgiveness. In addition, distributive justice has the strongest impact on forgiveness. The results also suggest that forgiveness is positively and significantly related to return intention. Furthermore, the beta value of the relationship between forgiveness and return intention was 0.89, suggesting forgiveness is a strong indicator of return intention. In summary, the results suggest perceived justice first leads to forgiveness, and then the forgiveness influences return intention. This extends marketing literature by examining the neglected mediation effects of forgiveness between perceived justice and return intention.

**References available upon request.**

# Session 8.4
# Social Influence and Marketing Communications

# Celebrity Endorsement and Market Valuation: Evidence from India

**Arpita Agnihotri and Saurabh Bhattacharya**

## Introduction

Celebrity endorsement is one of the popular means of communication in advertising (Biswas et al. 2006; Pringle 2004; Spry et al. 2011; Tong and Hawley 2009). But does celebrity endorsement enhance long-term market performance of the firm? Extant literature does not answer this question. It generally focuses on effectiveness of overall marketing or advertising expenditure (Joshi and Hanssens 2010; Luo and Jong 2012). However, celebrity endorsement is a very specific, expensive, and significant form of advertisement technique (Thwaites et al. 2012) and calls for specific attention in terms of long-term financial returns. Furthermore, depending on national culture, its effectiveness may vary (Choi et al. 2005). Celebrity endorsement is the most commonly used means of advertising in India. According to an estimate, endorsement business in India is more than US$321 million (Mithel and Hector 2013). Given the significance of celebrity endorsements in India, it becomes vital to explore how such endorsement impacts long-term valuation of Indian firms. Since India is an emerging economy, many multinationals intend to expand their market in India. It is inevitable for managers intending to operate in India to understand if endorsements financially pay off or not in this country. To explore long-term financial effectiveness of celebrity endorsements in India, we rely on source credibility model (Ohanian 1990) and efficient market hypothesis (Fama 1970).

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## Review of Literature and Hypothesis

A celebrity endorser is defined as "any individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in an advertisement" (McCracken 1989). According to the source credibility model, celebrities by virtue of their credibility form strong associative link with brands in the mind of consumers and hence favorably influence their purchase intention (Hovland et al. 1951). Firms are thus able to charge premium prices on such brands, thus enhancing their profit margins, future expected cash flows, and hence market-based performance (Madden et al. 2006). But when firms rely on celebrities for endorsing too many of their brands, it is more likely that fit between brand and celebrity is weakened (as a particular celebrity cannot match up with too many images of different brands) or the celebrity overshadows the brand being endorsed. Consequently, neither purchase intention of consumers nor brand equity is significantly impacted (Erdogan 1999). This news is also absorbed in the stock market by virtue of lower stock market performance of the firm (Luo and Donthu 2006). We thus hypothesize:

H1: Brand endorsement follows a curvilinear relationship with firms' market-based performance.

### Celebrity Rating

Celebrities are rated based on their performance in the chosen profession, which could be movies or sports (Cornwell et al. 2005; Yang and Shi 2011). The higher the rating or performance, the better the persuasive ability and credibility a celebrity has (Keel and Natarajan 2012). Hence, firms always try to engage highly rated and credible celebrities to form strong associative link between brand and celebrity in consumers' mind (Biswas et al. 2006; Turner 2004). However, once associative link is established between celebrity and endorsed brand in consumers' mind, subsequent poor performance of the celebrity may weaken this association (Carrillat et al. 2014) thus impacting valuation of endorsed brand as well (Sherry et al. 2013; Chung et al. 2013; Knittel and Stango 2013; Thwaites et al. 2012). For example, after Tiger Woods was caught in a scandal, the defame, upset the consumers and consequently also deteriorated the brand valuation of Nike (Knittel and Stango 2013).

H2: Celebrity rating has a positive relationship with firms' market-based performance.

## *Moderating Impact of Carrier Tenure of Celebrity*

Celebrities endorse brands by virtue of their credibility (Goldsmith et al. 2000; Erdogan 1999), expertise (Ohanian 1990), and familiarity (Belch and Belch 2003). The rise and fall in the performances of celebrities affects their overall credibility and popularity (Agrawal and Kamakura 1995; Luo et al. 2010). But as the celebrity ascents the learning curve with increase in tenure in the industry, he/she improves on skills and expertise and hence becomes lesser and lesser prone to the short-term success or failures of his/her immediate projects. Thus, tenure of celebrities in the industry becomes critical factor in judging the impact of short-term performance and credibility of a celebrity on firms' valuation through brands endorsed (Mazzola et al. 2006). Broadly, the immediate performance effect of celebrity weakens, as tenure of the celebrity in the industry increases, thus positively impacting purchase intention, brand equity, profit margin, and hence market valuation of a firm. Hence, the impact of immediate rating which celebrities receive is diminished. Hence we hypothesize:

H3: Tenure of a celebrity in the industry negatively moderates celebrity rating and firms' market valuation relationship.

## Data and Methodology

To test our hypotheses, we gathered data from several Indian archival sources, namely, Times Celebex rating database (a database of celebrity rating), CMIE, Prowess (financial database of Indian companies), and from other Internet search engines like Google. Celebex started rating Indian celebrities based on their popularity and performance in 2012. It rates celebrities on monthly basis and provides "T-score," i.e., total score to a celebrity for a particular month. We averaged this monthly rating index for a quarter. Thus, we collected data for 11 quarters, i.e., from January 2012 to September 2014.

We focused on six industries which invest heavily in celebrity endorsement, namely, automobiles (two-wheelers and four-wheelers), textiles (suiting and shirting), footwear, jewelry, fast-moving consumer products, and telecom. We gathered a total of 118 firms from these industries, whose advertising intensities were above average. Some of these companies were Tata Motors (automobiles), Relaxo (footwear), Dabur (FMCG), Idea Cellular (telecom), and Joyalukkas (jewelry). Both Bollywood stars (actors, actresses, singers, music and movie directors) and sports celebrities from cricket like Sachin Tendulkar, tennis like Sania Mirza, etc. were considered.

Consistent with past literature (Penman 1996), we used price-to-earnings ratio to measure market-based financial performance of firms. Proportion of brands endorsed was measured as ratio of brands endorsed by celebrities to total brands offered by a firm to consumers. To estimate the curvilinear effect of proportion of brand endorsed, mean-centering technique was used so as to reduce multicollinearity (Bickel 2012). Rating of the celebrity was captured as average of T-score rating of celebrities for 4 months. Celebex provides rating on only top 100 Bollywood actors and actresses (Bollywood is the Hindi language movie industry of India stars). However, in India, music and movie directors and sports stars enjoy equal celebrity status. Thus, we used Forbes Celebrity 100 rating (which again started ranking Indian celebrities since 2012) for these celebrities and assigned them scores by tallying Forbes rating with Celebex rating. For example, if sports celebrity achieved 10th rank on the Forbes list, then he was assigned a T-score based on scores that the Bollywood celebrity achieved with 10th rating. Tenure of the celebrity was operationalized as natural log of total number of years a celebrity has spent in the Bollywood or sports industry. The interaction effect of tenure and celebrity rating was again calculated as multiplication factor after mean centering the two variables. Based on extant literature, we controlled for firms' marketing and R&D intensity, followed by age and size of the firm. Also manufacturing industries were dummy-coded as one and services as zero. Based on the discussion above, our model to be estimated could be represented as

$$
\begin{aligned}
P/E_{i,t} = \alpha_{10} &+ \beta_{11}\text{Brands Endorsed}_{i,t-1} + \beta_{12}\text{Celebrity Rating}_{i,t-1} + \\
&\beta_{13}\text{Celebrity Tenure}_{i,t-1} + \beta_{14}\text{Brands Endorsed}_{i,t-1} + \\
&\beta_{15}\text{Marketing Intensity}_{i,t-1} + \beta_{16}\text{R \& D Intensity}_{i,t-1} + \\
&\beta_{17}\text{Firm Age}_{i,t-1} + \beta_{18}\text{Firm size}_{i,t-1} + \varepsilon_{i,t-1}.
\end{aligned}
$$

Furthermore, firms could self-select themselves to adopt celebrity endorsement-based advertisement (Ketchen et al. 2008). The Heckman two-step procedure (Heckman 1979) addresses this self-selection problem by using a two-stage estimation procedure. In the first stage, determinants of advertising intensity are incorporated, and in the second stage, normal regression with inverse mills ratio (correction factor) was considered. We rely on two measures, i.e., net cash flow from operating activities and sales volatility to (estimate) drivers of brand endorsement.

## Results

In the present study, we estimated three models. Model 1 contained only control variables. Model 2 contained independent variables, and model 3 contained curvilinear relationship as well. Since beta coefficient of brand endorsed is positive and significant, and for the square term the beta is negative and significant, we receive evidence in support of the first hypothesis. Again since beta coefficient of celebrity

rating is positive and significant, we receive evidence in support of the second hypothesis as well. Finally since beta coefficient of moderating effect is negative and significant, we receive evidence in support of the third hypothesis as well.

## Conclusion

We find evidence in support of the three hypotheses, i.e., celebrity brand endorsement follows curvilinear relationship with long-term market-based performance, celebrity rating positively impacts firm valuation, and celebrity tenure negatively moderates impact of rating on market valuation of a firm. For managers our findings suggest that overemphasis on celebrity endorsement may result in suboptimal market-based performance of firm. Thus, firms should push brands to consumers not only through celebrity endorsement but through other promotional strategies as well. At least investors do not prefer firms to overemphasize on celebrity endorsement, mainly because of risk of match up or celebrity overshadowing effect associated with this positive form of advertisement. Furthermore, managers could avoid dampening effect of any dent in the image of emerging celebrities by choosing well-established celebrities. In developed markets' context, recent studies indicate that celebrity endorsement do not generate any positive abnormal returns (Ding et al. 2011). However, we do not find this to be a case, in India, especially in the long run. The differences in results could be explained because of differences in cultural context. Thus, when managers intend to communicate the advertising to consumers, endorsement could prove to be much beneficial technique. Our study captures only one Asian country, and results could vary from country to country. Thus, going forward research could be carried in other countries as well.

**References available upon request.**

# Testing the French Ad-Evoked Nostalgia Scale in a Nomological Network

**Altaf Merchant, John B. Ford, Christian Dianoux, and Jean-Luc Hermann**

**Abstract**  This study tests the French ad-evoked nostalgia scale in a nomological network of related constructs. Findings reveal significant differences in consumer reactions in France, as compared to earlier research based on American samples. Among the French, nostalgic advertising evokes personal memories and cultural nostalgia, contrasted to reports of past imagery and physiological and emotional reactions in the USA. Further, while cultural nostalgia is an important component of the French personal nostalgic experience, it is the personal memories that are the key to the creation of positive impressions about the ad and brand (brand heritage, brand bonds, and attitudes), as well as drive behavioral intentions.

**References available upon request.**

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# Session 8.5
# Exchange Governance and Sustainability

# Stakeholder Considerations in Business Sustainability Efforts

**Nils Høgevold, Göran Svensson, Juan Carlos Sosa Varela, H.B. Klopper, Carmen Padin, Carlos Ferro, Daniel J Petzer, and Beverly Wagner**

**Abstract** The research objective of this study is to develop and test a stakeholder construct in the context of companies' business sustainability efforts within their business networks, the marketplace and the society by identifying underlying dimensions and items. A mixed-method approach was used. Firstly, qualitative research involving a case study approach was followed so as to describe how companies in different industries in Norway implement and manage sustainable business practices. This was followed by a quantitative research phase to empirically measure and test a stakeholder construct in the context of business sustainability efforts, which is reported here. The results report both an initial factor solution as well as a refined factor solution. The factor analyses confirmed five stakeholder dimensions related to business sustainability in a cross-industry sample of organisations, their business networks, marketplace and society. These include (1) the focal company, (2) downstream stakeholders, (3) societal stakeholders, (4) market stakeholders and (5) upstream stakeholders. The results indicate satisfactory convergent, discriminant and nomological validity, as well as reliability of each dimension. The

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study provides a stakeholder construct in the context of business sustainability efforts in focal companies and their business networks, the marketplace and the society, based upon five common dimensions. The multidimensional framework may be used in both qualitative and quantitative research in the future. It may also be used to assess stakeholders' business sustainability efforts. The study provides a general stakeholder construct in the context of business sustainability efforts in business networks, the marketplace and the society. The proposed framework can be incorporated in further studies and could be used to assess the general status of stakeholders' sustainability efforts in their networks, the marketplace and the society.

**References available upon request.**

# Supply Chain Governance Tensions: A Qualitative Exploration of Business-to-Business Relationship Structures

**Frank G. Adams, V. Myles Landers, and Colin B. Gabler**

**Abstract**  How and why firms jointly compete to achieve superior performance has been examined in marketing strategy by both relational governance and supply chain management scholars, who have approached the issue from different perspectives and offered different, but not necessarily exclusive, findings. Recent efforts to reconcile their theories and results suggest looking at the issue from a broader perspective. Based on a qualitative study of managers that interface with their firm's trade partners, the authors propose a framework that views relational governance and supply chain management constructs as a combination of unilateral capabilities, collaborative capabilities and environmental factors.

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# The Impact of Product Disposal Strategies on Triple Bottom-Line Performance in Supply Chains: The Role of Relational Resources

**Karthik N.S. Iyer and Gopal Dutt**

**Abstract** Sustainability, a holistic corporate responsibility, has emerged as a business buzzword and megatrend, to redesign the competitive landscape among firms (Carter and Easton 2011; Lubin and Esty 2010). The idea has led the traditional firm responsibility of shareholder value creation morph into a much broader perspective to envelop environmental and social impact of business operations (Closs et al. 2011; Hazen et al. 2011). Thus, firms are challenged to "reinvent" their businesses to adopt various sustainability strategies and become more environmentally conscious and socially responsive while creating economic value to their shareholders and customers. However, research exploring the relationship between performance outcomes and sustainability initiatives in supply chains is sparse (Hazen et al. 2011; Markley and Davis 2007). Thus, sustainability in supply chains is a rich area for academic research. The limited research so far has yielded conflicting outcomes on the relationship between sustainable supply chain management and competitive advantage or other performance outcomes (Kim 2011; Zhu and Sarkis 2004).

In the last decade, reverse logistics process has come to the fore as a supply chain sustainability strategy for generating economic and environmental outcomes, as optimal resource utilization across the supply chain has become an essential element of sustainability (Closs et al. 2011). Huge increase in returns volume, steady reduction in retail margins due in part to increase in storage costs, shorter product life cycles, and demanding customers have led firms to resort to reverse logistics strategy to recover value and increase customer satisfaction (Daugherty et al. 2005; Richey et al. 2005). Literature has therefore seen a steady gain in momentum on research related to reverse logistics (Huscroft et al. 2013). Within the reverse logistics process are included various activities such as transportation, auditing, and returns authorization (Skinner et al. 2008). However, the product returns and disposition strategy are key factors. Influence on customer purchase and service decisions make effective product disposal strategies very important in gaining competitive advantage (e.g., Jack et al. 2010; Stock et al. 2006). The current research includes three disposal strategies for investigation—recycling, remanufacturing, and reuse/

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repackaging. These disposal strategies especially contribute to the ability of firms to seek value from the products they take back and have considerable economic and environmental impact (Guide 2000; Huscroft et al. 2013).

While reverse logistics has become a competitive necessity from a sustainability standpoint, for many supply chains, inadequate resources to implement reverse logistics strategies have meant negative cost and customer service consequences and inability to meet the challenges in handling returns (Daugherty et al. 2001; Jack et al. 2010). Rapid increase in returns volume, complexities, and uncertainties involved in the returns flow has constrained the ability of firms to successfully manage reverse product flows (Genchev et al. 2011). Resource commitments and partnerships in the supply chain, however, significantly contribute to implementing successful reverse logistics processes. The primary challenge lies in adequate deployment of appropriate resources so reverse logistics processes generate superior performance (Skinner et al. 2008). The current research examines implications of supply chain resources by modeling supply chain relational resources as moderating the reverse logistics strategy-performance relationship.

Currently, much of the contemporary discussion and knowledge linking performance, sustainable reverse logistics, specifically product disposition strategies, and critical relational resources comes from anecdotal evidence, emphasizing the need for systematic research. Extant research echoes similar sentiments calling the attention of scholars to investigate the use of sustainable reverse logistics strategies in building competitiveness (Carter and Easton 2011; Huscroft et al. 2013). Thus, this manuscript makes a significant contribution by bridging the sustainability and supply chain relational resource streams. The research proposes a conceptual framework relating key constructs, based on the theoretical foundations of the resource-based view and the relational view of competitive advantage. A significant theoretical contribution of the research lies in understanding the role of critical supply chain relational resources, to realize supply chain sustainability goals.

**References available upon request.**

# Session 8.7
# Can Marketing Enhance Consumer Empowerment?

# Using Community-Based Social Marketing to Change Youth Littering Behavior

**Mine Üçok Hughes and Will McConnell**

**Abstract**  In this paper, we discuss the effectiveness of community-based social marketing by using a successful youth littering abatement program called "Be the Street" as an example. A precampaign online survey was conducted to assess motivators for and barriers to littering behavior and perceived social norms of target audience, Gen Y youth in California Bay Area. The collected data was established as a baseline against a follow-up survey, which mirrored the precampaign survey to ensure data compatibility and to determine the overall impact of the program.

The Be the Street program had a simple and direct goal: to change the attitudes and behaviors about littering of the target population. It was effective in achieving its goal, routinely demonstrating differences in key attitudes and behaviors upward of 200 % compared to the population baseline. Those differences were often the most pronounced in key categories such as likelihood to litter in the future, willingness to engage others to promote pro-environmental behaviors, and willingness to become environmental stewards and pick up the litter of others. In order to maximize success in social marketing campaigns, researchers and marketers should seek target communities to involve directly in both the design and implementation of a behavior-change program; such a tactic not only increases the community's ownership over the campaign's outcome but also their commitment to the cause behind the need for behavior change. The metrics by which the program has been evaluated suggest that, given youth's involvement in brand development, as well as their interest in social causes, marketers should use multiple characteristics of the case study presented here in the design and implementation of campaigns promoting the public good.

By uncovering the specific audiences' barriers to, and motivators for, change, marketers identified key outreach tactics and specific messages to develop, which overcame the barriers and elevated the motivators associated with appropriate waste disposal behaviors in youths. The program also gained valuable insight into more successful methods to communicate litter-prevention messaging for this notoriously inaccessible population.

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The paper offers both academics and practitioners' information about the design and measurement strategies of social marketing campaigns. The approach also uses community-based feedback to create targeted outreach tactics and develop key messages likely to reach a specific, well-defined audience; that is, the audience itself participates in answering questions of how to overcome the barriers identified in the research process.

**References available upon request.**

# Paving the Way to a Safety Culture: Introducing a Hierarchical Feedback-Based Framework

**Anjala S. Krishen, Pushkin Kachroo, and Shaurya Agarwal**

**Abstract** After six consecutive years of declining motor vehicle crash-related fatalities, their number increased by 3.3 % in 2012, from 32,479 fatalities in 2011 to 33,561 in 2012 (USDOT NHTSA 2013). The number of traffic-related injuries saw a similar increase from 2.22 million in 2011 to 2.36 million in 2012; additionally, there was a 3.1 % increase in the total number of police-reported traffic crashes between 2011 and 2012. High-risk behavior and high-speed mobility combine to create this externality of the automobile industry (Williams and Haworth 2007). To make matters worse, when individuals are faced with highly familiar activities such as driving, research shows that they tend to underestimate the possibility of a negative outcome (Douglas 1985).

Today, sustainable and reliable transportation development is one of the most important and essential investments made by any government. Transportation and infrastructure affect the financial and social life of both individuals and society as a whole and play a critical role in the development of a society's overall economy (Shang et al. 2004). Unfortunately, safety of transportation systems is one of the major challenges today. Some of the characteristics that are traditionally related to safety of any system include guidelines, audits, training programs, quality checks and assurances, and operating procedures. However, research indicates that the safety of a large and interconnected system such as a transportation network may not only depend upon direct factors but also on indirect factors, such as organizational design and practices. Hence, research exploring the relationships between safety, workplace organization, and technology use in the transportation system context is needed. Thus, safety as a cultural entity in transportation systems must be studied and researched.

Given the colossal issue of traffic accidents causing serious injuries, fatalities, and traffic congestion in the USA, the current paper introduces a feedback safety model which utilizes and combines disparate data sources and allows for model-based action to alleviate the problems. This feedback model will serve two purposes: (1) it will provide an overarching view of safety culture which incorporates

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fundamentally distinct data sources and (2) it will aid in the development of targeted messages and control actions at various levels, especially to the highest-risk public segments, which can highlight the risks of unsafe driving as well as increase perceived importance for traffic safety. In order to develop this model, the paper begins with the issue of distracted driving in the main study. The basic premise of the argument is that drivers who are distracted are more likely to be unsafe (i.e., the behavior is normally augmentative) and that safety is a culture not a concept. In essence, curbing distracted driving should lower vehicle-based accidental deaths. We will then argue for an overarching safety culture framework to lower distracted driving from a holistic perspective through gathering multiple data sources and developing targeted communication mechanisms.

**References available upon request.**

# Sustainability Marketing Strategies: How Self-Efficacy and Controllability Can Stimulate Pro-environmental Behaviors for Individuals

**Marilyn Giroux, Frank Pons, and Lionel Maltese**

**Abstract** Sustainability has become a movement with tremendous influence in the way organizations and policy makers design their strategies (Griskevicius et al. 2010). Despite the wide availability of pro-environmental options, barriers to adopting pro-environmental behaviors are still common (Dietz et al. 2003), and past strategies undertaken by government and nonprofit organizations to encourage such behavior have achieved only limited success. This research aims to better understand what motivates consumers to express sustainable intentions and what factors interfere in their decisions. This research evaluates under which conditions diverse factors (perceived support H1a, green attitude H1b, self-identity H1c, and perceived control H1d) may have a more significant effect on green behavior. In addition, this paper explores how the impact of these four factors will vary depending on the perceived degree of difficulty of the behavior (H2). Indeed, the more difficult is the behavior, the more we expect factors other than attitude to influence individuals' behaviors.

The authors conducted a study to understand the different motives for pro-environmental behaviors. The questionnaire was administered during an ATP tennis tournament in France. A total of 219 questionnaires were completed. Each respondent rated themselves, the tennis tournament, and the sponsors on a list of green behaviors and corporate social responsibility issues. Perceived support ($p < 0.001$, adjusted $R^2 = 0.304$), green attitude ($p < 0.001$, adjusted $R^2 = 0.308$), self-identity ($p < 0.001$, adjusted $R^2 = 0.353$), and perceived control ($p < 0.001$, adjusted $R^2 = 0.398$) had a significant impact on green behaviors performed by individuals. These results

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suggest that perceived support, green attitude, self-identity, and controllability are predictive factors of consumers' green behaviors. Indeed, individuals who are greener, who identify themselves highly with sustainability, and who perceive greater support from their entourage and greater control over the outcome of the behavior will perform more sustainable behaviors.

According to $H_2$, the importance of these four dependent variables will vary depending on the perceived degree of difficulty of those behaviors. Perceived support, green attitude, self-identity, and controllability don't have the same effect depending on the perceived degree of difficulty of those behaviors. Indeed, green attitude was the only significant factor for easy behaviors such as "turn off lights you're not using," while perceived support, self-identity, and controllability positively influenced more difficult behaviors such as "buy products with less packaging." Those results suggest that these factors can be used in order to encourage different types of behaviors, even for individuals who lack a "green" attitude. Perceived control, perceived support, and self-identity can be used to convince and also expand the different sustainable options for consumers. Indeed, those variables can help consumers realize that they have more options that are sustainable. Different factors influence individuals' pro-environmental behaviors, and depending on the perceived difficulty of the behavior, different strategies can be used to trigger more sustainable actions.

**References available upon request.**

# Session 9.1
# International Marketing Part 4: Luxury, Retail, and Service Value

# The Impact of National Culture on Retail Structure

**Boryana V. Dimitrova, Bert Rosenbloom, and Trina Larsen Andras**

**Abstract**   In every country in the world, consumers rely on retailers to purchase the products they need for everyday survival and to satisfy their most specialized needs and wants. Retailers from tiny "mom-and-pop" stores to giant modern stores such as supermarkets, hypermarkets, and "big-box" stores provide the retail distributive institutions needed to make vast arrays of products conveniently available to millions of consumers when and where they desire to buy them. And despite the rapid penetration of online shopping in many countries around the world, brick-and-mortar stores still dominate retail structure because "Shoppers want to feel the fabrics, look at the colors, try out styles—all those things that can be lost online…" (2013 Interbrand Best Retail Brands Report, p. 4). Therefore, retail structure, which refers to the number, size, and type of physical retail stores in a given geographic area, will continue to play a crucial role in the everyday lives of millions of consumers around the globe.

Investigations of retail structure to date offer only a limited perspective on retail structure development because the focus has been almost exclusively on the impact of demographic and competitive factors on retail structure (Bucklin 1972; Rosenbloom 1975; Hall et al. 1961; Rosenbloom et al.1997). But a substantial body of anecdotal evidence suggests that national culture, which reflects societal norms and values, may also be an important determinant of retail structure because retail institutions are culturally embedded in the societies in which they operate (Rosenbloom and Larsen 1991; Griffith 1998; Samiee 1993). National culture is in fact likely to influence store choice behavior, which in turn determines the nature of retail structure in any given society (Goldman et al. 1999; Hino 2010). The purpose of this study is to empirically investigate the relationship between national culture and retail structure.

Our results demonstrate that different national cultural values have different effects on retail structure. Specifically, we find that while individualism and uncertainty avoidance negatively affect grocery retailer intensity (i.e., number of grocery stores per 1000 people) and positively grocery retailer size, indulgence is positively related to grocery retailer intensity and negatively related to grocery retailer size.

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Specifically, we argue that in individualist societies, consumers should be more likely to shop in large retail stores because they value personal time and freedom (van Ittersum and Wong 2010; Gurhan-Canli and Maheswaran 2000) and should seek one-stop shopping convenience. Individualistic societies also seek variety when shopping, which large stores ensure given their wide product assortment (Erdem et al. 2006). So individualism fosters retailer size growth, but as a result of the intense competition brought about by large retailers, grocery retailer intensity decreases. Further, high uncertainty avoidance societies value convenience when shopping, tend to consume ready-made products, and look for signals that allow them to decrease the uncertainty in a given consumption situation (Hofstede et al. 2010; Roth 1995; Akdeniz and Talay 2013). We thus argue that retailer intensity decreases while retailer size increases in high uncertainty avoidance cultures because large, modern stores should be the preferred shopping destination for consumers in these societies. Finally, because indulgent societies are open to foreign influences and seek gratification related to enjoying life and satisfying desire (Hofstede et al. 2010), consumers in these cultures should prefer shopping in small, specialized stores which offer more customized products and provide consumers with individual attention as well as more intimate shopping environment than large stores. So indulgence should foster store growth (i.e., an increase in retailer intensity) and stimulate the existence of small stores (i.e., a decrease in retailer size).

**References available upon request.**

# Antecedents and Outcomes of Country-of-Origin Effect: The Extended Self-Congruity Context (ESCT)

**Dafnis N. Coudounaris**

**Abstract** The purpose of this paper is to examine the symbolic representations of non-consumers compared to live experiences of consumers related to a luxury brand, particularly, the non-owners and the owners of a luxury brand Mercedes-Benz (MB) together with the country image and the country-of-origin effect. A total of 275 consumers coming from the community of higher education in Finland are investigated concerning the country-of-origin effect for both non-owners (243) and owners (32). The study reveals that the country-of-origin effect for both non-owners and owners of a Mercedes-Benz has a similar impact, as the model developed, has a good fit and is statistically significant. The paper suggests the 'extended self-congruity context for hypothetical purchases of non-consumers/non-owners' which is developed and tested and leads to its approval. Moreover, it concludes that there are statistically significant differences between owners versus non-owners, and these differences relate to the constructs of country image, brand familiarity, partly purchase involvement, brand commitment, product design and product experience. This study provides the 'extended self-congruity context for hypothetical purchases of non-consumers/non-owners' of a luxury brand which has the attribute to be a strong brand with a strong country image. Furthermore, it reveals that 'price consciousness' is irrelevant to a luxury brand.

**Keywords** Country-of-origin effect • Luxury brands • German country image • Extended self-congruity context • Mercedes-Benz • AMOS 22

**References available upon request.**

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# Evolutionary Origins of Female and Male Shopping Styles

**Charles Dennis, J. Joško Brakus, Gemma Garcia, Charles McIntyre, Tamira King, and Eleftherios Alamanos**

**Abstract** How stable are shopping styles of women and men across cultures? To find out, the authors develop a new scale that reliably measures differences between male and female shopping styles and is stable across cultures. They develop a conceptual model and hypotheses to test whether observed differences in gender shopping styles are likely to be innate or arise from socialization. Through a survey of consumers in seven countries, they show that males and females are evolutionarily predisposed to have different shopping styles. Counter to social structural theory, the observed differences in shopping style between females and males are greater in low-context cultures (higher gender equality countries) than in high-context cultures (lower gender equality countries). Empathizing—the ability to tune into another person's thoughts and feelings—mediates shopping style more for female shoppers; systemizing—the degree to which an individual possesses spatial skills—mediates

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shopping style more for male shoppers. Therefore, retail segmentation between females and males appears to be of more managerial relevance than segmentation between cultures. Other managerial implications are also discussed.

**References available upon request.**

# The Impact of National Context on Consumer Evaluation of Service Value: A Qualitative Study of Developed and Emerging International Market Consumers

**Ethelbert O. Chukwuagozie and Jikyeong Kang**

**Abstract**  The international market arena is characterised by country-specific governance and sociocultural factors, the effect of which determines the context of the arena where marketing activities take place (Li and Filer 2007). The effect of the national context impacts consumer behaviour in international markets. The current qualitative study examined how differences in developed and emerging international market contexts (e.g. political structure, legal system, regulatory framework, law enforcement and sociocultural contexts) affect consumers' evaluation of service value. This research examined British and Nigerian consumers of retail banking services. The two countries represent a good example of developed and emerging markets' national contexts because of differences in their human development index, political stability, national development and economic power (Burgess and Steenkamp 2006). We conducted 52 semi-structured interviews, 26 in each country, and used thematic content analysis approach to analyse the data (Braun and Clarke 2006; Kolbe and Burnet 1991; Saldana 2013). Our findings indicates that the (1) value of service patronage, (2) value of service content, and (3) value of service process differ among developed and emerging market consumers, due to the impact of differences in national contexts. We proposed service adaption (Wills et al. 1991) rather than standardisation (Szymanski et al. 1993) especially in emerging international markets both in the content and process of service delivery due to the heterogeneity of their service value expectations. We identified some limitations of the research and recommended areas of further research. Despite its limitations, the current study extends international service marketing research to a less-researched emerging international market segment. It equally extends international service literature to a less-researched topic (national context in evaluation of service value)

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and sheds light on areas that require immediate attention. We posit that our findings fill an important gap in the literature by demonstrating the differences in evaluation of service value between developed and emerging markets' consumers.

**References available upon request.**

# Session 9.3
# Consumer Behavior Mix I

# The Effectiveness of Donation Advertising: An Experimental Study for Felt Ethnicity and Messages on In-Groups and Out-Groups

**Christina Chung and Emi Moriuchi**

**Abstract** Natural disaster is inevitable and people's cooperation is indispensable. With the power of advertising, in-group and out-group donors perceive a different "need" to donate to the respective groups of victims (domestic vs. international). However, past research has yet to clarify the type of messages that differentiates individual's donation behavior. This study seeks to further the understanding of prosocial behavior by exploring the motivation behind donation, attitude toward helping others, one ethnic identity, and one's attitude toward different types of donation ads and their impact on charitable donation advertising effectiveness that is tied to one's ethnic identity. By utilizing TPB and ELM theory as well as the SIT, this study looks at how ethnic identity on donation behavior can influence donor's attitude toward the different types of ads and advertising effectiveness based on their feelings toward their ethnic identity.

H1: Attitude toward helping others is positively related to ethnic identity on donation behavior.

H2: Social responsibility is positively related to ethnic identity on donation behavior.

H3: Personal relevance (e.g., geographical location) moderates the relationship between ethnic identity on donation behavior and attitude toward ads as well as ethnic identity advertising effectiveness.

H4: Personal relevance (e.g., geographical location) moderates the relationship between attitude toward ads and ethnic identity advertising effectiveness as well as social responsibility and ethnic identity advertising effectiveness.

For experimental treatments, each subject randomly received one of four versions (America disaster screens with factual message, America disaster screens with emotional message, Japan disaster screens with factual message, Japan disaster

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screens with emotional message). Country and message types were used to verify the manipulations of the advertising messages. These results indicate a success of the intended manipulation. The CFA results showed a good model fit for a 22-item model, with $\chi^2 = 331.86$, df = 199, $p = 0.000$, Comparative Fit Index (CFI) = 0.96, Root Mean Square Error of Approximation (RMSEA) = 0.06, Normed Fit Index (NFI) = 0.90, and the Tucker–Lewis Index (TLI) = 0.95. Further, the results supported the construct validity of the measurement model (Hair et al. 2006). The chi-square difference test results ($\Delta\chi^2 = 23.57$, df = 17, $p = 0.132$) indicate that full metric invariance could be established.

A general result from this study showed that not all constructs developed were positively related in the US and the Japan donation ad groups. The relationship between social responsibility and ethnic identity on donation behavior was not significant in both samples. Interestingly, there are no significant relationships between ethnic identity on donation behavior and attitude toward ads in Japan disaster ad. However, there is a significant relationship between ethnic identity on donation and attitude toward ads in US disaster ad. On the contrary, although there is no significant relationship between social responsibility and advertising effectiveness in the US ad samples, there is a significant relationship between social responsibility and advertising effectiveness in the Japan ad samples. In addition, there are positive relationships between attitude toward helping others and ethnic identity on donation behavior as well as attitude toward ads and advertising effectiveness in both countries' ad samples. These results suggest that when a disaster occurs domestically, people's attitude toward helping others will have an effect on their ethnic identity on donation behavior. In addition, their ethnic identity on donation behavior will have an effect on their attitude toward the charity ads as well as the effectiveness of advertising. The means indicated in the results show that people expressed stronger attitude toward charity ads and agreed to a higher level of advertising effectiveness when it was a domestic disaster. Although social responsibility was not correlated with domestic-based disaster, the mean was higher compared to a disaster that occurred in a foreign country. Further, between emotional and factual messages, emotional messages were considered more persuasive to respondents in regard to natural disaster ads.

This study has a number of important practical implications that are of relevance to all levels in the society: donors, marketers, charity organizations, and advertising agencies. Knowing the antecedents of effectiveness enables advertisers and marketers to develop strategies to increase charity donation effectiveness. Charity organizations might consider emphasizing donors' motives (helping others) with emotional donation messages if the context is for a domestic charity. On the other hand, charity organizations may wish to consider donors' motives (helping others and social responsibility) with emotional messages if they want their donation ads to be effective to their potential donors. For future study, a comparative analysis will be conducted by comparing the results from two of these studies for the effectiveness of advertising against two cultural dimensions (individualism vs. collectivism).

# Nostalgia's Role in Retromarketing

**Damien Hallegatte and François Marticotte**

**Abstract** Consumption related to the past is trendy. The successful new retro products are often modified to fit today's taste and functional and performance standards. Many product categories including those that traditionally focused on innovation and creativity, such as cars and music, are influenced by the retro movement. Despite its popularity, few empirical studies (Brown et al. 2003a, b) have embraced the consumers' reactions toward a retromarketing offer. Retromarketing is a wise marriage between the past and the present in a way to offer the best of both worlds (Brown 2001; Brown et al. 2003b). Nostalgia and retromarketing look like concepts that are interlinked, but few studies have assessed how nostalgia can impact the consumers' reaction toward a retro product. Therefore, the objectives of this study are twofold: to assess how the mix of the old and the new in a retro product influences consumers' behaviors and, specifically, if nostalgia ever plays any kind of role.

An experiment, comprised of four different scenarios that blend stimuli referring to the past and the current era, was administered to 181 subjects. Two variables regarding the Led Zeppelin rock band were manipulated: list of songs (retro or contemporary) and band members (retro or contemporary). The scenarios were presented under the mindset that this 1970s legendary rock band could hypothetically tour again. Based on the results of two focus groups, this band was selected because it is the one that was the most reminiscent of the music of the 1970s. Furthermore, this band has all the six features that a brand should have to do retro branding (Brown et al. 2003b). Nostalgia proneness was measured with the Southampton Nostalgia Scale (SNS) (Routledge et al. 2008). The nostalgia index (Holbrook and Schindler 1994) was used to measure the construct "belief in decline." The scale is made of two dimensions: the belief in overall decline and the belief in musical decline.

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Our findings support the general assumption that a blend between the past and the present for a retro product has an impact on the consumers' responses. Our findings are consistent with the belief that retromarketing is not an age-related issue since neither nostalgia proneness nor belief in decline is statistically linked with the age of the respondents. Regarding more specifically the blend of the past and the present, the past is preferred to the present when it comes to the song selection and the composition of the band members. This leads us to argue that the features of the products that have evolved over the years should continue to do so and be updated. The other elements that did not significantly change over a period of time should stay as permanent as possible. Finally, nostalgia proved to have a bond with retromarketing. More specifically, nostalgia proneness is a moderating variable between a retromarketing product and the behavioral intentions.

**References available upon request.**

# Consumer Behavior and Religion: An Investigation in Singapore

**Lynn R. Kahle, Elizabeth A. Minton, Tan Soo Jiuan, and Siok Kuan Tambyah**

**Abstract** Religion is a key source of core values that influence consumer attitudes and behaviors; however, limited research has explored religion's influence on consumer behavior. Therefore, we take a broad-based approach to show that religion acts as an individual difference variable to influence a variety of consumer behaviors, and, in doing so, we address criticisms of past research in the field. First, we greatly reduce cultural bias by conducting our research within one country. Second, we examine both the consumer's belief system (i.e., religious affiliation) and the degree to which consumers hold their belief system (i.e., internal and external religiosity). Third, we explore several consumer behaviors in a within-subject design, showing that religion's influence on behavior is not just a onetime accidental occurrence.

Our data were collected using a stratified random sample of face-to-face interviews. In total, 1500 interviews were conducted. The breakdown of religious affiliation was Buddhists (36.4%), Taoists (6.5%), Christians (18.8%), Muslims (13.6%), and Hindus (6.9%). Nonreligious consumers represented 16.2%, and consumers of other religions represented 1.5% of respondents. This breakdown is representative of Singapore national census data. Findings show that religious affiliation and religiosity interact significantly to influence consumer behaviors in four broad categories: technology use, materialism/status seeking, sustainability, and volunteering behavior.

In conducting this research, we built on several theories. First, we showed that the values-attitudes-behavior hierarchy (Homer and Kahle 1988) holds true for religious values where religion has a great influence on consumers' attitudes and behaviors. We also showed that self-determination theory (Deci and Ryan 2012)

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applies to religious values as well where internal religiosity influences behavior in many situations more so than external religiosity. We suspect that differing findings between our research and prior research may be due to effects of inoculation theory (Hirschman et al. 2011) where our research is conducted in a country where religious affiliations are perceived more as equal in comparison with other countries where there are clear majority and minority religions causing the minority religion to need to hold more strongly to their core tenants to prevent inoculation from the messages of the majority religion. In addition, our findings can be applied to attribution theory (Kelley and Michela 1980), and built upon in future research, by examining consumer decisions from a metacognition standpoint to determine whether consumers attribute their behavior to religious reasons.

In summary, religion is a key construct that needs to be explored in more consumer behavior research. Up to this point, there has been a dearth of research in this area (Minton and Kahle 2013). We show that both religious affiliation and religiosity (both internal and external religiosity) are key variables that need to be included in all research on religion and consumer behavior. Because religion is a key determinant of core values (Saroglou et al. 2004), and these core values influence the decisions and activities a consumer partakes in every day (Minton and Kahle 2013), religion needs to become more pervasive in the study of consumption today.

**References available on request.**

# Session 9.4
# Consumer Behavior Perspectives on Social Media

# 'Remember When?': Analyzing Nostalgic and General Facebook Posts

Sergio Davalos, Altaf Merchant, and Gregory Rose

**Abstract** Why do people post on Facebook? Nascent evidence suggests that nostalgia (a longing for the past) occurs in social media; more specifically, users indulge in nostalgia (remembering the good old days) while interacting on Facebook. This nostalgic longing appears to occur among all age groups; even 20-year-olds are known to exchange nostalgic posts on social media. Although a rich body of knowledge exists around, little academic research currently explores nostalgia within Facebook conversations. This research aims to fill this gap in the literature by examining 10,000 nostalgic posts and a baseline sample of 10,000 general posts, both obtained from a database containing private and public posts.

**References available upon request.**

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# Measuring Trust in Electronic Word of Mouth: A Rigid Research Framework

**Wolfgang Weitzl and Robert Zniva**

## Introduction

More than 80 % of consumers search for information on products online before buying (McPartlin et al. 2012). Therefore, companies regularly attempt to influence buying behaviour by making reasonable investments in online advertising (*oAD*). By 2018, oAD (e.g. websites, banner ads) will be poised to overtake TV as the largest advertising segment (PwC 2014). However, the effectiveness of oAD is in jeopardy as consumer dependency on marketer-developed communication has declined over the last decade. Today, consumers seem increasingly to disconnect from companies. At the same time, they turn towards consumer-generated information sources like other shoppers' opinions and recommendations. In particular, the importance of online consumer reviews (*eWOM*) has increased significantly. Consumer reviews are peer-generated, text-based product evaluations posted on company or third-party websites by former, actual or potential customers (Hennig-Thurau et al. 2004). The shift towards alternative information sources evokes some important questions for marketers: Are investments in classic oAD meaningful in the era of social media? Which consumers can (still) be influenced by online ads? Is the majority of shoppers' product purchase/non-purchase primarily dictated by the opinions and recommendations of others or by marketers?

To marketing researchers and practitioners, the effectiveness and influence of communication are topics of continuous interest (e.g. Breuer and Brettel 2012). Research has recognized that *consumer trust* is a key prerequisite for information

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exchange as well as persuasion in business-to-consumer (B2C) and consumer-to-consumer interaction (C2C) (e.g. Morgan and Hunt 1994; Park and Lee 2009). The goal of this research was to introduce an innovative, trust-based segmentation approach. Trust in eWOM/oAD is here suggested as a powerful segmentation base. This enables marketers to target the most responsive consumers via their online communication channels but also to anticipate the impact of positive/negative consumer comment across customer segments. Given the limited scope of current measurement and the absence of a reliable and valid scale for eWOM trust, the detailed objectives of this research were as follows: (1) To clarify and advance the theoretical conceptualization of *eWOM trust* by investigating the construct's conceptual meaning as well as scope and to provide evidence on the unique characteristics of the construct which discriminates it from other eWOM concepts (e.g. eWOM credibility, attitude). (2) To introduce a reliable as well as valid multi-item scale (the *eWT-S*) that quantitatively captures trust in eWOM by applying a rigid measurement development process. (3) To apply the new scale to segment online consumers in accordance with their generalized trust in C2C (eWOMTrust) as well as B2C communication (oADTrust) and describe the segments in terms of attitudinal, perceptual and habitual characteristics.

## Research Method

In order to satisfy aforementioned objectives, a multistage research process modelled after the standards of scale development and segmentation literature (e.g. Netemeyer et al. 2003) was implemented (see Fig. available at www.wolfgang-weitzl.com/docs/ams2015.jpg).

This research adopted a quantitative-qualitative mixed approach that uses six different studies with over 3,000 respondents from three countries (USA, Germany, Austria) to assure the psychometric qualities as well as the applicability of the new scale. More specifically, the research process consisted of the following four stages: During *identification stage*, a comprehensive review of more than 300 interdisciplinary sources guided the author(s) towards a better understanding of the trust concept, its conceptual boundaries, its nature and its role in interpersonal interaction. The authors were able to derive a comprehensive, context-specific definition of eWOM trust, which is consistent with literature's earlier trust conceptualizations (e.g. McKnight and Chervany 2002). Accordingly, eWOM trust was defined as *the extent to which a consumer has the belief that the information given in online customer reviews is (i) honest, (ii) useful, and (iii) benevolent. These thoughts are accompanied by the consumer's willingness (iv) to source information from and (v) to be persuaded by reviews in general.* According to this definition, the construct was regarded as a trait-like disposition to rely on other shoppers' opinions and recommendations that are internally caused and relatively stable across time, eWOM contexts and situations. Further, eWOM trust has to be regarded as a complex construct which begins to exist at the co-occurrence of

cognitive, affective and conative mental states: Trust is inseparable from the truster's confident belief in specific characteristics of the trustee (e.g. honesty/integrity) (e.g. Moorman et al. 1993), but the concept has also to be mirrored by the truster's willingness to be vulnerable under conditions of risk, uncertainty and interdependence. New to trust literature, this research adopted the distinction of two kinds of willingness (Deutsch and Gerard 1955). That is, informational influence (i.e. an influence to accept the information from others as evidence about reality) and persuasive influence (i.e. an influence to conform to reviews in purchasing decisions). This enables the identification of different types of consumer trust towards eWOM. This definition was the germ cell of this research's understanding of eWOM trust as a second-order construct which determines consistent reactions in its five separable dimensions.

Another key concern of this stage was the identification of a set of indicators which are able to validly capture the nature of the identified five dimensions. Here, the revision of various sources (e.g. studies, thesauri), as well as a series of qualitative interviews, enabled the detection of almost 850 words that are typically associated with the construct or its facets. By conducting two series of interviews among 16 marketing scholars and professionals as well as 20 consumers, the authors' definition was qualitatively reassessed and the construct's dimensions were confirmed. In addition, by applying the method of Anderson and Gerbing (1991), the initial item set was reduced to 53 content and face valid indicators.

Data from multiple samples from three countries were used in the following two stages to ensure the psychometric quality of the new scale. In order to purify the measure and check its dimensionality, the 53 Likert statements were first administered to a sample of 850 students from two major Austrian universities (females, 64.8 %; mean age, 23.7; SD = 3.0) during the *reliability stage*. The data were randomly divided in an *estimation sample* (n = 425) and a *holdout sample* (n = 425), which was used to cross-validate the findings. First, an exploratory factor analysis (EFA) was conducted to investigate structures within the data of the estimation sample. This was followed by a confirmatory factor analysis (CFA) performed with LISREL in order to assess the theorized dimensionality. The final solution was subject to a cross-validation by using data from the holdout sample.

The aims of the *validity stage* were (1) to finalize the scale and (2) to evaluate the new scale in terms of multiple forms of reliability, validity and generalizability. In order to ensure that the scale was not biased by the particularity of earlier samples, the preliminary 25-item scale was reassessed using new data. More specifically, the data was collected from two online panels with respondents representative of Austrian and German online consumers (in respect of age and gender). In total, 526 adult consumers participated in the study (females: 47.9 %; mean age: 40.0; SD = 13.9). Similar procedures for data analysis were applied (i.e. EFA, CFA). This led to the exclusion of three items. The adapted scale with its 22 items was again cross-validated using a new 824-respondent sample. This sample provided pooled data from five different studies, which, together with four additional surveys, were used to assess various forms of scale validity (incl. nomological validity), its reliability (e.g. test-retest reliability), the scale's generalizability (e.g. the measurement

of eWOM trust across different platforms; the impact of generalized eWOM trust on individual review perceptions) and the degree of socially desirable responding. All these surveys were conducted in the form of online or paper-based surveys among adult Internet users from Austria and Germany. By applying quota sampling, each of the nine samples was representative in terms of the Internet population's age and gender. A key characteristic of this research is its sophisticated and comprehensive evaluation of the scale's properties (e.g. testing seven forms of validity), almost unreported earlier in any other scale development attempt.

Data from four separate samples provided profound evidence that eWOM trust is best measured in terms of eWOM's (1) integrity/honesty, (2) usefulness, (3) benevolence, (4) informational influence and (5) persuasive influence—supporting above definition. While a detailed description of the proof of the construct's dimensionality is beyond the scope of this paper, five different approaches have been taken (e.g. comparing nine alternative measurement models and doing pairwise-testing of all sub-dimensions by means of CFA). Further evidence was provided that (1) the new measure correlates with alternative methods to quantify trust in eWOM (*convergent validity*); (2) the scale measures a construct that is separable from other eWOM constructs (e.g. credibility), dispositional trust and trust in other forms of marketing communication (e.g. WOM trust) (*divergent validity*); (3) the measured construct is related to a series of hypothesized *determinants* (e.g. risk propensity), *correlates* (e.g. eWOM involvement) and *consequences* (e.g. eWOM usage)—supporting 13 out of 15 hypotheses of the proposed nomological network (*nomological validity*); (4) the level of eWOM trust differs significantly across two hypothesized consumer groups; (5) the scale is able to predict consumer eWOM habits (*predictive validity*); (6) the scale is not significantly imperilled by social desirable responding; (7) the scale is stable across two time-ordered measurement occasions (*test-retest reliability*); (8) consumers have similar levels of eWOM trust across marketer-developed and consumer-developed review sites (*scale generalizability*); (9) generalized eWOM trust meaningfully impacts situational review trust ($r^2 = 0.44$) and individual review attitude ($r^2 = 0.34$); and (10) the scale is stable across two languages (English, German).

In the fourth and last stage, we clustered a representative US sample of adult Internet shoppers by applying the newly developed eWT-Scale. We implemented a two-step cluster analysis which grouped respondents according to their trust in eWOM and oAD. For the initial step, Ward's hierarchical clustering method with squared Euclidean distances was applied to determine the number of clusters. The k-means clustering procedure followed in order to assign respondents to one of the four identified clusters. The research approach allowed the description of the clusters in terms of demographics, psychographics (e.g. attitude towards eWOM, oAD, marketplace, products, Internet, online shopping, personality characteristics) and habits (e.g. online shopping and searching, participating actively in WOM and eWOM).

## Results

Four clusters of US online consumers were identified: (1) *Pure review trusters* (19 %): Consumers in this cluster express a high level of trust in online customer reviews while showing a low level of trust in B2C market communication; (2) *Non-trusters* (10 %): The smallest group in the sample is consumers who have trust in neither online customer reviews nor online advertisements; (3) *Moderate trusters* (41 %): The largest segment is composed of consumers who score moderately on both trust in eWOM and oAD; and (4) *High trusters* (30 %): Consumers in this group show the highest level of eWOM trust while at the same time have high trust in oAD.

The four segments were described in terms of sociodemographic, psychographic and habitual characteristics. A considerable proportion of *Pure review trusters* are unemployed (19 %) and female. They heavily seek and use reviews in the purchasing process and are uncritical towards eWOM contents. Consequently, eWOM impact on ultimate purchasing decisions is high. These consumers actively forward eWOM offline but are less likely to do this online. They have negative sentiments against the marketplace in general and companies in particular, as the segment demonstrates the highest level of consumer alienation. *Pure review trusters* have a high level of self-confidence in making adequate purchasing decisions and in identifying misleading and fake marketing messages. In general, informational social influence is moderate, while normative influence is low. Nevertheless, these consumers are regular online shoppers. In contrast, *High trusters* (30 %) can be profiled as being younger ($M = 39.8$; SD $= 13.4$), regular office workers and living in urbanized areas. They show similar levels of eWOM trust and attitude as pure review trust. However, they are more sceptical and are aware of the WOM perils. They actively seek reviews but are selective about when to use them and they often avoid them in specific contexts. It is the most communicative segment, as high trusters are very likely to forward eWOM recommendations to friends offline and post reviews online. These consumers have the most favourable attitude towards the marketplace (incl. ads, companies) and show positive market behaviours (e.g. most frequent online ad users, online shoppers). Their reliance on eWOM and ads is guided by their low confidence in making adequate purchasing decisions on their own. Levels of both informational and normative influence are highest compared to the other segments. The *Non-trusters* (10 %) represent the oldest segment, with a relatively high income. They are sceptical towards eWOM—but even more towards ads. They possess the second highest level of consumer alienation in the sample. *Non-trusters* are passive communicators and shoppers. Their poor reliance on eWOM/ads seems to be related to their low self-esteem and low confidence in identifying misleading market messages. The results further show a general tendency across all identified consumer groups that consumers have more trust in other shoppers' opinions than marketers' messages.

## Implications

The introduction of a profoundly developed scale for eWOM trust and of the novel segmentation approach offers multiple implications to marketing practitioners and scholars. For the latter, this paper brings more rigour to online consumer research and allows more systematic research by standardising the study of eWOM trust. This paper also draws researchers' interest to the role of the trust concept as a key moderator of eWOM influence and the need to apply reliable as well as valid scales for the investigation of social media phenomena. From a managerial perspective, this research helps to understand better the role and impact of online reviews/ads for different consumers. It demonstrates that a significant number (70 %) of US online consumers can still be influenced by marketers online. However, for this majority, marketers' persuasive attempts always take place in the context of other shoppers' opinions and recommendations. These are a valued source of information which is generally more trusted. The results suggest that a group of consumers that solely rely on oAD does not exist. This should draw marketers' attention to the need to integrate eWOM social cues in their online ads/websites. This could also be an approach to reach the segment of *Pure review trusters* with online advertising. In addition, findings demonstrate that *High trusters* are a particularly interesting segment for marketers. These consumers represent the most active communicators (multipliers) who have a predetermined positive feeling towards the company and are hence open to positive eWOM as well as WOM. Therefore, they should be targeted with matched communication in order to make marketing messages go viral.

**References available upon request.**

# I Will Follow Him: The Value of Human Brands' Social Media Power for New Product Success

**Ann-Kristin Knapp, Nora Paehler vor der Holte, and Thorsten Hennig-Thurau**

**Abstract** Contradicting anecdotes can be found on the question of whether or not having millions of followers on Twitter and Facebook offers a competitive advantage when it comes to selling products. Also, regarding academic research on this matter, we find that little is known about the incremental effect of social media activities. This is especially noteworthy as marketing managers in several industries are investing heavily to harvest the social media power of so-called human brands. These human brands such as Vin Diesel, Cara Delevingne, or Christina Aguilera are prominently used in an entertainment media context but also to sell, for example, clothes and perfumes.

This research investigates whether employing human brands with many followers on social media provides an incremental economic value for launching new products. To address this question, we collected proprietary data from the movie industry. Using this data, we determine the monetary value of a social media fan base when it comes to selling new products. We furthermore identify contingency factors that increase or decrease the potential influence of a human brand's social media power on new product success.

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# Digital Buddies: Parasocial Interactions and Relationships in Social Media Communities

**Mujde Yuksel**

**Abstract**  Social media communities provide its members to connect socially and parasocially. Whereas social interactions and relationships require reciprocity, parasocial interactions and relationships are one-sided in nature and create an illusion of intimacy at a distance (Horton and Wohl 1956). Nevertheless, they share the same characteristics as social interactions and are considered to be an extension of real social behavior rather than replacing them (Cohen 2004, 2009; Giles 2002; Klimmt et al. 2006). This study focuses its inquiries on these parasocial interactions and relationships (PSI/PSR) in social media communities. Although PSI/PSR is a widely studied area in communication and psychology literatures, the concepts have not attracted much attention from marketing scholars (cf. Labrecque 2014). This study contributes to the marketing literature on social media communities by investigating online personal accounts in reference to PSI/PSR research. For this, the study adopts a grounded theory methodology (Glaser and Strauss 1967) triangulating netnographic data (Kozinets 2002) with data from in-depth interviews. For the systematic organization, analysis, and interpretation of the triangulated data, the study utilizes Cohen's (1999) BASIC IDS framework for dimensional qualitative research (DQR), which was introduced as a sophisticated psychological research tool for qualitative marketing studies. This results in an integrative framework that theorizes PSI/PSR in social media communities, crafting an empirical exploration of PSI/PSR in relation to their dynamics in online personal accounts. Furthermore, in relation to methodological advancement, it contributes to the application of DQR in marketing studies by extending it to bridge with netnography principles.

**References available upon request.**

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**Session 9.5**
# The Big Picture of Sales Management: Marketing Integration, Coaching, and Brands

# An Initial Assessment of Measurement Invariance in Sales Force Coaching: Comparing the French and Spanish Versions of Ellinger's Coaching Measure

**Claudio Pousa**

## Introduction

Coaching is an essential attribute of effective managers and leaders (Ellinger et al. 2008; Hamlin et al. 2006) particularly in sales environments (Deeter-Schmelz et al. 2002, 2008), and it is becoming progressively more important for managerial practice and research (Grant 2011; Pousa 2012). In the sales literature, scholars have proposed that research must shift from traditional approaches to new, collaborative ones, like coaching (Dixon and Tanner 2012; Ingram 2004; Ingram et al. 2002, 2005; Pousa and Mathieu 2014c).

Despite a growing interest to increase our understanding of the use of coaching in sales contexts, most of this research, albeit conducted internationally, was done using English-speaking respondents, with exceptions to this being some works by Trépanier (2010) or Pousa and Mathieu (2014a). One potential reason for this may be the lack of studies offering a translation of coaching scales as well as an assessment of their invariance across different languages.

Today's global working environment demands from practitioners the capacity to interact and generate value for and through people from different origins, cultures, and values. It also demands from scholars the capacity to conduct research in different countries, in order to validate the theories originally developed in some central countries (e.g., the USA, the UK) with respondents from other cultures (Steenkamp and Baumgartner 1998). In the case of research on sales force coaching, a key step in promoting this type of research could be to validate the instruments used to measure coaching behaviors across different countries and samples.

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One of the most extensively used instruments to measure managerial coaching is the one developed by Ellinger et al. (2003). Although it was already used in studies in languages other than English (Pousa 2012; Pousa and Mathieu 2014b; Trépanier 2010), a necessary step to promote high-quality research in coaching with non-English-speaking populations is to validate instrument invariance throughout different languages and samples.

Accordingly, the purpose of this paper is, first, to present a translation of Ellinger et al. (2003) measuring instrument in two languages particularly relevant for studies in the American continent (Spanish and French) and, second, to present an initial assessment of the instrument's invariance across two samples using multisample confirmatory factor analysis.

## Literature Review

Coaching has been defined as a process for improving work performance (Fournies 1978) and as a one-to-one process of helping others to improve, grow, and get to a higher level of performance by providing focused feedback, encouragement, and awareness (Corcoran et al. 1995; Hargrove 1995; Heslin et al. 2006; Orth et al. 1987; Richardson 2009; Whitmore 1985). Other scholars have considered coaching as a developmental process that enables and empowers people (Evered and Selman 1989) and opens new opportunities for learning through which they can attain improved performance (Ellinger and Bostrom 1999; Ellinger et al. 2003).

In organizational settings two types of coaching have been preponderant: executive coaching and managerial coaching. In executive coaching, an external coach works with the top executive of a company to help this person achieve own-defined goals, improve personal mastery and satisfaction, and, thus, improve the effectiveness of the organization (Joo 2005; Kilburg 1996). In managerial coaching the acting manager coaches the subordinates in order to help them achieve a series of externally set organizational goals and increase their job performance (Hagen 2012; Pousa and Mathieu 2010, 2014b). Even though both types of coaching share a number of common characteristics (Hagen 2012), scholars have considered them as different constructs (D'Abate et al. 2003; Hagen 2012; Pousa 2012).

Since the year 2000 the pace of published research in managerial coaching has steadily increased (Grant 2011; Hagen 2012; Pousa 2012). Scholars have identified the required managerial skills to conduct successful coaching processes (Gilley et al. 2010; Graham et al. 1993, 1994; Orth et al. 1987), the organizational conditions that facilitate coaching interventions (Ellinger et al. 2005; Evered and Selman 1989), how the organizational focus on long- or short-term results affects the use of coaching (Pousa and Mathieu 2010), and the situations that can trigger a coaching intervention (Ellinger 2003). Scholars have found that coaching can reduce salesperson manipulative and deviant behaviors like lying (Mathieu and Pousa 2011) or sales orientation (Pousa and Mathieu 2014a) and increase relational behaviors like

customer orientation (Pousa and Mathieu 2014a), commitment and motivation (Onyemah 2009), job satisfaction (Agarwal et al. 2009; Ellinger et al. 2005; Onyemah 2009), and performance (Agarwal et al. 2009; Pousa 2012; Pousa and Mathieu 2014b; Trépanier 2010).

Despite this increased interest in managerial coaching, most of the research has been done in English-speaking settings, and only a handful of studies have included non-English respondents (Mathieu and Pousa 2010; Pousa 2012; Pousa and Mathieu 2014b; Trépanier 2010), probably because of a lack of studies offering a translation of the scales used to measure managerial coaching and an assessment of their invariance across different languages. Given the importance of performing international research that could validate results and models developed for English-speaking countries, this gap turns out to be significant. Accordingly, the purpose of this paper is to present an initial assessment of measurement invariance for one of the most used measures of managerial coaching, the one developed by Ellinger et al. (2003).

## Methodology

### *Research Design and Data Collection Procedures*

Data was collected using a cross-sectional, non-experimental design. This choice was preferred over an experimental design because managerial coaching is a skill that is built over time and it might take months for a manager to be comfortably using coaching (Grant 2010; Grant and Hartley 2013). The literature in managerial coaching research supports this decision, as most of the studies used non-experimental designs (Agarwal et al. 2009; Ellinger et al. 2003, 2005, 2008; Onyemah 2009; Pousa 2012; Pousa and Mathieu 2014a, b; Trépanier 2010).

Data was collected using two different samples. For the first one, invitations were sent to 294 French-speaking sales employees of a Canadian bank, and 97 complete responses were received. For the second one, 87 invitations were sent to salespeople working for the Argentinian branch of a large American manufacturing company, and 62 complete questionnaires were received.

### *Measures*

Managerial coaching was measured using Ellinger et al. (2003) instrument. This is one of the most used scales to measure managerial coaching, and it has proved to be unidimensional and stable throughout a number of different studies (Ellinger et al. 2005; Pousa 2012; Pousa and Mathieu 2014a, b; Trépanier 2010). The scale was derived from a conceptualization based on empowerment, employee growth, and facilitation of learning (Ellinger et al. 2003).

The scale was translated into French and Spanish using the parallel-blind technique (Guthery and Lowe 1992; Peterson et al. 1995). This approach requires at least the use of two translators for each language. Initially, each of the translators separately translates the original scale (in English) into the target language (either French or Spanish). Once the translation is ready, the translators compare their versions, work out the differences, and agree on a final version of the instrument. This technique offers several advantages, and the quality of the end result is high because it combines the individual capacity with a collaborative effort. It has provided good results in different studies in management, organizational behavior, marketing, and managerial coaching (Mathieu et al. 2000; Pousa 2012; Trépanier 2010).

## Analysis

### *Preliminary Analyses*

In order to evaluate the invariance of the managerial coaching scale in French and Spanish, a series of analyses were performed, following a predetermined sequence (Mathieu et al. 2000; Steenkamp and Baumgartner 1998). First, the inter-item correlations of both scales were compared to assess whether these correlations were similar across both versions. It was found that all the correlations were of similar magnitude and significant at $p < 0.01$ level for both versions. Following this initial analysis, an EFA was performed, using SPSS 21, with excellent results. The KMO measure of sampling adequacy was 0.902 for the French sample and 0.914 for the Spanish sample, and Bartlett's test of sphericity was significant at $p < 0.01$ level.

For both samples the EFA extracted only one factor with eigenvalues higher than one, explaining 65.357 % of variance in the case of the French respondents, and 64.927 % in the case of the Spanish ones. Additionally, all factor loadings were significant for a confidence level of 5 % ($\alpha = 0.05$) and a power level of 80 % ($\beta = 0.20$).

### *Evaluation of the Instrument's Structure*

Once these initial analyses were assessed, a confirmatory factor analysis (CFA) was performed in AMOS to evaluate the instrument's structure. As this initial step doesn't involve between-groups comparisons, the model was estimated separately for both samples, and the resulting structures were compared. Findings were consistent across both samples, with significant factor loadings for all items in both samples, all of them presenting values of similar magnitude. Modification indexes (MI) were checked as an indication of exceptionally large covariances between errors. MI were small for both samples, with no theoretical justification of content overlap between pair of items, so no MI were included in the final structure of the model.

## *Evaluating the Goodness-of-Fit of the Configural Model*

Once the structure of the theoretical model was confirmed, a multigroup analysis was performed in order to determine the baseline parameters against which the following tests would be compared. Goodness-of-fit statistics for the configural model suggested a good fit of the model to both sets of data, with $\chi^2 = 64.834$ (df = 40), CFI = 0.971, and RMSEA = 0.063.

## *Testing for Measurement Invariance*

Once the goodness-of-fit for the configural model was established, the next step was to test the model for measurement invariance across the two samples. This step consisted in re-estimating the parameters of the model with the restriction of the factor loadings being equal for both samples. This is the most stringent condition, which if accepted, would suggest that the model is invariant across both groups. The resulting goodness-of-fit statistics for this model were $\chi^2 = 92.953$ (df = 47), CFI = 0.946, and RMSEA = 0.079.

The comparison between the multigroup model and the baseline model suggested that $\Delta\chi^2 = 28.119$ ($\Delta$df = 7) and $\Delta$CFI = 0.025. For a chi-square distribution with 7 degrees of freedom, the value of 28.119 was significant at $p < 0.01$, thus suggesting the non-invariance of the measure across samples. Considering that $\Delta$CFI was also higher than the expected threshold of 0.01 (Byrne 2010), the conclusion was that the invariance between both models was not supported. Evidently some factor loadings (or all) were not invariant between both samples, and thus the next step was to identify them.

In order to separate the items that were invariant across samples from those that were not, a step-by-step process was used. In this step-by-step process, factor loadings were restricted equally across samples one by one, and $\Delta\chi^2$ and $\Delta$CFI were calculated at each step. Results of this analysis suggested that items #1 and #2 were non-invariant across the two samples, while the other six items (#3 through #8) were invariant.

## Discussion

Coaching is becoming progressively more important for managerial practice and research, particularly in sales environments where new managerial models are searched. This study presents the results of an initial assessment of managerial coaching invariance across two non-English-speaking samples of salespeople. Results suggest good invariance of the instrument across the samples, with six out of eight items being invariant and only two items being non-invariant.

This paper makes two main contributions. First, it contributes to the emerging (and so far, limited) literature of the application of managerial coaching to sales contexts. Second, it provides an initial assessment of scale invariance in multicultural research. Spanish is the second most widely spoken language worldwide with 414 million speakers (English is third, with 335 million). Having an invariant instrument in Spanish could be useful for scholars doing cross-cultural research in the USA (where Spanish is spoken by roughly 37 million people) or Latin America. In Canada approximately 22 % of its population speaks French, adding to the relevance of this research to scholarly activity in the American continent.

Unfortunately, it was not possible to recruit respondents from the same company in both countries, so the samples came from very different companies in terms of industries, markets, and culture. Under some light, this could be a strength of the study. If the instrument showed invariance across such different samples, then the instrument itself and its translations seem very solid. At the same time, two items (items #1 and #2) showed non-invariance across the samples. Future research should address this issue and work with samples that could shed more light on the remaining non-invariant items.

Furthermore, another limit of this research is the small sample size, an issue that should also be addressed by future research.

Finally, future research should also address the translation of the scales in other important languages spoken in Latin America, like Portuguese.

**References available upon request.**

# The Sales/Marketing Integration Gap: The Joint Impact of Environmental, Firm, and Functional Drivers on Realized Versus Desired Integration

**Stefan Sleep, Son K. Lam, and John Hulland**

**Abstract** Marketing and sales have distinct thought-world differences that often inhibit their ability to work together. As a result, firms promote integration between the two groups with the ultimate aim of improving relationship effectiveness and customer performance. This study introduces the concepts of realized integration and desired, or future, integration and the difference between the two (the integration gap). Through the lens of self-categorization theory, this study examines how both functional and firm behaviors interact with several internal and external environment factors to impact both types of integration. The study shows how these factors impact both realized and desired integration in several ways, providing a more complete view of the relationship between the two. Finally, the study finds that desired integration can negatively impact relationship outcomes reducing the positive benefits of the realized level of integration. As a result, managers need to not only promote integration but also manage the integration gap by increasing levels of realized integration or decreasing levels of desired integration.

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# Session 9.6
# Price, Promotions, and Fees

# In Which Conditions Do Price Promotions Have the Most Negative Effects on Product Attitudes? A Structured Abstract

**Silke Bambauer-Sachse and Laura Massera**

## Introduction

As consumers are often exposed to price-related advertising in purchase situations and as, among other factors, both prices (Chang and Wildt 1994) and product attitudes (Spears and Singh 2004) affect purchase decisions, it is important to examine possible negative effects of price promotions on product attitudes. Some previous studies provide evidence for positive effects of price promotions on purchase intentions (Ailawadi and Neslin 1998; Grewal et al. 1998), but other studies show that discounts can negatively affect future sales (Kalwani et al. 1990; Lattin and Bucklin 1989). A possible explanation for such opposite findings might be that sales promotions have direct positive effects on purchase intentions but indirect negative effects through more negative product attitudes on purchase intentions (Davis et al. 1992). The objective of this study is to focus on effects of price promotions on product attitudes and to examine in which conditions such effects are more or less negative. This study goes beyond previous studies that analyzed possible negative effects of price promotions (Dodson et al. 1978; Raghubir and Corfman 1999) by considering conditions in which price-related advertising can have more or less negative effects on product attitudes. The conditions are the number of consumers' ad contacts (1 vs. 5), the saving format used to display the price reduction (percentage off vs. amount off), and the salience of the regular price in the ad (yes vs. no) as well as the perceived levels of discount information credibility (low vs. high). We simultaneously analyze direct and interaction effects of marketer-controlled factors and consumers' perceptions that play a role in the context of consumers' responses to price promotions in terms of product attitudes. An analysis of effects of marketer-controlled

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factors helps marketers to choose the combination of factors that produce the most positive consumer responses. The effects of price promotions on consumers' attitudes could be moderated by as how credible consumers perceive the price claims displayed in the ad. Perceived ad credibility is the extent to which consumers perceive the claims as believable (MacKenzie and Lutz 1989). When consumers perceive a discrepancy with prior perceptions, they might perceive price claims as less credible (Lutz et al. 1983). The findings provide marketers with insights in which conditions a sales promotion leads to comparatively negative product attitudes and thus enables them to avoid such constellations when launching a sales promotion.

## Background

Attitude represents an individual evaluation, positive or negative, toward an object (Ling et al. 2010; Sanayei et al. 2013), which results from a learning process based on experiences and which affects purchase decisions (Churchill and Iacobucci 2002; Spears and Singh 2004). DelVecchio et al. (2006) found that, on average, price promotions have no effects on brand preferences but when aspects such as value and type of sale are considered, significant negative effects occur. Negative effects of price promotions on attitudes can be due to a reduction of price expectations after being faced with a price promotion (Lattin and Bucklin 1989) and seem to depend on the type of the price promotion (Yi and Yoo 2011).

For a price promotion, marketers need to select the saving format that is used to display the price reduction. The saving formats that are typically used are percentage off and amount off (Suri et al. 2012). These two saving formats might have different effects (Hardesty and Bearden 2003) because consumers react differently when exposed to one of those (DelVecchio 2005; DelVecchio et al. 2007). Previous studies have analyzed the impact of the saving format on variables such as consumers' reference price and purchase intentions (Chandrashekaran 2004; Chandrashekaran and Grewal 2006) but not on consumer responses in terms of product attitudes.

Marketers could choose to display or not the regular product price in price promotions. Showing this reference price provides additional information about the product value and can be incorporated in consumers' price beliefs (Lattin and Bucklin 1989). In addition, this price claim can influence consumers' product evaluations and purchase decisions. With no regular price indicated in the price promotion, consumers are likely to underestimate the actual value of a product. As product attitudes are closely related to the value associated with a product (Chapman 1993), attitudes are likely to be less positive when the regular price, which reflects the product's real value, is not displayed.

In general, repeated contacts with information affect consumer learning (Obermiller 1985) in that an increasing number of message repetitions lead to better message recall (Batra and Ray 1986; Pechmann and Stewart 1988) and increased confidence with regard to the attitudes formed (Berger and Mitchell 1989). For the

context of price promotions, DelVecchio and Craig (2008) argue that, with an increasing number of ad contacts, consumers pay more attention to the encountered price claims and are increasingly attracted by the lowest price displayed, which they incorporate into their price beliefs, and the reduced price is increasingly perceived as the fair price (Darke and Chung 2005; Ortmeyer et al. 1991). This mechanism could lead to lower perceived quality of the promoted product because, after more ad contacts, consumers assimilate a lower product value (Papatla and Krishnamurthi 1996; Rajendran and Tellis 1994). Findings from the research of Yi and Yoo (2011) confirm that repeated monetary promotions lead to less positive brand attitudes. However, these authors do not consider specific characteristics of price-related advertising such as the saving format or the salience of the regular price.

Ad credibility has been identified as one of the most important variables that determine advertising effectiveness (Goldberg and Hartwick 1990; Lee and Sutherland 2012). Previous research provides the notion that ad credibility can affect emotional responses (Cotte et al. 2005) and have positive effects on consumer reactions in terms of brand attitudes (Kavanoor et al. 1997; MacKenzie and Lutz 1989). Such effects can occur because cognitive responses are more favorable when persuasive communication is perceived as more credible (Petty and Cacioppo 1986). When consumers perceive price information as exaggerated, they reject such price claims and make negative inferences about the retailer (Urbany et al. 1988). Consumers with poor price knowledge who see a price promotion with a high discount perceive the ad as less credible and show lower purchase intentions (Kim 2006). Similarly, Chandrashekaran and Grewal (2003) found negative effects of price claim credibility on consumers' reference price. Thus, previous research provides the notion that, under specific conditions, less credible (as compared to more credible) price claims lead to negative consumer responses. However, previous research did not analyze interaction effects with marketer-controlled variables such as the ones tested here on product attitudes.

## Methodology

The sample consisted of 480 respondents (47.7 % women; average age: 24.3 years). The data collection took place in Switzerland. The study was based on a 2 (saving format: percentage off vs. amount off)×2 (salience of the regular price: yes vs. no)×2 (number of ad contacts: 1 vs. 5) between-subjects design. Perceived credibility of the discount information was measured and not manipulated. The experimental design led to testing 8 ad versions. The number of ad contacts was simulated by showing folders with nine ads to the respondents, which contained varying combinations of target and filler ads (1 contact: 1 target ad, 8 filler ads; 5 contacts: 5 target ads, 4 filler ads). The filler ads were used to guarantee that every respondent saw the same number of ads, and the order of the ads was varied across respondents in order to counterbalance possible order effects. The respondents were first asked to imagine they would go shopping at a shopping center, which is well known for the

quality of its product assortment, with the intention to buy the target product without having a specific brand or model in mind. After this explanation, the attitude toward the product was measured. Then, respondents were presented with the ad folder and asked to assume that the folder was the monthly mall magazine. Afterwards, they had to indicate their product attitudes again as well as their credibility perceptions related to the discount information.

Product attitudes before/after contact with the price promotion were measured by three items (I like this product; the product is nice/attractive; 1=totally disagree, …, 7=totally agree; Davis et al. 1992). The α-values ($\alpha_{before}$=0.851, $\alpha_{after}$=0.949) show that the items are appropriate to reliably measure the construct. Therefore we calculated the respective overall variable value by averaging the three single aspects. Product attitudes before the price promotion were measured to check whether product attitudes can be negatively affected by price promotions. Perceived credibility of the discount information was directly measured by the item "how do you perceive the information about the price reduction in the ad" (1=not at all credible, …, 7=totally credible). For the data analyses, the metrically measured variable was transformed into a dummy variable (low vs. high) based on a median split (median: 4.00).

## Results and Discussion

Using a paired samples $t$-test, we examined whether price promotions have negative effects on product attitudes. The results confirm this assumption ($M_{before}$=5.16 vs. $M_{after}$=3.47, $t$=20.05, $p<0.001$). Afterwards, we analyzed under which conditions product attitudes are more or less negative after being faced with a price promotion using a multi-way ANOVA. The salience of the regular price and the number of ad contacts have significant main effects in that product attitudes after being faced with the price promotion are lower if the regular price is not displayed in the ad ($M_{with\ regular\ price}$=3.69 vs. $M_{without\ regular\ price}$=3.25, $F_{regular\ price}$=7.69, $p<0.05$) as well as if the number of ad contacts is higher ($M_{1\ contact}$=3.63 vs. $M_{5\ contacts}$=3.31, $F_{contact}$=4.34, $p<0.05$). The finding shows that saving format and perceived discount credibility have no direct effects ($F_{saving}$=0.002, $F_{credibility}$=3.39, $p>0.05$). In addition to the basic effects, the two-way interaction between the salience of the regular price and perceived discount credibility ($F_{regular\ price*credibility}$=4.59, $p<0.05$) and the two-way interaction between the number of ad contacts and perceived discount credibility ($F_{contact*credibility}$=4.79, $p<0.05$) are significant. The first finding means that if the number of ad contacts is higher, showing credible (as compared to less credible) discount information leads to significantly more positive product attitudes ($M_{5\ contacts,\ low\ credibility}$=2.81 vs. $M_{5\ contacts,\ high\ credibility}$=3.58, $t$=−3.56, $p<0.001$). When consumers have one contact with the ad, product attitudes are independently of perceived discount credibility ($M_{1\ contact,\ low\ credibility}$=3.71 vs. $M_{1\ contact,\ high\ credibility}$=3.60, $t$=0.49, $p>0.05$). In the situation where consumers perceive the discount information as less credible and are repeatedly exposed to the ad, product attitudes are more negative as compared to one ad contact ($M_{low\ credibility,\ 1\ contact}$=3.71 vs. $M_{low\ crediblity,\ 5\ contacts}$=2.81,

$t = 3.66$, $p < 0.001$). When consumers perceive the discount information as credible, product attitudes are independent of the number of ad contacts ($M_{\text{high credibility, 1 contact}} = 3.60$ vs. $M_{\text{high credibility, 5 contacts}} = 3.58$, $t = 0.13$, $p > 0.05$). The second interaction can be interpreted as follows. If the regular price is not displayed in the ad, product attitudes are more positive when consumers perceive the discount information as credible ($M_{\text{no regular price, low credibility}} = 2.72$ vs. $M_{\text{no regular price, high credibility}} = 3.51$, $t = -4.15$, $p < 0.001$). If the regular price is displayed, product attitudes are independent of perceived discount credibility ($M_{\text{with regular price, low credibility}} = 3.74$ vs. $M_{\text{with regular price, high credibility}} = 3.67$, $t = 0.30$, $p > 0.05$). Furthermore, when consumers perceive the discount information as less credible, displaying the regular price in the ad (as compared to no regular price) leads to significantly more positive product attitudes ($M_{\text{low credibility, no regular price}} = 2.72$ vs. $M_{\text{low crediblity, with regular price}} = 3.74$, $t = -4.25$, $p < 0.001$). When consumers perceive the discount information as credible, product attitudes are independent of the salience of the regular price ($M_{\text{high credibility, no regular price}} = 3.51$ vs. $M_{\text{high credibility, with regular price}} = 3.67$, $t = -0.94$, $p > 0.05$). The three-way interaction between the salience of the regular price, perceived discount credibility, and the number of ad contacts is significant ($F_{\text{regular price*credibility*contact}} = 4.68$, $p < 0.05$). After one ad contact, there are no significant pairwise mean value differences under the examined conditions (all $p$-values $> 0.05$). Thus, all examined combinations of the salience of regular price and perceived discount credibility lead to similar levels of product attitudes after one ad contact. However, as consumers are exposed to price promotions repeatedly in reality, it is important to identify conditions, in which consumers show rather unfavorable product attitudes after several contacts. If, in the condition of five contacts, the regular price is not displayed in the ad, showing credible (as compared to less credible) discount information leads to significantly more positive product attitudes ($M_{\text{5 contacts, no regular price, low credibility}} = 2.39$ vs. $M_{\text{5 contacts, low no regular price, high credibility}} = 3.64$, $t = -4.90$, $p < 0.001$). This difference does not occur when the regular price is shown in the ad ($M_{\text{5 contacts, with regular price, low credibility}} = 3.59$ vs. $M_{\text{5 contacts, with regular price, high credibility}} = 3.54$, $t = 0.12$, $p > 0.05$). Furthermore, when consumers perceive the discount information as less credible and the regular price is displayed in the ad (as compared to no regular price), product attitudes are significantly more positive ($M_{\text{5 contacts, low credibility, no regular price}} = 2.39$ vs. $M_{\text{5 contacts, low credibility, with regular price}} = 3.59$, $t = -3.68$, $p < 0.001$). This difference does not occur when consumers perceive the discount information as more credible ($M_{\text{5 contacts, high credibility, no regular price}} = 3.64$ vs. $M_{\text{5 contacts, high credibility, with regular price}} = 3.54$, $t = 0.33$, $p > 0.05$).

## Conclusion and Implications

The objective of this research was to identify conditions in which price promotions have more or less negative effects on product attitudes. The study results show that the saving format (percentage off vs. amount off format) has neither direct nor indirect effects on product attitudes. However, the number of ad contacts has an effect in that product attitudes are more negative after repeated ad contacts. Thus,

marketers should not advertise sales promotions too often in order to limit the negative effects on consumers' attitudes. The results also show that, when the regular price is not displayed in the ad, product attitudes after being faced with a price promotion are lower than when the regular price is shown. This result can be explained as follows. As quality judgments are based on the perceived value of a product (Chapman 1993), consumers are better able to judge the real value of a product when the regular price is available, and consequently, their attitudes toward the product are more positive. The significant interaction effects show that effects of the salience of the regular price as well as of an increasing number of ad contacts depend on perceived discount credibility. The most unfavorable condition seems to be when perceived discount credibility is low, a price promotion does not display the regular price, and when it is repeated several times. Future research could analyze possible reasons why consumers perceive price promotions as more or less credible. Furthermore, further research could deeply analyze the change of product attitudes (attitude$_{after}$ − attitude$_{before}$) and examine effects of the factors examined here on other consumer reactions such as consumers' reference price adaptation. In addition, it could be interesting to validate the results making a field experiment.

**References available upon request.**

# Consumers' Perceptions of Online and Bricks-and-Mortar Advertised Price Promotions

**Monika Kukar-Kinney and Jeffrey R. Carlson**

## Abstract

The objective of this research is to extend the existing research on consumers' discounting of discounts to the online shopping channel. We investigate consumers' perceptions of and behavioral intentions with regards to advertised price discounts for online and bricks-and-mortar stores as well as for name brand and store brand products. Specifically, the extent to which consumers discount the advertised discount level is examined. Lastly, the price discount thresholds and saturation points are determined and compared across the two retail channels and product brands. Overall, this research provides a contemporary analysis of consumers' perceptions and responses to advertised price discounts and offers a comprehensive analysis of all possible discount levels (from 10 to 90 %). This is the first research to include an investigation in an online retailing context and compare the results to a traditional bricks-and-mortar context. Results demonstrate that there is a greater discounting of discounts online versus in a bricks-and-mortar retail context, and, for low reputation brands, the promotion threshold level is higher in an online context, compared to bricks-and-mortar.

**References available upon request.**

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# Price Discount and Gift Choice: The Interplay Between Economic and Social Value

**Zhuofan Zhang and Fernando R. Jiménez**

## Abstract

Price discounts are a popular pricing strategy because discounts increase the perceived economic value of a purchase. Prices are used as referents to assess the economic value of a purchase (Blattberg and Neslin 1990; Grewal et al. 1998). Accordingly, price discounts are offered to increase consumers' perceived economic product value and thus increase purchase intention (Dodds and Monroe 1985). However, social, rather than economic, value is the primary concern in gift choice. Accordingly, consumers are often willing to pay a premium for gifts with high social value. This social value of gifts is important because it helps societies maintain social norms (i.e., reciprocity) and reaffirm social values through symbolic social conventions (i.e., achievement) (Camerer 1988; Belk and Coon 1993). Interestingly, price discounts remain ubiquitous during gift-giving holidays.

In this study, we propose that in situations when consumers seek to maximize economic value, a price discount will be more effective, for example, when purchasing an item for self-use. But, when consumers seek to purchase a gift for a special person, social value will become more salient than economic value, and, as a consequence, consumers will be less affected by price discounts. Based on decision-making research, two experiments show that price discounts increase purchase intention when the social value of a gift is not salient (Study 1) and when social environmental cues are not available (Study 2). Generally, these findings explain why if social value is a priority in gift choice, consumers are often seduced by price discounts during gift-giving holidays such as Christmas and Valentine's Day. First, during gift-giving holidays, the act of gift-giving is typically more important than the social value of the actual gift (Anton et al. 2013). Thus, in such situations social cues such as the appropriateness of the gift become less relevant, and consumers will rely on economic cues. Second, even when consumers are searching for gifts that provide social value (e.g., a wedding gift), if consumers find it difficult to assess social value, consumers are likely to use economic cues as the decision criterion.

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Lastly, the results suggest that price discounts are seductive when consumers need to "guess" what a good gift would be for the recipient. When the gift-giver is unsure about the social value of a gift, the gift-giver will be seduced by price discounts. Overall, the findings suggest that a price discount is an environmental heuristic that helps consumers choose gifts when the social value of the gift is irrelevant or difficult to assess.

**References available upon request.**

**Session 9.7**
# The Use and Impact of Social Media in Marketing Education

# The Use of Social Media in Higher Education

**Tim Foster, Mana Farshid, Sadia Juena, and Åsa Wallström**

## Abstract

The use of social media in the university classroom is growing in popularity and is transforming learning and teaching in significant ways (Li and Pitts 2009; Tess 2013). According to Lee and McLoughlin (2008), social networking sites have become educational tools onto themselves. However, while students have both developed and embraced the use of social media in their personal lives, little research has been done into the mix of social media used by teachers and students in their traditional courses (Li and Pitts 2009). Instead, most research to date is social media specific. Mödritscher (2010) states that both educators and learners need to rethink the way they teach and learn. Li and Pitts (2009) discuss that there is much to learn about the use of web-based communication tools and the impact they have on traditional measures of students' success in higher education. Yet research has not explored the effects of the characteristics of social networks used primarily by students (Mazer et al. 2007), and more empirical research is needed (Barcayk 2013; Tess 2013).

Four forms of social media were tested within a traditional business/marketing course at a university in Sweden, over a 2-year period. The four forms of social media included: a *Facebook group page* to connect the stakeholders in the course; *YouTube/Ted.com* to invite "guest lecturers" into the classroom and provide content to the other social media; *Twitter* to provide additional content; and *Skype* to make the instructor more accessible. The students were provided two occasions during the term the marketing courses were given to provide feedback on the instructor's use of social media in the classroom, including via an open-ended essay question on a reading quiz during the middle of the course, as well as at the end of the course via the course evaluation. Leximancer was used to analyze the data of all of these responses. Leximancer is a data-mining tool modeled on content analysis that provides a platform for the qualitative interpretation of concepts. It enables researchers

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to analyze large quantities of complex textual data (Smith 2003; Smith and Humphreys 2006).

Results indicate that there are both *primary* social media and *secondary* social media to consider using in higher education. "Primary" social media are labeled as such due to there being more benefits being recognized by students and teachers, as well as these social media being used by most of the students in the course. "Secondary" social media are more focused on fewer benefits and/or are used by much fewer students. Facebook ("group") is by far the most dominant social media preferred by students when using social media in the classroom. For this course, a Facebook group page was used, providing a more dynamic, "just-in-time" form of communication for the students that actually acted more like an "app" for the course, as most students connected to their Facebook account (and the course) via their smartphones or tablets. This use of Facebook allows for communication not only between teacher and student, but student-teacher and student-student. Another "primary" social media included the use of YouTube.com and Ted.com, providing "guest lecturers" to the students, something they greatly appreciated, as it allowed them to see that the "theory" they were learning had actual "practical" use for their future careers.

Other social media (Twitter and Skype) are not as important, mainly because only a limited number of students actually use these (compared to their use of Facebook and YouTube). Therefore, these are considered "secondary" social media—a kind of "value-added" service with those students who chose to connect to the course in this way. This is perhaps not a bad thing, as too many social media and other information sources for any given course can kill the use of all of them. This of course deserves further research, as all social media are dynamic and ever-changing, and new social media appear every year.

**References available upon request.**

# Toward a Better Understanding of Marketing Students' Perceptions of Twitter as a Pedagogical Tool

**Khaled Aboulnasr**

## Abstract

Social media has transformed the way information is exchanged and delivered. The current research uses an expanded form of the Technology Acceptance Model (TAM) to explore students' perceptions of Twitter as a pedagogical tool. A model is tested in which Twitter's perceived ease of use and usefulness are used as predictors of student's attitudes and usage of the social media platform in a classroom setting. Results of a structural equation model support the hypothesized relationships.

**References available upon request.**

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# Chevys, ADDYs, and Fink's: Oh My! The Creation of Award Winning Advertising Within an Educational Context

**Theresa Billiot, Kevin J. Shanahan, and R. Wixel Barnwell**

## Introduction

Providing an educational experience that scholars value, students appreciate, and practitioners respect is a consistent goal of modern academia, especially those in the applied disciplines like marketing. In this study, the authors provide a template for designing and teaching an advanced undergraduate advertising course employing Fink's (2003) taxonomy of significant learning with experiential projects and an example of a current application of the taxonomy. The authors discuss the application of the taxonomy in the context of student conceptualization and participation in a campaign designed for a regional group of four Chevrolet dealers in Oklahoma and Texas. Students were tasked with incorporating the automobile group's brand with social responsibility while also staying within the clients' budget of $5000. In addition to educating the students and fulfilling the client's needs, the efforts resulted in the students winning an ADDY, a respected advertising award, and thus increasing the perceived value of these students to potential employers.

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## Background

Industry professionals have raised concerns about students' poor job preparation, particularly in creative and critical thinking (Ackerman et al. 2003). Practitioners share a concern that business students graduate with inferior training concerning their ability to tolerate ambiguity as compared to liberal arts students, often resulting in employers' preference to hire liberal arts students over business students (Chonko and Caballero 1991; Chonko and Roberts 1996). Finch et al. (2012) offer that graduates must have a working knowledge of strategic marketing, the ability to follow through on tasks and projects, and the ability to work with others to accomplish a goal. As such, marketing educators necessarily need to adopt teaching methods that address gaps in attributes sought by potential employers.

Fink's (2003) taxonomy of significant learning provides a framework in which practitioner-identified gaps can be addressed. Six facets form the foundation of Fink's taxonomy: (1) foundational knowledge, (2) application, (3) integration, (4) human dimension, (5) caring, and (6) learning how to learn in a course. According to Fink (2003), his taxonomy transforms passive students into active, responsible, and reflective participants. This teaching method differs from and is superior to Benjamin Bloom's taxonomy (1956) because Fink's taxonomy offers a more interactive and circular rather than hierarchical process (Levine et al. 2008; Fink 2003).

Our study tests Fink's taxonomy of significant learning in an undergraduate advertising course through application of a team-based experiential project approach designed to enhance students' professional knowledge, creative and critical thinking, tolerance for ambiguity, teamwork, and student morale. Students serve as an advertising agency, tasked with tying the Chevy brand to a social responsibility message for a regional automobile group of Texas and Oklahoma Chevrolet dealerships (hereafter referred to as "the client").

To help students understand the Chevrolet brand and its consumers, the client provided students with the positioning statement for the Chevrolet Silverado (i.e., the most dependable, long-lasting full-size pickup on the road) and psychographic data on Silverado consumers. Additionally, each student group received a real budget of $5000 with which to work. When students asked the client for ideas on how to approach this project, the client stated, "This part is completely up to you," setting up the application of Fink's taxonomy.

### *Application of the Six Tenets*

In the authors outline each of the Taxonomy of Significant Learning tenets with the learning activities and types of assessments employed in a typical upper level advertising course. For each model tenet, a learning activity and assessment is assigned. Traditional course lectures satisfy the first tenet requirement, foundational knowledge. Inclusion of experiential learning projects satisfies other tenets of the Taxonomy of

Significant Learning model. For example, experiential projects emphasize active learning, a key component of the application tenet, in which learners directly involve themselves with the phenomenon being studied, rather than just reading, hearing, or thinking about it (Kolb 1984; Kohonen 2001). Moreover, experiential learning engages students in the integration tenet of the model, whereby students transition from problem recognition to the recommendation process, resulting in a "learning spiral" that forces students to tap into interdisciplinary learning by examining additional marketing tools in new contexts (Diamond et al. 2008).

Another key component of experiential learning places the locus of decision-making in the students' hands (Mollaei and Rahnama 2012). In the current study, the client informed students to feel empowered with a high level of creative freedom to design their own events, commercials, and other IMC activities. This empowerment taps into the human dimension tenet because students learn more about their own level of creativity when not specifically instructed on the final outcome of events, commercials, and other IMC components.

Experiential learning also satisfies the human dimension tenet as students learn to interact with other students and Chevrolet customers in a real-life context. In addition, experiential learning provides an immediate personal experience as the focal point for learning. As pointed out by Kolb (1984, 21), personal experience gives "life, texture, and subjective personal meaning to abstract concepts." This personal experience impacts the way students feel, interact, and value topics; thus, this approach taps into the caring tenet of the model.

Finally, experiential learning provided the path to the learning how to learn tenet, specifically with managing a national brand and presenting a final solution to the client. Having the locus of decisional control, students become aware of personal limitations in an advertising context.

The Taxonomy of Significant Learning with experiential projects also addressed previously identified employer needs. These include professional knowledge, creative and critical thinking, tolerance for ambiguity, teamwork, and student morale. The authors connect identified employer concerns with learning goals and activities in the project.

## Methodology

### *Participants*

To manage stress and student expectations at the beginning of the course, inform students that the project presents challenges such as integrating theoretical with practical learning, ambiguity, and creative and critical thinking. Students employ data sheets to document implementation of course knowledge for each event in the process. These data sheets maintain structure and keep records of key components, including but not limited to selected consumer segments, a description of the

activities in the process, the theoretical framework with desired and actual outcomes, fundraising efforts, event promotion and results. Final data sheets are submitted at the end of the semester.

In the current study, oral presentations to upper management from the local Chevy dealerships provided another grading point for assessment. Each group explained their consumer segment, events, theories and how these theories were applied, results from these events, and the students' perceived added value from engaging in these events for their client. Students' presentations were evaluated based on the feedback from the actual clients as this method provides the confidence, self-esteem, and sense of personal value and purpose that experiential learning offers (Mollaei and Rahnama 2012).

## *Result-Driven Feedback*

Data sheets provide a much more positive picture of the convergence of practitioner-demanded skills and the skill set developed by students taking part in the Fink model-based process. The current study offers student learning outcomes supporting the ability to deal with ambiguity and creative, critical thinking. Some of the student-derived learning, drawn directly from student data sheets, includes a realization that "planning, organizing, and executing client projects shouldn't be procrastinated," directly demonstrating the development of time management strategies. Further, students noted "lead time is valuable to avoid wastefully spending client dollars on unnecessary expenses such as last minute ordering due to rush production." The ability to deal with ambiguity is demonstrated by the realization that "contingency plans are necessary to help with handling uncertainty dictated by uncontrollable external factors." Finally, student confidence boosted by the process led to students "feeling more prepared to serve as a brand manager for a potential employer."

Students also benefit from client feedback from the oral presentations. A co-owner/operator from one dealership stated, "They [students] blew him away." This co-owner and operator stated he will use the students' tagline, "strong truck for a strong woman," in future advertisements. Students also received feedback from a general manager who stated that each team provided a myriad of valuable and creative ideas that can be used in future promotions. Furthermore, an owner and president of another dealership asked students if they had taken another business class that provided a similar hands-on project offered in this course. Students overwhelmingly said, "no."

## *What About that ADDY?*

Instructor assessment on courses and projects provides feedback on the level of success students enjoy in meeting or exceeding instructor expectations. Similarly, client feedback offers students a "pat on the back for a job well done" and an indication

of how well they meet potential future clients' expectations as marketing graduates. There is, however, an extremely important source of feedback not immediately considered by students and academics alike; practitioner judging of student work versus their peers on a regional and national level.

The American Advertising Federation hosts a multi-level, national competition pitting thousands of industry professionals against one another to showcase their creative works. Within this competition is a student track. Students in this current study, upon completion of the application of Fink's model and subsequent advertising output, entered the finished product in the competition, with teams winning an award known as an ADDY, which has been recognized as the "Emmy of the advertising world" (Regan 2014).

This ADDY served several purposes. First, it was far more valued by students than any grade or client feedback. Students were honored at a formal awards show boosting not only moral but bravado. This sets a bar for subsequent students to follow. More importantly, it demonstrates the successful implementation of Fink's typology and generates confidence in the process across all stakeholders including instructors, clients, and most importantly students.

## Implications and Next Steps

Areas of future study might include the application of Fink's typology to other areas of marketing, such as logistics, perhaps inviting the students to help solve the distribution challenges for a business. Likewise, with the repetition of this class there is the opportunity to observe and potentially refine the techniques employed.

Though numerous variables will influence the potential outcomes, changing students, changing clients, and changing awards judges are to be expected, the consistent use of this technique and the entry of the resulting efforts in the AAF awards show will enable an evaluation of the generalizability of this technique. If found consistently effective, the implications for students, instructors, and practitioners would be the revelation of a consistently effective tool for the creation of market-ready graduates practitioners will truly value.

## Conclusions

The current study supports the literature on taxonomy of significant learning and experiential learning. In the end, the application of the taxonomy of significant learning with experiential projects is meaningful, instructive and enjoyable for students, instructors and clients alike. Through this integration, this pedagogy provides for the transfer of professional knowledge, student autonomy, recall, reflection, active learning, process and outcome-based learning, and employer concerns. This type of process is valuable because it provides a different set of lenses to see how students can transfer their knowledge outside the traditional exam- and quiz-based

courses. For example, instructors can develop a better understanding of where students need further academic development; likewise, students gain a better sense of the professional skills that require improvement prior to entering the job market. Furthermore, clients can provide feedback directly to students on the strengths and weaknesses that can impact their job market value.

**References available upon request.**

# Session 9.8
# Wearable Technology: Trends and Opportunities for Organizations

# Wearable Technology: Trends and Opportunities for Organizations

**Karen Robson, Leyland Pitt, Jan Kietzmann, Wade Halvorson, and Asa Wallstrom**

## Abstract

This special session intends to explore the use of wearable technology in greater detail. Current perspectives identify a number of fundamental questions regarding wearable technology. Wearable technology is emerging as one of the key areas companies are investing in. In March 2014, Facebook announced that it had plans to acquire Oculus VR, a firm that produces virtual reality headsets. In May 2014, Apple announced its $3.2 billion purchase of Beats Electronics. Within the next 3 years, wearable technology is predicted to be worth $10 billion, with 170 million wearable technological devices in general use.

Currently, the biggest area for wearables is sports and fitness. For example, Nike's Fitbit exercise tracking and monitoring device. Another area in which wearables are growing in importance is in healthcare. A new Google project involves contact lenses for diabetics that will give the wearer a continuous readout on blood glucose levels. This will make a continuous physical testing procedure such as finger pricking or urine testing redundant. Another device, the Owlet (an ankle strap) will continuously monitor critical health indicators in newborns. The manufacturers of this device want to put it on every newborn, among others to monitor physical warnings of SIDS (sudden infant death syndrome) and infant sleep apnea.

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# Session 10.1
# International Marketing Part 5: Communication in Global Environment

# Efficacy of Promotional Offers in Poor Households: Insights from the Bottom of the Pyramid

**Shruti Gupta**

## Abstract

Research in the area of sales promotion has shown that a combination of tactics that include but are not limited to cash discounts, coupons, product premiums, rebates etc. is effective in driving consumer action such as purchase, new product trial, stock up, encourage habitual purchase, and brand switching. In studying the efficacy of promotional offers, some research has attributed deal proneness to a number of sociodemographic and personality traits. Though traditional economic theory predicts deal proneness to be positively correlated with income, research in marketing has instead supported a negative relationship where low-income consumers tend to be more price sensitive, instead. Despite this consumer marketers continue to spend marketing funds in promotional offers in the fast moving consumer good (FMCG) category targeted toward low-income consumers. A growing stream of research under the labels of bottom of pyramid (BoP) and subsistence consumers has increasingly pointed out the market attractiveness of this low-income population to multinational companies especially in the FMCG sector. These poor consumers are individuals who earn approximately $2 per day. The largest BoP market in the world by size of population is in India where, according to a 2011 World Bank estimate, 69 % of the country's total population (approximately 1.2 billion) earns $2 per day. Companies that compete in the FMCG market aggressively target the BoP consumer where, according to several industry sources, companies have seen a double digit growth in spending on advertising and promotional offers.

In this paper, we explain the nature of sales promotional offers common in the FMCG category that target the BoP consumer, promotional offers that are successful in the BoP segment, and the reasons "why" the poor do or don't respond favorably toward promotional offers. The data for this paper comes from a qualitative study conducted with urban poor consumers in India. Using an in-depth interview method, 58 urban poor individuals provided detailed accounts of their purchase and patronage behaviors. Findings show two dominant patterns in deal proneness amongst the

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BoP consumer: First, a low level of deal proneness and second, a presence of deal specificity, when deal prone. Four reasons are offered each to explain why BoP consumers are deal insensitive at a generalized level and why two promotional offers—price and volume discount along with a product premium offer are well received—signal the presence of deal specificity amongst the consumers. Data analysis shows that BoP consumers don't respond favorably to sales promotions due to four specific reasons—low level of marketplace literacy, low awareness of current promotional campaigns, withholding of the promotional offer by the "kirana" store keeper, and deep rooted brand loyalty. This study carries significant implications for both domestic and multinational companies that market fast-moving consumer goods in the BoP market.

**References available upon request.**

# The Analytical Model of Country Resources, Country Image, and Foreign Direct Investment: The Country Branding Implications

Qin Sun

## Abstract

With the potential economic, political, and strategic values inherent in developing a favorable country image, country branding has received increasing scrutiny from both practitioners and researchers in the last decade (Anholt 1998; Dinnie 2008; Olins 2002; Popadopoulos and Heslop 2002; Sun and Paswan 2011, 2012). The country as a brand represents the intangible assets of the country, encompassing various dimensions such as politics, economics, culture, history, social psychology, and technology. Although extant studies focus on various factors relevant to country brand and country branding (Fan 2006; Florek and Conejo 2006; Loo and Davies 2006; O'Shaughnessy and O'Shaughnessy 2000), there is a lack of an organizing mechanism to connect the factors identified in the literature. This study focuses on the outcome factor of country branding foreign direct investment (FDI) and intends to clarify the associations between different antecedent factors of country branding and FDI.

Hunt and Morgan's (1995, 1996) resource advantage theory serves as the theoretical foundation of this framework. Archival data (1995–2006) were used for economic factors such as economic development of a country, FDI, infrastructure factors, and political factors. The data sources include databases from World Development Indicators (WDI), International Monetary Fund, *The Wall Street Journal*, and the Heritage Foundation. A survey was used to collect data for reputable brands and reputable industries.

This study uses a panel data model to connect the various factors of country branding because it offers two main advantages over pure cross-sectional or pure

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time-series data alone. First, it is able to simultaneously analyze the factors that affect country branding both over time *and* across countries. This also allows the capture of any cross-country effects that may exist over time. Second, the panel data model is able to explicitly capture nonmeasurable factors, or "unobserved effects," that differentiate one country from another or one time period from another.

Two studies were conducted to build the panel data models. First, a pretest study was conducted to estimate what kind of models can be used to connect the determinant and outcome variables of country branding, utilizing 13 countries who hosted either Summer or Winter Olympic Games during the period of 1995–2006. Next, the list was expanded to 24 countries across 6 regions: North America, South America, Asia, Europe, Africa, and Australia. The countries selected were also differentiated in terms of the level of their economic development. Based on the aforementioned criteria, the countries selected were Australia, Brazil, Canada, China, Denmark, England, France, Germany, India, Italy, Japan, Mexico, Malaysia, New Zealand, Norway, Peru, Russia, Singapore, South Africa, South Korea, Spain, Thailand, Turkey, and United States. In the second study, the one-way random effects panel data models were developed to explore the relationships among the determinant factors, the moderator, and the outcome factors of country branding.

This study has a surprising finding that none of the factors is significant when NBI is added into the model as a moderator. This is understandable since FDI has long-term orientation and incurs much a higher risk than other outcome factors such as exports and tourism. Therefore, foreign investors are more conscientious of the potential risks of a specific country and, as a result, country branding strategies may have less impact on their decisions. Further research is needed to investigate the potential reasons.

**References available upon request.**

# You Look Marvelous: The World of Flattery in Marketing

**Xin Wang, Namika Sagara, and Lynn Kahle**

## Introduction

Recent research in marketing has identified the importance of flattery (e.g., Chan and Sengupta 2010, 2013), as has research in other areas of social science (e.g., Gordon 1996; Vonk 2002). For example, dual attitudes theory implies that "even when ulterior flattery by marketing agents is accompanied by an obvious ulterior motive that leads targets to discount the proffered compliments, the initial favorable reaction (the implicit attitude) continues to coexist with the discounted evaluation (the explicit attitude)" (Chan and Sengupta 2010, p. 122). In any interpersonal marketing activity, social strategies will be important contributors to results. Although consumer and business ingratiation process is shaped by culture and social values, only a few studies have examined consumer ingratiation processes in cross-national settings. Increasing interactions between the world's largest economies calls for an increased mutual understanding of ingratiation strategies in the major countries.

Our main objective of this paper is to understand how international consumers and business people may differ from the US consumers in their communications and behaviors. We provide evidence of different ingratiation processes among

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international consumers and discuss the theory about how to understand and communicate with people of different cultures effectively.

## Methodology

We generated 36 items pertaining to consumer ingratiation that potentially distinguish between consumer behavior in the USA, Japan, S. Korea, France, and Germany. We chose these countries as some of the major democratic-country economies. We took a novel approach to develop measures in that all items were created in both Japanese and English simultaneously. Using this technique, the quality of translation and cultural sensitivity was enhanced. Participants rated agreement with items using a 9-point Likert-type scale. The List of Values (Kahle 1983) was translated using parallel translation with two bilinguals separately, and translation inconsistency was resolved by discussions among the two translators along with a bilingual linguist. The American sample ($n = 164$) came from a large university in Northwest, and the Japanese sample ($n = 130$) was drawn in a private University in Tokyo, Japan. We translated the survey questions into German and French based on the English version following the back-translation procedure outlined by Chapman and Carter (1979). The French sample ($n = 131$), the German sample ($n = 205$), and the Korean sample ($n = 105$) came from comparable universities. Each participant completed the 36 behavioral measures and the List of Values (Kahle 1983).

## Results and Discussion

Exploratory Factor Analysis (EFA) was conducted on 36 items, ranging from in-group versus out-group contrast to the reactions and motivations of compliments. *Non-contingent Flattering* (sample item: "When an acquaintance flatters me, I feel happy.") and *Paradoxical Flattering* (sample item: "When I put down my friends while they are standing next to me, they understand that I really am showing affection to them.") demonstrated that Americans agreed more to *Non-contingent Flattering* ($M = 7.46$) than to *Paradoxical Flattering* ($M = 4.11$), whereas Japanese agreed to both constructs equally ($M = 6.77$ and $M = 6.23$, respectively). For all reported differences, $p < 0.05$. These results suggest that Americans prefer overt politeness and flattering more than Japanese do. Further analysis demonstrated that non-contingent flattering is effective for Japanese who chose "Warm relationship with others" as their most important value. In addition, overall, participants from Germany and France did not agree with Non-contingent Flattery as much as those from the USA and Japan. The opposite pattern applied to paradoxical flattering; participants from Germany and France approve significantly more than those from Japan and the USA ($p < 0.05$).

This result indicates that sincerity of compliments is important for Americans, but it does not matter as much to Japanese. This non-genuine flattering is called "*oseji*" in the Japanese culture, and it is perceived to be an essential social lubricant in some parts of Asian society. Unlike in the USA, these non-genuine compliments are perceived with an intention to maintain positive relationships in Japan. In fact, Japanese ($M=7.71$) and German ($M=6.38$) samples agreed that "sometime I need to make admiring comments even when I do not really believe the person deserves it (Non-Genuine 1)," but Americans and Koreans ($M=2.27$) did not. Also for the item, "I cannot feel intimate with people who are too courteous to me (Non-Genuine 2)," participants from France and Korea tend to agree more than those from the USA and Japan.

Americans and Koreans agreed significantly more on the *White Lies* composites (e.g., "When people say something bad about themselves, you should overtly disagree with them in order to cheer them up [White Lies 1].") than Japanese, the French, and Germans. Again, we observed an opposite pattern in response to one of the classic self-presentation dilemmas, "If a girlfriend asks her boyfriend if she looks good in a dress, he should always say, 'Yes,' regardless of what he really thinks [White Lies 2]."

Conformity or agreement is valued in Japanese culture, and overt disagreement can be seen as inappropriate even when somebody talks about negative aspects of themselves. Interestingly, a social value (Kahle 1983) also had a significant effect on *White Lies* only for Japanese: people who chose the "Warm relationships with others" as the most important value agreed with this composite significantly more. This finding suggests that Japanese who values "Warm relationships with others" would be more likely to make an extra effort to cheer up their friends. In general, however, Japanese seek agreement when they speak, and Japanese also say what is expected. In fact, under another composite, *Calculated Self-Expression*, Germans ($M=6.92$) agreed that they shape what they say to what the audience expects to hear, but Americans agreed that opinions should reflect their own unique perspective ($M=7.13$) and do not shape what they say to what the audience expects to hear ($M=4.49$). Interestingly, both items in the Japanese sample loaded positively to *Calculated Self Expression*, indicating that Japanese agreed that opinions should reflect their own unique perspectives as well as not confront others. This difference reflects the collectivistic cultural value that one should be a good member of [Asian] society by maintaining conformity while contributing to the community.

Interestingly, the collectivist view of shared responsibility applied to Japanese, Koreans, *and* Americans, but not to the French and Germans, as evidenced by responses to the item, "Everybody in the sales department should tolerate an across-the-board pay cut as a part of the punishment for team responsibility when a sales team does not reach its monthly quota for sales (Punishment)." (See Chart 5.) For whom to praise in a winning situation like "When your team wins, you should praise the individual most responsible for the success rather than simply praise the whole team (Win)"; Germans showed the highest individualism, but Americans scored the lowest. For whom to blame in a scenario like "A local store sells you a toy made in another country that turns out to be defective. You return it to the store

where you bought it. The sales clerk at the local store should apologize to you because the toy he/she sold was defectively manufactured (Mistake)": Japanese agree most ($M = 7.24$) and think more collectively than participants from the rest of the countries.

In summary, all five countries differ in their understanding, motivation, and responses toward flattery, and consequently the ingratiation strategy varies in different cultures. Americans tend to prefer non-*contingent flattering* to *paradoxical flattering*, but Japanese prefer them equally. The French and Germans share a high approval level for paradoxical flattering. On average, Americans and Koreans believe more in some types of white lies than the French, Germans, and Japanese; but the French and Germans are more comfortable telling other types of white lies. In addition, social values have an influence on the use of *White Lies* for Japanese. With regard to self-expression, Americans prefer to present their unique opinions to accordance and Germans prefer to express their opinions that are shaped by others, whereas Japanese prefer to have both uniqueness and accordance.

## Conclusions

Our study shows that different cultures use very different strategies for ingratiation. These differences can results in miscommunication and misunderstandings between marketers and consumers in different cultures. The differences are more complicated than many of the simple rubrics that marketers often apply to understanding broad cultural differences. Further, Americans may never know that discrepancies exist because, for example, Japanese believe expressing disagreement is inappropriate. Further, some consumers and business partners tend to shape what they say to what they are expected to say. In order to obtain effective communications strategies in increased interactions between the different cultures, mutual understandings between consumer and business-person ingratiation are imperative. The dual attitude theory may need to be qualified in a complex cultural context. Excessive flattery may undermine credibility in some cultural contexts but may nearly be necessary in other contexts. These results also have important implications for theory about the social psychology of ingratiation and social comparison theory (Jones 1964; Vonk 2002), which will be explored thoroughly in the presentation.

**References available upon request.**

# Session 10.3
# Consumer Behavior Mix II

# The Influence of Perceived Justice on Service Satisfaction and Behavioral Intentions in Service Encounters at Retail Banks in a Post-complaint Setting

**Daniel J. Petzer, Göran Svensson, and Christine F. De Meyer-Heydenrych**

## Abstract

It is widely recognized that service encounters between a service provider and a customer in a retail banking environment are often prone to service failures. When these service failures occur, it is encouraged that customers engage in complaint behavior. Based upon the service recovery efforts undertaken by the service provider in response to a complaint, the customer experiences a sense of justice relating to the degree of service failure, known as perceived justice. The perceived justice customers experience from service recovery efforts could restore a sense of satisfaction amongst customers and could ultimately lead to desired behavioral responses from the customers concerned. Perceived justice and its influence on satisfaction and behavioral intention have not been investigated in the competitive South African retail banking environment that is often fraught with service failures. This paper therefore examines the influence of two dimensions of perceived justice, namely interactional justice and distributive justice on service satisfaction and behavioral intention in this context in a post-complaint setting. A sample of 281 South African respondents who experienced a service failure with a bank and who complained to the bank were surveyed using a self-administered questionnaire. A confirmatory factor analysis and structural equation modeling (Jöreskog and Sörbom 1976) were performed using SPSS/AMOS 19.0 software to test the measurement and structural properties of the research model. The research model generated satisfactory

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findings, and the goodness-of-fit measures were acceptable for both the measurement model and subsequently for the structural model. The results indicate satisfactory convergent validity and satisfactory reliability. The model also demonstrates acceptable discriminant validity. The empirical findings of the structural model also suggest that the tested structural model is satisfactory. All three hypothesized relationships were significant, which confirms nomological validity. The empirical findings support the notion that interactional and distributive perceived justice in banking service encounters influence the satisfaction, and in extension, behavioral intention of customers in the retail banking environment in South Africa. A service provider operating in the banking environment within this particular context has to consider the post-complaint service encounter as a critical opportunity to recover from a service failure in such a way that the customer is left with a sense of perceived justice since it influences satisfaction and ultimately behavioral intention of customers. To create a sense of perceived justice, the service provider has to ensure it interacts with customers in the post-complaint service encounter in such a way that these customers perceive the interaction to be fair, respectful, ethical, and effective. The service provider also has to ensure that the outcome of the post-complaint service encounter is perceived by these customers as being fair.

**References available on request.**

# Half Empty Versus Half Full: Linguistic Effects on Numerical Perceptions

**Christopher Lee**

## Abstract

Marketing is about more than just a number. From a long road trip to a half empty arena, adjectives carry numerical associations. The research within this paper builds on that idea while focusing on markedness, a linguistics theory, which has been called the evaluative superstructure of language. Asking "How tall is the person?" is not an indication that the person is tall but merely a neutral way to ask about a person's height. Asking "How short is the person?" however implies the person is actually short in addition to asking for their height. This paper shows how a *marked* term, such as *half empty*, results in significantly different, and lower, estimates of attendance than an *unmarked* term, such as *half full*, in addition to influencing other aspects of the consumer judgment scenario. The research contributes to theories on linguistics and consumer judgment by showing how mathematically equivalent frames result in different numerical perceptions.

**References available upon request.**

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# Session 10.4
# Co-Creation of Value in the Digital World

# Contemporary E-Commerce Sites: Perceived Value of Netflix Self-Service App

Adesegun Oyedele

## Abstract

The main goal of this study was to respond to the call by self-service technology (SST) researchers to investigate consumer evaluation of SST value in a unique context. The self-service app context is relevant in our modern-day contemporary e-commerce society where consumers increasingly rely on apps to make consumption decisions. For instance the video streaming service from Netflix's self-service app is a global network phenomenon, according to tech analysts on Wall Street

The methodology employed in this study is qualitative and was conducted using an in-depth interview technique. An initial pilot study was conducted with four heavy users of the Netflix app. The reason we selected Netflix is the Netflix self-service app is one of the most popular contemporary self-service apps among the most represented age group in the United States. The target population for this study is millennials or individuals within the age range of 18–29. For the main qualitative study, face-to-face in-depth interviews were conducted with 16 users of Netflix's self-service apps. The users were recruited through an email message sent out to students in a regional university located in the Mid-West. The average age of the participants was 23. Men and women were equally represented: eight female and eight male respondents. For a qualitative research study, this sample size is generally considered adequate to obtain an understanding of the subject of investigation. All respondents to the study were white. The participants' incomes ranged from $1000 to $20,000 annually. Research participants were entered into a prize drawing.

The study revealed consumers expressed more extrinsic value experiences than intrinsic value experiences in their evaluation of the Netflix self-service app. Many participants narrated numerous personal stories that reflect heightened perceptions of convenience, control, and social values/benefits. The findings on consumer heightened perceptions of convenience and control value are consistent with Lee

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and Allaway (2002) and Oyedele and Simpson's (2007) SST studies which suggest consumer decisions to use and experience SSTs are influenced by perceived convenience and control values. Most respondents' intrinsic value experiences with Netflix's self-service app are associated with browsing and exploring Netflix's user interface. These findings are consistent with Heinonen's (2009) study which suggests that consumers may derive positive emotional value from the process of exploring and scouring numerous service options before purchasing the product/ service.

Overall, the results suggest convenience value of cross-platform compatibility is the most relevant extrinsic value associated with consumer use of the Netflix self-service app. The study also revealed perceived emotions of ethical value and emotions of low risk of disappointment are important dimensions of emotional value usage of self-service apps and contemporary e-commerce sites.

**References available upon request.**

# The Impact of Webshop Familiarity and Online Customer Review Valence on Customer's Trust and Purchase, Word-of-Mouth, and Information Seeking Intentions

**Ardion Beldad, Joyce Karreman, and Joske Behrens**

## Introduction

In most online commercial transactions, customers' feeling of uncertainty about the success of an exchange can be attributed to its faceless and intangible character (Beldad et al. 2010). Uncertainty eventually may lead people to search for certain cues to minimize uncertainty's discomforting effect and to aid them in deciding whether or not to engage in an exchange in which success is not guaranteed. Whenever people encounter uncertainty in an online exchange, they look for cues that could increase their confidence in the exchange partners. These confidence-enhancing cues or trustworthiness features, according to Beldad et al. (2010), may be either attributes of the exchange partner (e.g., reputation) or characteristics of the channel used for the online exchange (e.g., website design, security seals).

The experiment described in this abstract looked into the impact of familiarity (high vs. low) and online customer review valence (positive, negative, or a mix of both) on online customers' trust and purchase, word-of-mouth, and product information search intentions. It was decided to focus on these variables since they are expected to interact, as evidenced by results of a study by Chatterjee (2001). According to the researcher just mentioned, customers who are familiar with a specific online shop are less likely to be affected by negative reviews about the shop.

Familiarity is a necessary element for trust cultivation (Mollering 2006), since trust is only possible in a familiar environment (Luhmann 1979). In an online context, when a customer has no prior transaction experience with a shop, that customer could use familiarity as a cue for the decision on whether or not to purchase from

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the shop. Indeed, as results of several studies (e.g., Gefen 2000; Kim et al. 2008) have shown, a customer's familiarity with an online shop could lead to positive outcomes such as trust and purchase intention.

When familiarity will not suffice, however, customers will also rely on online consumer reviews, especially when the planned purchase involves a costly product or service (Park et al. 2007). Although positive reviews are known to have a positive impact on customers' trust (Kusumasondjaja et al. 2012; Sparks & Browning 2011) and purchase intention (Sparks & Browning 2011), negative reviews are regarded more credible than positive ones (Kusumasondjaja et al. 2012). There is empirical support for the claim that customers tend to trust an online shop that posts both positive and negative reviews compared to another shop that presents either positive or negative reviews only (Eisend 2006). Findings from previous studies resulted in the following hypotheses:

Hypothesis 1: Online customers have more (a) trust in and a higher intention (b) to purchase from an online shop, and (c) to spread a positive word-of-mouth about an online shop and a lower intention (d) to search information about an online shop that is considered familiar than one that is not considered familiar.

Hypothesis 2: Online customers have more (a) trust in and a higher intention (a) to purchase from an online shop, and (c) to spread a positive word-of-mouth about, and a lower intention (d) to search information about an online shop when confronted with a balanced set of customers reviews (both positive and negative reviews) than with sets of reviews that are either exclusively positive or negative.

Despite what is currently known about the independent effects of website familiarity and online review valence on customers' attitude and behavioral intentions, not much is known about the relationship between the two variables as potential determinants of attitude and intention. This leads to the more exploratory research question:

To what extent does the customers' familiarity (or unfamiliarity) with an online shop interact with the tone of the reviews (positive, negative, or a mix between positive or negative) when influencing (a) trust and behavioral intentions to (b) purchase from and (c) spread positive word-of-mouth about, and to (d) search information about an online shop?

## Methodology

A 2 (familiar webshop vs. unfamiliar webshop)×3 (positive reviews, negative reviews, and positive-negative reviews) experimental design was used to test the effects of webshop familiarity and review valence on trust in the webshop, purchase intention, word-of-mouth intention, and information-seeking intention. The familiar webshop used for the study was selected from a list of Dutch webshops who have won awards in 2012. Familiarity, in this study, therefore, is operationalized in terms of the extent to which study respondents know about the existence of the webshop.

With the decision to use a high-involvement product, specifically a laptop, for the study, an online shop that sells electronic goods was selected for the experimental material. The selected webshop is also considered as the biggest online retailer in the Netherlands. A page of a nonexistent webshop was then designed to represent the unfamiliar webshop, with the website design closely resembling that of the familiar website to control for the effects of design. At the start of the experiment, participants were instructed to imagine a situation when they have to buy a laptop from an online shop.

Fictitious reviews primarily focusing on the delivery procedure and the customer service of the online shop were formulated. One set of positive reviews consisted of six two-sentence reviews from customers indicated by either a fictional complete name or a pseudonym and the other set of negative reviews also had six two-sentence reviews. The balanced set of reviews had three positive and three negative reviews. Additionally, positive reviews were complemented by a four- or a five-star rating, while a one- or two-star rating was affixed to the negative reviews. The names of the fictional writers of the customer reviews with either a positive or a negative tone were kept constant.

A total of 244 Dutch online customers aged between 18 and 30 ($M = 23.9$, $SD = 3.20$) participated in the experiment and they were randomly assigned to the six experimental conditions. Of the 244 respondents, 203 were females (82.3 %).

The first dependent variable, trust ($\alpha = 0.88$), was measured with three slightly modified items derived from the scales of Pavlou (2003) and Gefen (2000). Five items from Chen and He (2003) and Hausman and Siepke (2009) were used to measure "purchase intention" ($\alpha = 0.90$), while five items from several scales (Chen and He 2003; Brown 2005; Hong and Yang 2009) were selected for the construct "word-of-mouth intention" ($\alpha = 0.94$). "information-seeking intention" ($\alpha = 0.83$) was measured with five items from Rong and Feng (2003) and those items were modified to suit to the context of the study.

Inspection of how the research participants responded to the manipulation check question for review valence indicated that those who were exposed to the positive review condition agreed that they saw a positive review, those exposed to a negative review condition admitted to have read a negative review, and those exposed to the mixed condition stated that they have read a set of reviews with both positive and negative tones.

Results of a crosstabulation analysis also indicated that all participants ($N = 121$, 100 %) exposed to the familiar manipulation (an existing Dutch online retailer) were familiar with the shop, while all participants ($N = 123$, 100 %) exposed to the unfamiliar manipulation (a fictitious online shop selling electronic items) indicated to be unfamiliar with the shop. Both manipulations, therefore, were successful.

## Results and Discussion

A multivariate analysis of variance (MANOVA) was performed to test the two sets of research hypotheses. MANOVA shows a statistically significant main effect of familiarity on the dependent variables (Pillai's trace $F_{8, 472} = 16.75$, $p < 0.001$, partial

$\eta^2 = 0.22$). That is, a familiar website will lead to increased trust ($F_{1, 238} = 128.54$, $p < 0.001$), purchase intention ($F_{1, 238} = 181.37$, $p < 0.001$), and WOM intention ($F_{1, 238} = 148.67$, $p < 0.001$), and such website can lower influence information seeking information ($F_{1, 238} = 22.87$, $p < .001$). These results suggest that the first set of hypotheses is supported.

MANOVA further shows the statistically significant effect of review valence on the four dependent variables (Pillai's trace $F_{4, 235} = 50.59$, $p < .001$, partial $\eta^2 = 0.46$). Respondents' level of trust in the online shop depends on review valence ($F_{2, 238} = 86.14$, $p < 0.001$). Tukey HSD results indicate that trust levels due to positive reviews ($M = 3.55$, SD $= 0.70$), or a set of mixed reviews ($M = 3.12$, SD $= 0.82$), and negative reviews ($M = 2.16$, SD $= 1.01$) significantly differ from one another ($p < 0.001$). Hypothesis 2a, therefore, is not fully supported, since positive reviews result in the highest trust levels.

Purchase intention also depends on review valence ($F_{2, 238} = 40.56$, $p < 0.001$), as it can be influenced by either positive reviews ($M = 3.10$, SD $= 1.01$) or a mix of positive and negative reviews ($M = 2.83$, SD $= 0.97$). Tukey post hoc analysis also reveals that both positive reviews and a set of mixed reviews significantly differ from exclusively negative reviews ($p < 0.001$). Hypothesis 2b, therefore, is not fully supported.

Additionally, review valence also influences WOM intention ($F_{2, 238} = 33.62$, $p < 0.001$), as intention is higher when respondents are confronted with both positive reviews ($M = 2.82$, SD $= 0.94$) and a set of mixed reviews ($M = 2.61$, SD $= 0.87$) than by negative reviews ($M = 1.90$, SD $= 0.99$). Results of the Tukey post hoc analysis indicate that both positive reviews and a set of mixed reviews significantly differ from negative reviews ($p < 0.001$). Again, Hypothesis 2c, therefore, is not fully supported. However, MANOVA results indicate that review valence does not contribute to information-seeking intention ($F_{2, 238} = 0.84$, $p = 0.43$). Hypothesis 2d, hence, is not supported at all.

The expected interaction between webshop familiarity (or unfamiliarity) and review valence, however, is not statistically supported (Pillai's trace $F_{8, 472} = .87$, $p = 0.59$), which suggests that the effects of familiarity and review valence on trust, purchase intention, word-of-mouth intention, and, to a certain extent, information-seeking intention are independent of each other. The fact that the effect of review valence does not depend on the impact of webshop familiarity contradicts findings of a study by Chatterjee (2001).

In line with what has been known in the literature, this study's results highlighted the importance of customers' familiarity with a webshop as a critical determinant of customers' trust in the shop and their willingness to engage in certain actions (e.g., online purchasing, spreading positive WOM, and searching for additional information about a shop). This is to be expected since people would certainly be reluctant to expose themselves to risky situations by trusting and by purchasing from a webshop whose activities and operations are not entirely known. Additionally, when customers are aware of the existence of a webshop, especially of one that is a big player in the market, they could just regard searching information about the

shop as an irrelevant act, as they, according to Biswas (1992), might have no uncertainty-related issues with a familiar shop.

It was initially assumed that customers would be more trusting of a webshop that posts a combination of both positive and negative reviews, as shop and message credibility improves when the shop opts not to present positive reviews only (Doh and Hwang 2009). Certainly, customers might think of exclusively positive reviews on a shop's website as "too good to be true," since consumers would expect that when others are reviewing a product or service, the focus would be on either its bright or dark sides (Lee et al. 2008). When negative reviews are missing, customers might be inclined to think that a shop has filtered them out from its website.

In this study, however, respondents tend to trust a webshop and to have a higher intention to perform certain actions (e.g., purchasing, spreading word-of-mouth) after reading positive reviews about the shop and not when confronted with a balanced set of reviews. However, the differences in the impact of the two review sets on the dependent variables are not statistically significant. When compared to the effects of negative reviews, nonetheless, the influence of both positive reviews and mixed reviews are significantly different. This seems to suggest that even if positive reviews are still preferred, presenting reviews with both positive valence and negative valence will not really harm customers' trust and lower their purchase intention, especially when compared to the impact of an exclusive set of negative reviews.

However, the higher mean values for trust and behavioral intention in the positive review condition than in the mixed condition could be attributed to the artificial design of the review sets, and as in the balanced set of reviews, the number of positive and negative reviews was equal in number. When customers find themselves in the situation described previously, they might opt to refrain from the 50/50 chance of being betrayed by the online shop, but would probably pursue an action in which there is a 100 % success rate as signified by the exclusively positive reviews posted by previous customers. This leads to the question on whether or not the proportion of positive and negative reviews about a webshop's delivery procedure and customer service would impact customers' trust in a webshop and their performance of certain behaviors.

## Conclusions and Implications for Theory and Practice

Results of the current study have both important implications for theory and practice. For the theoretical implication part, future research could still look into the impact of the proportion of positive and negative reviews on customers' attitude and intentions and whether or not the effect would be influenced by the customers' familiarity or unfamiliarity with an online shop. Furthermore, as the experiment was conducted within the context of a high-priced product only, it would be interesting to also see whether or not the effects of the manipulations on variables such as trust and purchase intention would stay the

same if a low-priced product is used. Hence, the possible moderating role of product type (e.g., experience vs. search, high price vs. low price, functional vs. symbolic) in the relationship between review valence and familiarity on the dependent variables mentioned should be taken into account.

Important insights for practitioners could also be acquired from the results of the current study. Although positive reviews still have stronger impact on customers' trust and behavioral intentions than mixed reviews and negative reviews, posting mixed reviews on a shop's websites does not automatically result in trust and behavioral intention reduction. Online shops, therefore, must focus not only on posting exclusively positive reviews but also on presenting a balanced set of reviews. However, it is still important that online shops can find a balance in the quantities of positive and negative reviews posted of their websites. The independent effects of webshop familiarity and review valence on trust and purchase intentions suggest that online webshops should strive to increase customers' familiarity with them and to ensure that customers are not dissatisfied with the service they have received so as to prompt them to write negative reviews about the online shop.

**References available upon request.**

# Customer Value Co-creation in Social Media: Conceptualization and Antecedents

**Arash Hosseinzadeh and Mohammadali Zolfagharian**

## Introduction

Previous research has defined three main types of value creation processes including (1) firm value creation, (2) customer-firm joint value creation, and (3) customer value creation (Dong et al. 2008). Although the customers–customer interaction is highly emphasized in establishment of individuals' experience in service encounters including online platforms, it is ignored in the value co-reaction process.

   The purpose of this research is to bridge the gap in the literature by focusing on the customer-to-customer relationships in the value co-creation process. Further, we provide a theoretical framework by theory of planned behavior borrowed from social psychology literature to identify the predicators of this notion.

## Theoretical Background

### Customer Value Co-creation (CVCC)

Co-creation of value signifies that value is created at "the intersection of the offerer, the customer, … and other value creation partners" (Lusch et al. 2007, p. 11). Customers' interactions with firms and other customers, especially with enabling technological advancements, inspire them to play a significant role in the value creation. The sixth fundamental premise of S-D logic addresses customers as

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"Co-creator" of values (Vargo and Lusch 2004). In this regard, customers are not a passive audience, but always active co-creators of values whose competences are co-opted by companies as competitive strategies (Prahalad and Ramaswamy 2004).

## *CVCC in Social Media*

Technology advancement as a facilitator of interaction among individuals has fertilized the growth of co-creation in our epoch. The emergence of social media and smart phones as novel means of communication has revolutionized value networks (Ansari et al. 2011). Firms and individuals have become the creators of platforms such as social networking sites and mobile applications and customers as well as their interrelated interactions have become the underlying mechanism of value creation. In the early steps of value creation process firms' roles are prominent while by the emergence of customers in the value network, the value creation role is taken by customers and firms become only the facilitators of the value creation streams.

## Research Hypothesis

### *Theory of Planned Behavior (TPB)*

TPB is widely applied in numerous studies in various fields (Ajzen 1991; Armitage and Conner 1999). The basic tenet of the TPB holds that the individual's intention to act directly determines his/her behavior. Based on this theory, three sets of key predictors including attitude, subjective norm, and perceived behavioral control determine the behavioral intention.

Hypothesis 1: Attitude toward joint value creation behavior is positively associated with intention to value co-creation behavior.
Hypothesis 2: Subjective norm is positively associated with intention to value co-creation behavior.
Hypothesis 3: Perceived behavioral control is positively associated with intention to value co-creation behavior.

The role of past behavior as a substantive predictor of future behavior is highly emphasized by previous research (e.g., Ajzen 1991; Bamberg et al. 2003). According to Goles et al. (2008), past behavior is a salient indicator of intention across all settings, and a significant antecedent of attitude.

Hypothesis 4: Past Behavior is positively associated with intention to value co-creation behavior.
Hypothesis 5: Attitude toward joint value creation behavior is a mediator of the effect of Past Behavior on intention to value co-creation behavior.

Past behavior is also known as the most important source of information about behavioral control (Bandura 1991).

Hypothesis 6: Perceived behavioral control is a mediator of the effect of past behavior on intention to value co-creation behavior.

## Methodology

We recruited 390 undergraduate students from a Southwest United States public university by paper-pen surveys. The sample consisted of 51 % male and 48 % female respondents.

### *Measures*

In line with Hosseinzadeh's (2015) recommendations about CVCC measurement, this construct was measured using multidimensional scale including customer participation and citizenship behavior (Yi and Gong's (2013).

Attitude, subjective norm, and perceived behavioral control as the components of TPB were measured by adopting scale items from Bagozzi and Dholakia (2006). Past behavior was measured by four-item, 7-point scale from "never" to "every time."

### *Validation*

The underlying structure of the variables was verified by Exploratory Factor Analysis using SPSS Statistics 20.0 and confirmatory factor analysis using AMOS 20.0. Kaiser-Meyer-Olkin (KMO) and Bartlett's test showed acceptable results (Hair et al. 2010). All items are loaded on the respective factors with the exception of customer citizenship behavior construct in which the first item of feedback dimension (Feedback1, and Feedback2) was deleted due to the item loading less than 0.5 (0.483) (Hair et al. 2010).

We checked convergent and discriminant validity of the study by three criteria of Fornell and Larcker (1981). All items are loaded significantly on the respective construct. Second, composite reliabilities surpassed the threshold of 0.7. Third, all the average variance extracted (AVE) exceeded 0.5. In order to assess the discriminant validity between measures, the square correlations between all constructs are measured. For all constructs except one (past behavior), the square correlations between two constructs are lower than the corresponding AVEs which exhibit the establishment of discriminant validity.

# Findings

## *Hypothesis Testing*

AMOS 20.0 was used to perform measurement and Structural Equation Modeling and both are considered in order to check the model fit. All the indices are within the threshold of Hair et al. (2010) illustrating a good model fit. H1, the positive association between attitude (ATD) and Intention to Co-create Value (ITCCV), was supported ($\beta$=0.155; $p$<0.01). H2, the positive association between Subjective Norm (SN) and ITCCV, was supported ($\beta$=0.199; $p$<0.01). H3, the positive association between Perceived Behavioral Control (PBC) and ITCCV, was not supported ($\beta$=0.069; $p$>0.05). H4, which proposes the positive association between PB and ITCCV, was supported ($\gamma$=0.679; $p$<0.001).

## *Mediation Test*

As it is shown by SEM results and proposed in hypotheses 5 and 6, ATD and PBC respectively play a mediating role in the effect of past behavior on ITVCC. We tested these mediations using the bootstrapping technique in SEM, which determines the significance of the indirect effect and its impact on the direct effect. ATD with 95 % confidence mediates the relationship between past behavior and ITCCV which provide support for hypothesis 5. Whereas results show that PBC is not a mediator of the relationship between past behavior and ITCCV. (Hypothesis 6 is rejected.)

# Discussion and Implication

In this research we attempt to provide the theoretical and empirical evidence to conceptualize customer value co-creation in social media platforms and indicate the relevant predictors.

In online platforms including where the interaction among customers is more noticeable, the source of value creation shifts from customer–company interaction toward customer–customer interaction. The higher amount of customer–customer interaction leads to the higher level of values which in turn brings more value for all parties.

Consistent with extant literature in TPB attitude, subjective norm along with past behavior is indicated as the significant predicators of value co-creation in social media platforms. From customer's perspective, sharing information, personal interaction, helping others, etc. are considered as a tool by which individuals are engaged in the value co-creation process. Moreover, attitudes of customers toward engagement to value co-creation are originated from their past experiences.

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# The Effect of Product Reviews on the Purchase Intent of Bundled Products

**Patrick Fennell and Chatt Pongpatipat**

## Introduction

Product ratings and reviews have become effective tools, providing consumers information about the consumption experience without the actual purchase (Herr et al. 1991; Chatterjee 2001). Although much attention has been paid to the influence of product ratings on perceived quality and purchase intentions (Liu 2006), no research has examined their effects in the context of bundles. Since bundling has become a common practice (Brough and Chernev 2012; Harris and Blair 2006), providing a better understanding of how product reviews affect purchase intentions would seem important. This research investigates whether consumer purchase intentions improve when individual product ratings in a bundle increase.

## Background

There are various forms of word-of-mouth (WOM) and product ratings, and product reviews represent one form. Many stores, such as Amazon.com, have created online portals for actual consumers to review a variety of products. Consumers rely on others' opinions to make decisions, and online reviews or ratings have become a go-to source of information consumers seek. One of the characteristics of WOM that has

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been studied extensively in marketing, psychology, advertising, and communication literature is valence (positive, negative, or neutral) (e.g., Basuroy et al. 2003; Chevalier and Mayzlin 2006; Eliashberg and Shugan 1997). Naturally, positive WOM could enhance perceived product quality and increase purchase intention, while negative WOM could result in negative attitudes (Liu 2006).

Firms frequently offer multiple products and services in a single transaction (Brough and Chernev 2012; Harris and Blair 2006). Gaeth et al. (1990) provided evidence that the ratings of both primary and tie-in products impact bundle evaluations equally. Therefore, one could assume that when the ratings of tie-in products become greater, the purchase intent of the bundle should be higher. However, there is ample evidence that each component of a bundle provides a unique contribution to an overall bundle evaluation (Yadav 1994). Additionally, the marketing literature also suggests that prices allocated differently across products affect bundle evaluations (Hamilton and Srivastava 2008; Janiszewski and Cunha 2004; Morwitz, Greenleaf and Johnson 1998), indicating that products in a bundle may be weighted differently. Based upon these findings, it seems reasonable that one product's rating could assert more influence on bundle purchase intent than other products' ratings.

Some research has examined the effects of product quality on bundle evaluations (Gaeth et al. 1990; Yadav 1994). However, these studies used product descriptions (Yadav 1994) and variations in the number and quality of the products' attributes (Gaeth et al. 1990). With ecological validity in mind, we developed our quality manipulations based on 1-, 3-, and 5-star ratings similar to the ratings present on e-commerce websites such as Amazon.com. In study one we seek to confirm that product ratings will affect purchase intent in the context of bundled products.

H1: Tie-in product ratings will be positively related to bundle purchase intent.

## Study 1: Methodology

One hundred fourteen undergraduate students participated in study 1 and were given a scenario where they were searching for a television (primary product) and DVD player (tie-in product) when they came across a bundle offering. Participants viewed images of a television and DVD player side by side. The television rating was held constant with a visual 5-star rating. To manipulate DVD player rating, a visual rating of 1, 3, or 5 stars was present underneath the DVD player image. Following the stimulus, participants responded to measures of bundle purchase intent.

## Study 1: Results and Discussion

We used ANOVA to test H1 where bundle purchase intent was the dependent variable and DVD player rating was the independent variable. This analysis revealed a main effect of DVD player rating ($F(2, 114) = 18.07$, $p < 0.01$) on bundle purchase

intent. An independent-samples *t*-test was conducted to compare bundle purchase intent in the 1-star and 3-star DVD ratings conditions. There was a significant difference in the bundle purchase intent for the 1- ($M_{\text{1-star}}=3.83$) and 3-star ($M_{\text{3-star}}=5.09$) DVD player conditions; $t(72)=4.19$, $p<0.01$. In addition, there was a significant difference in the bundle purchase intent for the 1- ($M_{\text{1-star}}=3.83$) and 5-star ($M_{\text{5-star}}=5.46$) DVD player conditions; $t(75)=5.68$, $p<0.001$. However, there was no significant difference between the televisions paired with the 3-star versus 5-star rated DVD players ($p>0.10$). Thus, H1 was partially supported.

Now that we have demonstrated that product ratings can influence bundle purchase intent, we investigate the influence of product ratings for both products in a bundle. Based on the findings of Gaeth et al. (1990), we would expect to be able to simply add the number of stars present in product reviews to predict bundle purchase intent. However, the findings from Yadav (1994) suggest that the product to which the stars in a review are attributed matters. Given the findings from the marketing literature, we anticipate that the rating of the primary product will be more influential on bundle purchase intent than the rating of the tie-in product. Thus, similar to Yadav's (1994) findings, and contrary to the findings from Gaeth et al. (1990), we expect:

H2: Primary product ratings will be positively related to bundle purchase intent.
H3: With primary product ratings equal, tie-in product ratings will be positively related to bundle purchase intent.

## Study 2: Methodology

One hundred sixty-one subjects participated in study 2, a 3 (Laptop Rating: 1, 3, 5 stars)×3 (Printer Rating: 1, 3, 5 stars) factor between-subject design. Similar to study one, participants were given a scenario where they were searching for a computer (primary product) and printer (tie-in product) for school when they came across a bundle offering. Participants viewed images of a laptop and printer side by side. To manipulate laptop rating, a visual rating of 1, 3, or 5 stars was present underneath the laptop image. Similarly, the printer rating of 1, 3, or 5 stars was presented underneath the printer image. Following the stimulus, as in study one, participants responded to measures consisting of bundle purchase intent.

## Study 2: Results and Discussion

We used ANOVA to test H2 where bundle purchase intent was the dependent variable and laptop rating and printer rating were the independent variables. The interaction of laptop and printer ratings was not significant on bundle purchase intent ($p>0.10$). However, this analysis revealed a main effect of laptop rating on bundle

purchase intent ($F(2, 161) = 53.87$, $p < 0.01$). An independent-samples $t$-test was conducted to compare bundle purchase intent in the 1-star, 3-star, and 5-star laptop ratings conditions. There was a significant difference in bundle purchase intent for the 1- ($M_{1\text{-star}} = 2.33$) and 3-star ($M_{3\text{-star}} = 3.91$) laptop ratings conditions; $t(105) = 6.01$, $p < 0.001$. There was a significant difference in bundle purchase intent for the 1- ($M_{1\text{-star}} = 2.33$) and 5-star ($M_{5\text{-star}} = 4.82$) laptop ratings conditions; $t(102) = 10..28$, $p < 0.001$. There was a significant difference in bundle purchase intent for the 3- ($M_{3\text{-star}} = 3.91$) and 5-star ($M_{5\text{-star}} = 4.82$) laptop ratings conditions; $t(109) = 3.45$, $p < 0.01$. Thus, H2 was supported.

In addition, there was a main effect of printer rating on bundle purchase intent ($F(2, 161) = 7.72$, $p < 0.01$). We conducted independent-samples $t$-test to compare bundle purchase intent in the 1-star, 3-star, and 5-star printer ratings conditions within each level of the printer ratings conditions. Within 1-star laptop ratings there were no significant differences between printer ratings conditions (all $p$'s > 0.10).

Within 3-star laptop ratings there was a significant difference in the bundle purchase intent for the 1- ($M_{1\text{-star}} = 3.02$) and 3-star ($M_{3\text{-star}} = 4.38$) printer ratings conditions; $t(41) = 3.16$, $p < 0.01$. In addition there was a significant difference in the bundle purchase intent for the 1- ($M_{1\text{-star}} = 3.02$) and 5-star ($M_{5\text{-star}} = 4.01$) printer ratings conditions; $t(29) = 2.16$, $p < 0.05$. However, there was not a significant difference in the bundle purchase intent for the 3- and 5-star printer ratings conditions, $p > 0.05$.

Within 5-star laptop ratings there was a significant difference in the bundle purchase intent for the 1- ($M_{1\text{-star}} = 4.23$) and 3-star ($M_{3\text{-star}} = 5.56$) printer ratings conditions; $t(39) = 4.11$, $p < 0.01$. In addition there was a significant difference in the bundle purchase intent for the 1- ($M_{1\text{-star}} = 4.23$) and 5-star ($M_{5\text{-star}} = 5.15$) printer ratings conditions; $t(37) = 2.23$, $p < 0.05$. However, there was not a significant difference in the bundle purchase intent for the 3- and 5-star printer ratings conditions, $p > 0.05$. Thus, H3 was partially supported.

## Conclusions and Implications for Theory and Practice

These results demonstrate that a simple additive model cannot always account for product ratings in a bundled context. In support of a weighted-additive model, we observed a significant difference in bundle purchase intent as the primary product's ratings increased. However, bundle purchase intent was not always affected when the ratings of the tie-in product increased.

The purpose of this study was to gain insight into how product ratings influence purchase intentions of bundles. Although previous literature has investigated the effects of perceived quality on bundle evaluations (Yadav 1994) and likelihood of purchase at a given price (Gaeth et al. 1990), no research has explored online ratings in the context of bundles. The results demonstrate that the ratings of certain products in a bundle are given more weight in determining purchase intent. In addition, these findings provide evidence consistent with Gaeth et al. (1990) that including a low-rated tie-in product in a bundle can harm bundle purchase intent to a greater

degree than can including a high-rated tie-in product in a bundle that can increase bundle purchase intent.

The results from these studies offer useful insight into the management of product bundles. Many products are commonly sold together as a bundle and consumers can easily access ratings for both products. Our research suggests that appropriately bundling products with complementary ratings could result in higher purchase intent. Product managers should focus more on product ratings of both products and avoid paring primary products with low-rated tie-in products.

**References available upon request.**

# Session 10.5
# Sports Marketing and Fan Reactions

# Stochastic Nature of Attending Behavior at Sporting Events: A Structured Abstract

**Giang Trinh**

## Introduction

This paper applies the well-known stochastic NBD model to attending behavior at sporting events. Using data from a large national survey across a range of sporting events in Australia including Australian football, rugby league, soccer (outdoor), horse racing, cricket (outdoor), netball (indoor and outdoor), basketball (indoor and outdoor), and tennis we show that the NBD is very robust in describing sporting event attending behavior. This result suggests that attendance at sporting events is largely random in nature. The stochastic assumption has important implications for sporting event marketing activities such as which segments of attendees should be targeted, as well as predicting future attending behavior.

## Background

The negative binomial distribution (NBD) has been widely used in marketing for modeling purchase frequency counts, particularly in the packaged goods context. It is known as one of the true marketing laws (Ehrenberg 1996; Sharp 2010). The NBD model was first applied to marketing science by Ehrenberg (1959) to model brand purchasing behavior. Ehrenberg made two assumptions: (1) Purchases of a given consumer in successive time periods follow a Poisson distribution. This implies that the variance of purchases within individual consumers is "as if" random over time (i.e., Poisson process). (2) The mean rates of purchasing of different

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consumers in the long run differ and their distribution is a gamma distribution. In other words, the variance of mean purchases across different consumers is measured by a gamma distribution. Following these assumptions, the frequency of consumers making 0, 1, 2, 3,…x purchases in a given time period can be modeled by the negative binomial distribution. Ehrenberg (1959) shows the earliest published example of the fit of the NBD model to a consumer packaged good brand purchasing data, where the theoretical values closely match the actual data. This means that brand buying behavior follows a predictable pattern, and the underlying assumption is that successive purchases of individuals are independent from previous purchases (zero order effect).

Since the original article by Ehrenberg (1959), the NBD model has been applied in numerous situations including different consumer good categories, different time periods, and different countries (Chatfield et al. 1966; Ehrenberg 1988, 1996). Recently, the NBD model has been applied to different types of behavior such as gambling behavior (Mizerski et al. 2004; Lam and Mizerski 2009), consumption behavior of mobile phone services (Lee et al. 2011), radio listening behavior (Lees and Wright 2009), and blood donation behavior (Faulkner et al. 2013). Due to its robustness, the NBD model has been referred to as a fundamental pattern in marketing (Sharp 2010) and is one of the most managerial useful models for brand and product purchases (Schmittlein et al. 1985).

In this article we examine the NBD model to sporting event attendance. Previous literature suggests that sporting event attending behavior might be a boundary for the law-like patterns generally observed in consumer package good purchasing behavior (Sharp 2010). Neale and Funk (2008) initially tested this model to the Australian football attendance, using survey data from 651 attendees at an Australian football home game. Their results show that overall the NBD model is unable to predict attendance behavior at Australian football games. However, if the seasonal ticket holders are removed from the data, the Australian football attendance follows the NBD model. As the data was collected at a football home game, it is skewed toward the seasonal ticket holders (about 60 % of the total respondents), making the overall misfit of the NBD model is not unusual. For the general population, there should be a very small proportion of seasonal ticket holders compared to nonseasonal ticket holders. Therefore the NBD model is expected to give a good fit to the general population just as when it fits to the nonseasonal ticket holders only. In addition, due to only interviewing the attendees at the football match, the study does not include the non-attendees, which is a requirement for fitting the NBD model. Theoretically, the NBD model is a model of non-negative counts which includes the zero counts. If the zero counts are not known, a zero-truncated NBD model should be fitted to the data instead of the NBD model. Lastly, as the study only examines attendance behavior at Australian football games, it is worthwhile to test if the NBD holds for other sporting events.

To address these shortcomings of the previous study, we use a more comprehensive data set covering a national representative sample across a wide range of sporting events from football to dog racing, to see if the model is capable of describing attendance at sporting events. If attendance at multiple sporting events

follows the NBD model, this could have an impact on the sport institutions' marketing strategies. For example, an advertising strategy to persuade people to attend sporting events would have little effect, since there is a strong habitual behavior associated with this model. The maximum likelihood estimation method was used to fit the NBD model to the observed data, as proposed by Rungie (2003).

## Data

The data was collected from the Australian Bureau of Statistics 2009–2010 Multipurpose Household Survey (MPHS). The survey covered all areas except people living in very remote parts of Australia due to operational reasons and people living in special dwellings such as prisons, hospitals, and boarding schools. The survey was restricted to 15 years old or above. Different topics in the MPHS might have different sample sizes. The initial sample was 38,655 private dwellings but only 32,760 private dwellings were remained in the survey after the sample loss. One person in each dwelling was randomly selected based on a computer algorithm. If the randomly selected individual was under 18, permission was obtained from a parent or guardian before conducting the interview. In case the permission was not obtained, the parent or guardian answered the survey on behalf of the under 18 individual. Data were collected using a computer assisted interviewing (CAI), where the interviewer recorded responses directly onto an electronic questionnaire in a notebook computer. Of those private dwellings remained in the survey, 87 % fully responded to the MPHS. Approximately half of those respondents who answered fully to the MPHS were asked questions on attendance at sporting events (ABS 2010).

## Results

The NBD model is very robust in describing frequency of attendance at different sporting events. The average mean absolute percentage error (MAPE) is 0.09, ranking from 0.00 (cricket) to 0.18 (rugby league).

## Conclusion and Implications

This paper tests the NBD model to predict attendance behavior at a wide range of sporting events. Empirical findings demonstrate that the model is very robust in describing sporting event attendance. Several practical implications can be drawn from the findings. Firstly, with very little information on sporting events such as event penetration and the rate of attendance, sporting event marketers could use the NBD to

predict the number of light versus heavy attendees based on the mean and zero method of fitting (Ehrenberg 1988). This can be used to evaluate the importance of light versus heavy attendees to the overall ticket sales (e.g., whether light or heavy attendees contribute most to sporting event ticket sales). Secondly, sporting event marketers could use the NBD model to predict event penetration over time. The scale parameter of the model is proportional to the length of the time period, and if the length doubles then so does the parameter. Thus, it is possible to estimate how event penetration builds over time. The prediction of event penetration is useful for sporting event marketers, as it shows the importance of non-attendees. For example, using the NBD model to predict penetration of Australian football, many non-attendees of Australian football this year will become the attendees of this sporting event in the coming years. Therefore, sporting event marketers should not ignore these non-attendees when communicating their marketing activity, as in the future they become important contributing to ticket sales.

Thirdly, sporting event managers could use the NBD model to predict changes in attendance behavior over time using the conditional expectation of the NBD model (Goodhardt and Ehrenberg 1967; Schmittlein et al. 1985). For example, if a person is a light attendee to a sporting event in one period, what is the probability that he/she is still a light attendee of that sporting event in the next period? What is the probability of that person converting to be a heavy attendee in the next period? Consequently, the NBD model could be used as a benchmark tool to evaluate any real change in attendance behavior (as opposed to stochastic change), caused by marketing activities, such as promotions and advertising.

For future research, one could extend the univariate NBD model to a bivariate NBD model to examine the differences in heterogeneity in attendance behavior between different consumer segments (e.g., do women attend sporting events less than men?); or between different sporting events (e.g., if an individual has a higher rate of attending football, does she/he also have a higher attending rate at tennis?). The bivariate NBD model can be used to answer these questions. The correlation of the bivariate NBD model will indicate how consistent attendance behavior is across segments or categories without the results being dominated by differences in the mean rates of attendance. The higher the correlation, the higher the consistency is in attendance behavior. The second direction of future research is to apply the NBD-Dirichlet model developed by Goodhart et al. (1984) to multiple sporting events to see if the other law-like patterns such as double jeopardy and duplication of purchase also hold for sporting event attending behavior.

**References available upon request.**

# "*I Can't Stand My Team, but I Can't Live Without It*": Ambivalence Among Highly Identified Sports Fans

**Frank Pons, Marilyn Giroux, Lionel Maltese, and Julie Guidry Moulard**

## Abstract

Highly identified fans are often the focus of brand strategists as they are usually investing time and money to follow the team (Richelieu and Pons 2009). However, highly identified fans represent some challenges for sports teams since they sometimes have mixed emotions toward the team and can engage in dysfunctional behaviors such as the use of abusive language, excessive drinking, and constant complaining of team decisions (Wakefield and Wann 2006). This study focuses on the latter manifestation among these dysfunctional fans and aims at better understanding the mechanisms that explain why these fans experience such strong conflicting emotions toward their favorite sport team. Another goal is to provide a typology of these fans using their rationales and motives to adopt such behaviors.

Using a mix of qualitative and quantitative analysis, the authors conducted in-depth interviews with highly dysfunctional and ambivalent fans that were very critical about the team they support. These fans were identified among 3210 respondents to an online questionnaire distributed to registered users on a professional soccer team's website in Europe. The final sample for interviews was formed

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by 21 fans who agreed to participate in one-on-one interviews to discuss their views on the team, its meaning for them, and their negative attitude toward decisions surrounding the team.

The preliminary results offer patterns of rationale among respondents to explain their ambivalence toward the sport property they support. The data suggests that participants first build a devoted emotional relationship with the team through different interactions. The interviews revealed a recurrent path for spectators in developing their attachment toward the team. However, in some cases, highly identified fans seem to experience a critical event that pushes the fans to question the relationship with the team. After this episode, there is a shift in the relationship as supporters are less identified to the team, but become more identified to the supporters group. This critical event contributes unfavorably to the relationship and negatively changes the behaviors of the individual. These dysfunctional fans can be classified in several groups according to their motivation to complain and their behaviors.

This study has found support for dysfunctional behaviors of a certain category of highly identified and devoted fans. Respondent testimonials show that dysfunctional behaviors of sport fans are based on a negative evolution of the relationship with the team after a critical event that shook up the dynamic between the two parties. We believe that some of those relationships can be restored through different efforts from the organization. Thus, sport teams can work around the respect of their traditions and reconnect with their fans through more personal communication and branding decisions.

**References available upon request.**

# Investigating the Impact of Technology Use on the Efficacy of Broadcast Brand Integration

**Jonathan A. Jensen, Joe B. Cobbs, Patrick Walsh, and Brian A. Turner**

## Introduction

Rapid advances in technology have influenced the ways in which consumers experience live events, both in person and via television. One of the most prevalent of recent trends has been an increase in the use of "second screens," or the simultaneous consumption of an event and use of an electronic device, such as a smartphone or tablet (Galily 2014). A recent study of US consumers found that 86 % said they participated in multitasking during television consumption, up from 72 % in 2011 (Deloitte 2014). Research has suggested that this trend is particularly pervasive among sport fans (Gantz and Lewis 2014). There are a number of entertainment options available to sports fans via such devices, including accessing statistical information about the event, viewing other camera angles, and participating with other fans on social media.

A study by NBC during the 2014 Olympic Winter Games found that 50 % of viewers utilized a computer, tablet, or smartphone to search for information about the Games while watching the event on television (Bauder 2014). During the

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recent 2014 FIFA World Cup, 91 % of fans that consumed World Cup broadcasts said they used second screens while watching the event (Mander 2014). For example, a record 35.6 million Tweets were produced during the World Cup semifinal match between Brazil and Germany (Rahn 2014), while a total of 618,725 Tweets per minute were recorded at the conclusion of the World Cup Final between Argentina and Germany (Rogers 2014).

However, despite the pervasiveness of these trends, empirical research has not assessed how the simultaneous use of such technology is impacting the returns for those who spend millions to integrate their brands into the action. Examples include those brands (such as category leaders and FIFA World Cup partners Coca-Cola, McDonald's, and Sony) that receive exposure during global sporting events via TV-visible signage (such as signboards at World Cup soccer matches). Wiles and Danielova (2009) termed this approach brand integration. Therefore, this study is designed to examine the impact of technology use on the efficacy of brand integration. To do so, we move beyond prior work on brand awareness to assess whether consumer's attitudes towards brands are affected by the use of second screens during event consumption.

## Background

Previous research has examined the consumer effects of televised brand exposure, delivered via traditional sponsorships (Levin et al. 2001; Olson and Thjømøe 2009) or through virtual advertising in sports (e.g., Tsuji et al. 2009). Prior research has also demonstrated that technology use during broadcast consumption has the potential to negatively impact brand awareness measures such as brand recall (Jensen et al. 2015). Specifically, the research found that participants who utilized second screens (in the form of smartphones) during television consumption were unable to recall brands integrated into a sports broadcast at the same level as a control group that did not utilize the technology.

As detailed by Speed and Thompson (2000), the exposure-based model of sponsorship success is predicated on a requisite level of brand exposure. In addition, according to Keller (1993), awareness is a necessary precursor towards brand equity, which is commonly a goal of many sponsorship-marketing approaches (Cornwell et al. 2005). Finally, based on the mere exposure effect (Zajonc 1968), research has demonstrated that exposure leads to a higher evaluation of a product or brand (Grunert 1996). Conversely, reductions in brand awareness should be accompanied by an impact on corresponding brand attitudes, such as interest and favorability. Therefore, the following expectation frames our study:

*Hypothesis*: Use of technological devices during event consumption will adversely affect favorability, interest, and attitude towards sponsors integrated in the event.

## Methodology

To test this hypothesis, segments from two live sports events broadcast on the cable network ESPN were utilized as the stimuli for the study, similar to the designs of Levin et al. (2001) and Walsh et al. (2008). Utilizing the approach advocated by Tsuji et al. (2009), all three of the target brands selected for the study were not market leaders in their respective product category (insurance, credit cards, and athletic apparel), which reduces the impact of existing brand attitudes. In addition, each brand is a congruent, current sponsor of live events on ESPN (all three are title sponsors of college bowl games televised on ESPN), which helps ensure that results are not biased by unexpected congruence between the event and the sponsor.

Three control groups ($n = 98$) viewed the videos in a lab setting, in a traditional (audiovisual) and constricted conditions (audio only and video only). Based on dual coding theory (Paivio 1986), it was expected that results may differ in an audiovisual setting based on the simultaneous activation of both the verbal and visual cognitive subsystems. In addition, the audio-only and video-only conditions were intended to help simulate today's alternate consumption experiences, such as consuming on a personal computer (PC) at work or listening while completing an alternate task. Three experimental groups ($n = 91$) exposed to the same stimuli and manipulation were provided identical instructions but also asked to utilize their personal smartphones during the video to report on aspects of the video they deemed relevant to them. Participants were not told prior to the experiment that they would be asked about their attitudes towards any of the brands seen in the video.

The participants' attitude towards the sponsors was assessed utilizing an instrument ($\alpha = 0.97$) originally developed to measure consumers' attitude towards an advertiser (Bruner et al. 1992). Also assessed was consumers' favorability ($\alpha = 0.95$) and interest ($\alpha = 0.91$) in the sponsors, via two different three-item instruments (e.g., Speed and Thompson 2000). Furthermore, given the influence of a consumer's level of sport involvement in past studies (e.g., Levin et al. 2001), we controlled for the respondents' level of interest in college football using the Sport Fandom Questionnaire (Wann 2002). The participant's gender and age were also utilized as covariates in the model.

## Results and Discussion

Preliminary data analysis utilizing MANOVA indicates a significant multivariate main effect of group membership ($\Lambda = 0.848$, $F = 2.01$, df $= 3, 178$, $p = 0.013$), with a large effect size ($\eta_p^2 = 0.053$) and strong power (0.943). Univariate post hoc tests (ANOVA) confirmed that the differences among the groups for brand interest were significant, $F(5180) = 2.87$, $p = 0.016$, with a large effect size ($\eta_p^2 = 0.074$) and strong

power (0.837). Significant differences were also apparent for brand favorability, $F(5180) = 2.51$, $p = 0.032$, with a large effect size ($\eta_p^2 = 0.065$) and adequate power (0.775). The differences for attitude towards the sponsors fell short of statistical significance, $F(5180) = 1.75$, $p = 0.125$.

Descriptive results confirm that attitude towards the sponsors and favorability were generally lower for those groups that utilized second screens during consumption compared to those who did not. For example, attitude towards the sponsors was higher for those in the audiovisual group ($M_{control} = 44.47$, SD = 7.93), compared to those who viewed the stimuli in the same condition and utilized second screens during consumption ($M_{secondscreen} = 41.62$, SD = 5.57). Differences between the groups in the two restricted experimental conditions were most pronounced for brand favorability, including for the visual-only groups ($M_{control} = 30.95$, $SD_{control} = 10.44$ vs. $M_{secondscreen} = 28.48$, SD = 10.95) and audio-only groups ($M_{control} = 34.48$, $SD_{control} = 7.99$ vs. $M_{secondscreen} = 32.52$, SD = 12.59).

These initial findings have important implications for brand marketers allocating considerable resources towards sport and event sponsorships designed to provide their brands with exposure during the broadcasts of live events. The results demonstrate that important determinants of such approaches, such as interest and favorability towards sponsors, are negatively affected by the use of "second screens" during event consumption. These differences are particularly pronounced in scenarios where audio or visual consumption is restricted, such as watching live events on a personal computer during work hours, or while checking email or participating in social media.

As empirical evidence exists that the propensity of the use of such devices has increased precipitously, brand marketers should employ integrated marketing communication (IMC; e.g., Sneath et al. 2005) and sponsorship-linked marketing approaches (e.g., Cornwell et al. 2005) that do not rely solely on exposure received via television broadcasts to communicate the connection between a brand and the sponsored property to consumers. In addition, efforts should be made to receive brand integration (such as sponsored messages) within social media expected to be utilized by the event's consumers to help mitigate such adverse effects. Future research should explore conditions in which such integration is simulated, to better understand the efficacy of these approaches.

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# From TV Commercial to Online Search: Effectiveness of Super Bowl Advertising

**Dan Li**

## Introduction

The Super Bowl is an annual grand event celebrated not only by football fans but also by advertisers. In 2013, the Super Bowl was the most watched American television broadcast with more than 108 million viewers (Siltanen 2014). Because of its wide viewership, many brands invest in television commercial spots during the game. The cost for a 30-s advertising spot on US television during the Super Bowl has steadily increased in the last decade. In 2014, the cost for a 30-s spot reached four million dollars (Farhi 2014). Is it worthwhile to spend such a huge amount of a company's advertising budget on the Super Bowl? According to a survey taken after Super Bowl 2013 (Crossmedia 2013), 70 % of the participants recalled Super Bowl ads from that year, whereas only 40 % reported an increase in brand consideration. Thus the effectiveness of Super Bowl advertising remains unclear.

The purpose of this study is to examine the effectiveness of Super Bowl advertisements through consumers' online search behavior. In today's multichannel multiscreen communication era, consumers receive and seek brand information from various sources. Sometimes consumers proactively search for brand information instead of passively receiving brand information. As television commercials, Super Bowl advertisements represent one way to convey brand messages to consumers. In comparison, searching for brand information through online search engines is a proactive approach that consumers use to gather brand information.

In this study, the author proposes a cross-media measurement to evaluate the effectiveness of television commercials, specifically Super Bowl advertisements. The author argues that after being exposed to brand information passively through television advertisements, consumers will proactively search brand information

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through online search engines. Therefore, information seeking behavior could reflect the effectiveness of Super Bowl advertisements.

## Background

Vakratsas and Ambler developed a three-dimensional measurement for advertising effectiveness: cognition, affect, and conation (1999). My study focuses on the conation dimension. The conation aspect typically represents the intended behavior or actual behavior. It is often measured through purchase intention, actual consumption behavior, or the willingness to recommend the brands or products to others. In this sense, information seeking behavior pertains to the conation element as an indicator of advertising effectiveness.

Previous studies on advertising effectiveness focus on one particular type of media, such as television (Shachar and Anand 1998), online banners (Sherman and Deighton 2001), and search engine advertising (German et al. 2014). Little is known about how the advertising from one type of media impacts individuals' consumption behavior in other types of media. The author proposes that the conation dimension of Super Bowl advertising effectiveness could be measured through online search behavior. If consumers are aware of the brands and are able to recall the brands advertised during the Super Bowl, they are more likely to search for more information on a brand.

According to Belkin's Anomalous States of Knowledge (ASK) model (1980), the motivation of information seeking is the recognition of a gap in the consumer's state of knowledge. Belkin's model can be summarized in three steps. First, an individual recognizes a need for information (ASK). Second, that individual queries an information retrieval system, which returns information in the form of text(s). Third, the individual then evaluates the information obtained from the system and decides if his or her need is completely satisfied, only partially satisfied or not satisfied at all.

For most television commercials, limited brand messages are shown to viewers in 30-s or 60-s spots. The viewers learn new information from the television commercials. However, some viewers might feel that the information provided by the commercials is not sufficient. There is a gap between the knowledge learned from the television commercials and the knowledge the viewers desire. The gap becomes a motivation for the individuals to seek information proactively from sources such as search engines. When consumers gain information about the advertised brands through search engines, they complete the goal to bridge the knowledge gap, which leads to decreased motivation to search again. Therefore, the author posits the following hypothesis:

H1: The search volume for Super Bowl advertisers (brands) through Google will increase after the broadcast of the Super Bowl.

## Methodology

The subjects of this study are brands who invested in Super Bowl advertising in 2014. A list of brands was retrieved from an online webpage (www.businessinsider.com). The information of Super Bowl advertising on the webpage is a public resource. There are "trailer" tags marking the advertisements of movie trailers. Movie trailers are not conventional brands which provide products or services to consumers. Thus they were excluded from this study. Three brands (Wonderful Pistachios, Cure Auto Insurance, Dannon Oikos) were taken out from the list because Google Trends does not provide daily search volumes for them due to insufficient data. Finally, a list of 39 brands was compiled as the study subjects ($n = 39$). Table 1 displays the brands examined in this study.

This study employed a 3 (time period: pre-Super Bowl exposure vs. Super Bowl exposure vs. post-Super Bowl exposure) × 1 (Super Bowl television commercials) within-subject design. In 2014, the Super Bowl was broadcasted on February 2. The 7-day time period before February 2 (January 26 to February 1) denotes the condition of pre-Super Bowl exposure period. The 7-day time period after February 2 (February 3 to February 9) denotes the condition of Super Bowl exposure period. The 7-day time period after the Super Bowl exposure period (February 10 to February 16) denotes the post-Super Bowl exposure period. The dependent variable of the study is search volume. The data were collected from Google Trends (http://www.google.com/trends/), a public keyword analysis tool provided by Google. Previous studies have validated this data source (Varian and Choi 2012; Bragazzi 2013). The brand names are used as keywords. Daily search volumes for each brand name were recorded manually into a spreadsheet according to the data shown in Google Trends. Then the daily search volumes were summed up into three groups of total search volumes according to the three time periods. For example, the daily search volumes for Pepsi during February 3 to February 9 were summed up as the total search volumes for Pepsi during the Super Bowl exposure period.

**Table 1** Brands that invested in Super Bowl 2014 and examined in the study

| | | | | |
|---|---|---|---|---|
| Bud Light | Cheerios | H&M | Pepsi | Heinz |
| Maserati | Squarespace | CarMax | GoPro | Honda |
| Doritos | RadioShack | M&M's | Audi | Budweiser |
| Chevrolet | GoDaddy | Coca-Cola | GoldieBlox | Chrysler |
| TurboTax | SodaStream | SONOS | Axe | Butterfinger |
| Beats Music | T-Mobile | Toyota | Chobani | Microsoft |
| Bank Of America | WeatherTech | Subway | Kia | Jaguar |
| Hyundai | Volkswagen | Jeep | Sprint | |

# Results

The author used repeated measures ANOVA to analyze the effect of Super Bowl advertisements on consumer search behavior. Mauchly's Test of Sphericity indicated that the assumption of sphericity had not been violated, $\chi^2(2) = 0.55$, $p = 0.76$. There was a statistically significant effect of time period on search volumes for the advertised brands, $F(2, 76) = 30.18$, $p < 0.001$.

Three paired sample $t$-tests were used to make comparisons between conditions. A first paired sample $t$-test indicated that there was a significant difference in the search volumes in the pre-Super Bowl exposure period ($M = 348.59$, $SD = 175.79$) and Super Bowl exposure period ($M = 413.33$, $SD = 141.89$) conditions, $t(38) = -5.98$, $p < 0.001$. A second paired sample $t$-test indicated that there was a significant difference in the search volumes in the Super Bowl exposure period ($M = 413.33$, $SD = 141.89$) and post-Super Bowl exposure period ($M = 337.90$, $SD = 194.07$) conditions, $t(38) = 6.97$, $p < 0.001$. A third paired sample $t$-test indicated that there was no significant difference in the search volumes in the pre-Super Bowl exposure period ($M = 348.59$, $SD = 175.79$) and post-Super Bowl exposure period ($M = 337.90$, $SD = 194.07$) conditions, $t(38) = 1.09$, $p > 0.05$. These results suggest that television commercial exposure really does have an effect on consumers' likelihood to seek information about the advertised brands via search engines. Specifically, the results indicate that when consumers watch television commercials during the Super Bowl, they will search the brands' information on Google afterwards. After consumers gain the information, they cease information seeking behavior. Thus the search volumes for brands hit a peak right after the Super Bowl advertising exposure and then fell to normal levels before the Super Bowl. The data supported the prediction that compared to the time before the exposure of the Super Bowl advertising, the search volume for the advertised brands through search engines will increase after the consumers view the television commercials during the Super Bowl.

# Discussion

The purpose of this study was to examine the effectiveness of Super Bowl advertising using brand search volumes. The results show that after being exposed to brand information in Super Bowl advertisements, consumers will proactively search brand information through online search engines. The study has three major contributions. First, the analysis further contributes to the literature on information seeking motivated by advertisement exposure. Information seeking behavior is identified as an indicator of ad effectiveness pertaining to conation aspect. Second, it extends the method of assessing advertising effectiveness through one type of media measurement to cross-media measurement. Third, the consumer insights of information seeking behavior after television commercial exposure provide practical implications to

marketers and advertisers. They will be able to utilize the increase in search volumes after the advertising exposure through other media channels in order to further enhance brand engagement.

There are two limitations of the study. First, it focuses mainly on television commercials during the Super Bowl. There are other popular sports events such as the College Football National Championship game or the Major League Baseball World Series, which also have a wide viewership. Future research could compare the effectiveness of advertising during those events with the Super Bowl. Second, the study collected secondary data to examine the prediction of consumer behavior. Studies in the future could make further contributions by conducting lab experiments with controls over other variables during ad exposure.

**References available upon request.**

# Session 10.6
# Consumer Motivations and Value in Retailing

# Exploring Showrooming Experiences at Small Retailers

**Alisha Horky and Joel Collier**

## Introduction

The term "showrooming" refers to a situation in which an individual consumes the services of a full-service retailer and then uses the knowledge and services gained from that retailer to make a purchase from a limited-service retailer, which often boasts lower prices (Singley and Williams 1995). The phenomenon of showrooming is increasingly becoming a problem for brick-and-mortar retailers as consumers are using traditional retailers as "showrooms" for products, gathering information about products at a retailer, and then ultimately purchasing the item from an online retailer at a discounted price. This behavior is not new; however, the ease of comparing prices and ordering products online from home or via mobile technology has caused a sharp increase in showrooming recently, with as many as 50 % of online shoppers stating that they first viewed products in a brick-and-mortar retailer before making their online purchase (Zimmerman 2012).

This paper explores consumer showrooming experiences at small retailers. Interviews reveal motivations and outcomes associated with showrooming from consumers' perspectives. These insights provide greater understanding of the showrooming experience and provide a basis for future research in this area.

Showrooming is believed to have first been formally discussed in a retailing context by Telser (1960), who stated that retailers might be discouraged from offering certain information or services to consumers, as those consumers might ultimately purchase the item from a different retailer offering a lower price but no services.

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Although showrooming has been acknowledged as a problem for decades, there are very few studies which attempt to identify or understand the motives associated with showrooming.

Some notable exceptions to the lack of attention to showrooming include past research that has focused on consumer decision-making and marketplace interaction styles and their relationship to showrooming activity (Burns 2006, 2007). This past research adds understanding to why an individual might feel positively or negatively toward showrooming, but does not lend much assistance in understanding the decision-making process of consumers who engage in showrooming. The current study bridges this gap in the showrooming literature by gathering information regarding the showrooming decision through analyzing consumer experiences.

## Method

Very few past studies regarding showrooming have included a qualitative element. Because of the lack of holistic data regarding showrooming, depth interviews are employed to gain a deeper understanding of the motivations for showrooming. A purposive sample of 16 individuals was recruited through posts on social networking sites, word of mouth, and personal connections. The interview participants were 50 % female, with ages ranging from 23 to 45. Interviewees were asked a series of questions regarding a time that they engaged showrooming at a specialty retailer, specifically a time when they shopped with a specialty retailer and then purchased the item online. The decision to focus on showrooming from specialty to online retailers was made for two reasons. First, showrooming can potentially have a greater impact on small, specialty retailers than other types of retailers. Second, online retailing has had and will continue to have a large impact on showrooming decisions by offering reduced prices.

Interviews were conducted in privacy on a one-to-one basis with the participant and interviewer. All interviews were recorded digitally and then transcribed verbatim. Responses were analyzed in a manner suggested by Weiss (1994). Responses were read, and then re-read and initial themes of responses were determined. From these themes, initial categories were created. Data from each interview was coded into these categories. Emerging relationships among the categories was also noted and used to organize the data into specific categories that illuminate issues associated with modern showrooming behaviors.

## Results and Discussion

First, respondents were asked why they chose to shop at a specialty store at all. Why not just go online? Why not visit a "big box" retailer? Respondents noted that they visited the specialty retailers for a variety of reasons. The most prevalent reasons

were the product assortment of the retailer and the ability to experience the products first hand, good service and knowledgeable employees, and a variety of special services offered by the retailer. Among these reasons to visit the specialty retailer, the ability to actually see and touch the product was one of the primary motivations to actually enter the store. As noted by the respondents, the actual "feel" of a product is one thing that cannot be determined by shopping online.

Respondents also noted that along with being able to experience the product, they specifically went to the specialty retailer to garner knowledge from the owners and staff of the specialty retailers. There is an expectation that specialty retailers will have a certain degree of expertise regarding the products that they sell. This expertise and the security that it provides consumers led some of the participants to shop with the specialty retailers.

The interview participants note that they enjoy many of the benefits of visiting a full-service specialty retailer, particularly the knowledgeable service and ability to experience the products in person. However, even a consumer's desire for these additional benefits does not seem to deter them from showrooming.

Past literature paints a picture of showrooming in which individuals visit a brick-and-mortar, full-service retailer, gain information from that retailer through experiencing the product (trying it on, touching, using it, etc.), and talking to knowledgeable salespeople, and then travel to a discount, low service retailer to ultimately purchase the product. Interview participants fell into two categories: (1) first seeing their desired product at the retailer and then purchasing the product online (as with traditional showrooming); or (2) first encountering the product online, then traveling to the retailer to inspect the product, and ultimately returning to the online retailer to purchase the product.

The majority of other interview participants stated that visiting the retailer was a part of the information gathering process. Many noted that they were aware of certain product specification and prices online, but waited to examine the item in person before making their ultimate purchase decision.

The showrooming experiences described by participants largely confirm previous thought regarding showrooming. Participants traveled to a brick-and-mortar retailer to either shop or inspect a specific product which they had previously encountered, and then made the decision to purchase the product from an online retailer.

In keeping with existing thought regarding showrooming, the majority of interviewees reported that the price difference between the specialty retailer and online retailer was the primary motivation that made them want to purchase the item online after shopping at the brick-and-mortar retailer. All participants noted receiving a discounted price from an online retailer and many also noted free shipping and no taxes as additional price incentives. Although savings from going online varied extensively, this was the main reason cited as to why participants chose to buy online.

The interview participants were adamant that price savings were the primary motivation to engage in showrooming. The highest price savings reported was $200 while the lowest was $3. Many also noted that if the brick-and-mortar retailer could have matched the online price, they would have purchased the item from them rather than the online retailer.

Interestingly, when asked if they felt any mixed emotions regarding their show-rooming, many participants noted feelings of guilt associated with an obligation to the retailer. Interviewees who reported mixed emotions regarding their behavior mentioned feeling "guilty" or "bad." The primary noted causes for these feelings were personal connection to the retailer and extra-role service from the retailer's employees.

Another common theme was the influence of extra-role service on obligation to purchase from the retailer. When retailers offered additional services or were extraordinarily helpful to the interviewees, the interviewees expressed a sense of obligation to the retailer, and guilt if they did engage in free riding behaviors.

These interviews give a clearer picture of showrooming, and while they confirm previously known elements of showrooming, like price sensitivity, they also give insight to the consumer emotions associated with showrooming, such as guilt stemming from a felt obligation to the retailer. The discussion of guilt and obligation in the interviews suggests that showrooming may have an emotional impact on consumers. This emotional element of showrooming, as well as pricing and service perceptions, as well as the different types of showrooming experiences identified may become areas for future research into this topic.

**References available upon request.**

# How Vital Is Price to Compulsive Collectors?

**Nancy Ridgway, Monika Kukar-Kinney, and Amit Eynan**

## Abstract

Collecting is a widespread consumer behavior, as an estimated third of all adults collects something. According to Belk, collecting is "the process of actively, selectively, and passionately acquiring and possessing things removed from ordinary use and perceived as part of a set of non-identical objects or experiences" (1995, p. 67). It is an intensely involving form of consumption that can become an addiction, obsession, and compulsion (Belk et al. 1991). Compulsive collecting can lead to a host of problems, including individual, family and societal. A scale measuring compulsive collecting has been recently developed and validated (Kukar-Kinney and Ridgway 2013). In this paper, we use that measure to examine the relationship between consumers' reaction to price and compulsive collecting.

Specifically, we conceptualize and empirically evaluate price perceptions and behavior of compulsive collectors. Based on prior behavioral pricing research, several important price-related constructs are identified, including consumers' price recall and knowledge of both online and retail store prices, price and value consciousness, sale proneness, transaction value, prestige sensitivity, and the extent to which consumers make price-quality inferences. To test the nine proposed hypotheses, we conduct a survey, employing a sample of 291 collectors, recruited from an online consumer panel operated by Survey Monkey.

We find that unlike compulsive buyers, compulsive collectors are highly price conscious, value sensitive, and sale prone. They report a higher price recall of collectible items as well as higher price knowledge of collectibles at stores and online sites. Further, they experience a higher level of pleasure associated with getting a good deal when buying items for their collection. They also make stronger price-quality inferences than non-compulsive collectors. Lastly, they are more prestige sensitive.

These findings have important theoretical and public policy implications. Compulsive collecting has potentially harmful consequences for the affected con-

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sumers and their families. Our results indicate that compulsive collectors are experts when it comes to finding good prices for items to add to their collection(s), and as such, represent a positive characteristic of compulsive collecting. However, at the same time, compulsive collectors equate higher prices with greater quality, which may lead them to rely too much on a high price being an indicator of high quality, instead of evaluating the item's quality on their own. This may result in overpaying for the items of interest. In addition, they are sensitive to the prestige value of the items that they buy for their collections, which again could lead to spending more than necessary.

# The Interpersonal Utility of Shopping: Confirmatory Study and Implications

**Jose-Domingo Mora, Eva Maria Gonzalez Hernandez, and Manouchehr Yousef Sibdari**

## Abstract

The first stage of this project was an observational study conducted 2 years ago at an upscale shopping mall in Guadalajara, Mexico, with the aim of exploring group shopping using a simple measure of consumption (González et al. 2013). Individuals and groups of shoppers were observed as they came out of major stores in the mall . Researchers counted the number of bags carried by individual or group, as well as the number of people in the group and observable demographics (e.g., gender, age range, family group). A u-shaped relationship between number of bags and group size results after controlling for those observables. This increase in shopping utility past a critical group size of three shoppers was called "social lift."

The present study further explores social lift using shopper interviews, which allow collecting demographics and group size more accurately, as well as accounting for actual amount of money spent, duration of the visit, shopper intentions, whether the group split or not during the visit, and knowledge of the mall. Three dependent latent variables are predicted from those covariates (observed measures are in parentheses): individual buying utility, IBU (as Mex. Pesos/individual); utility of product variety, UPV (as number of shopping bags carried by the average individual in the group); and utility of store variety, USV (a group-level estimate of the number of visited stores).

We find, consistent with the preliminary study, that the drives to consume and seek variety fall with growing number of shoppers but re-ignite past a critical group size of three. The social context in larger groups of shoppers (four) seems to tilt the utility function in the opposite direction than in smaller groups of shoppers (two to three). From a strategic perspective, shopping mall managers in Guadalajara should

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encourage consumers to shop in larger groups, further suggesting them to split and reunite to better enjoy the experience—thus maximizing utility of consumption and mall revenues.

Other findings include that families tend to spend more than non-family groups but, at the same time, they enjoy fewer store visits and tend to purchase fewer bagged goods, indicating a tendency to consume food and entertainment. Groups of young adults tend to enjoy doing something other than shopping or dining, possibly walking around while socializing, as their negative influence on every form of shopping utility seems to indicate. Consumption and variety seeking tend to be higher in lower SES shoppers (base case for the three dummies) which may point to either aspirational or utilitarian motives for visiting the mall.

Having completed the present, confirmatory study in Guadalajara, the results of the reported exploratory study in this Mexican city, also conducted in Providence, RI, USA, acquire a new dimension. Those studies were conducted using a very low cost methodology, i.e., by merely observing consumer characteristics and counting number of bags, which may provide the basis to estimating total mall sales in a continuous, reliable manner, as long as the structure of the population of groups of shoppers is simultaneously assessed—which is not a major challenge. Second, the validation of the pattern in Guadalajara increases the chances that the very different response preliminarily observed in Providence is the result of contrasting interpersonal utility functions in consumers in those two cities. In the US city, shopping utility decreased monotonically with group size.

# Session 10.7
# Marketing and the Socially-Conscious Consumer Interface

# Pity in Charity Advertisements: The Effects of Sympathy, Control Attributions, and Identification with the Victim

**Renaud Lunardo and Valery Bezençon**

## Introduction

While practitioners frequently present people in distress to induce pity in fundraising campaigns, no research to date has examined the potential efficiency of ads that aim to induce the emotion of pity to increase charitable behavior. Thus, knowing whether—and understanding how—pity can lead people to give (more) money to charities appears of particular importance. In this chapter, we thus start by providing a clear conceptualization of pity and reviewing the various existing research on charitable behavior that may explain how pity-inducing advertisements can influence charitable behavior. We then tackle the question of the efficiency of pity-inducing ads through two experiments.

## Theoretical Background

### *Understanding Pity*

Research has widely examined the influence of emotions—including sadness (Small and Verrochi 2009), anger (Vitaglione and Barnett 2003), or sympathy (Bagozzi and Moore 1994)—on charitable behavior. However, the effects of pity remain surprisingly unknown. The reason for such lack of examination may lie in

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that pity is as a negative emotion that could be seen as close to sadness. However, differences between pity and sadness exist. First, unlike sadness, pity may not be considered a negative emotion but rather a problematic emotion that cannot be classified as positive or negative (Lazarus 1991). Second, sadness is associated either with experiences of painful circumstances (Horwitz and Wakefield 2007), while pity specifically results from witnessing the suffering of others (Florian et al. 1999). Pity rather refers to a "heartfelt sorrow for one that is suffering physically or mentally or that is otherwise distressed or unhappy" (Webster's Third New International Dictionary, 1961, p. 1726) and arises when we are sorry for someone (Boelyn-Fitzgerald 2003). Pity is thus felt when witnessing a person who is perceived as vulnerable to physical harm, and increases accordingly with the perceived intensity of his or her perceived suffering. The experience of pity thus encompasses a desire for the relief of the other's suffering (Ben-Zeev 2000) and results from the need to protect another individual against harm and suffering. Thus, pity may generate a desire to change the other person's condition and induce a charitable behavior.

## Differentiating Pity and Predicting Its Effects on Donation Intentions

While pity is often used interchangeably with empathy and sympathy (e.g., Batson 1991; Wispe 1991), these emotions are clearly distinct. Sympathy refers to a person's awareness of the feelings of another, while empathy involves the notion of absorption in the feelings themselves (Escalas and Stern 2003). This distinction marks two important different emotional responses. One might send a sympathy card to a grieving widower because one felt sympathy *for* him, but without feeling any emotions similar to the widower, without feeling *with* him (Boelyn-Fitzgerald 2003). Hence, pity might be closer from sympathy than empathy. Unlike empathy, both pity and sympathy involve the consciousness and the understanding of the pain the victim suffers from, but not its feeling. Precisely, pity stems from the fear of sharing the other's predicament. As such, pity allows the person to maintain an emotional distance from the sufferer (Ben-Zeev 2000), such distance making unlikely an effect of pity on empathy. However, pity might induce sympathy. Pity arises when a person is perceived as vulnerable to physical harm, and is enhanced as the perceived intensity of his or her perceived suffering increases (Dijker 2001). Feeling pity when witnessing the vulnerability of others may thus induce an emotional concern for the welfare of another person, exactly what sympathy is (Escalas and Stern 2003).

As pity motivates the perceiver to alleviate the suffering of the person in need (Dijker 2001), it may prompt consumers to adopt a prosocial behavior. Pity is thus expected to affect donation intentions. Yet, what is suggested here is that pity exerts an effect on donation intentions through sympathy. Sympathy has been linked to prosocial behaviors (e.g., Bagozzi and Moore 1994; Small et al. 2007; Small and Simonsohn 2008) and thus sympathy is likely to lead to donation intentions. Since

pity is expected to induce sympathy, which is hypothesized to in turn induce dona-tion intentions, an indirect effect of pity on donation intentions through the mediat-ing role of sympathy is expected (Hypothesis 1).

### The Role of Control Attributions

One possible variable that may affect the mediating role of sympathy in the effect of pity on donation intentions refers to control attributions, or the judgment of whether or not the victim could have controlled his or her behavior (Weiner 1980). People are more likely to help innocent victims than to help those who bring their troubles on themselves (Weiner 1995). While these results suggest that control attributions negatively affect sympathy and charitable behavior, none of these studies have investigated control attributions as a moderator. Yet, the cognitive appraisal theory (Folkman et al. 1986) suggests that emotions arise in response to the way individuals appraise an event, and not to the event itself. Sympathy may thus not occur as a response to the pity-inducing situation, but as a response to how individuals judge how much a victim can be considered responsible for his or her situation. Control attributions may thus moderate the mediating role of sympathy, such that external control attributions (i.e., people think the plight is not under the control of the victim) may make pity generate more sympathy and in turn more donation intentions. On the contrary, internal control attributions (i.e., people think the victim is responsible for his/her plight) may not make pity induce sym-pathy, and thus no donation intentions (Hypothesis 2).

### Study 1: Pity, Sympathy, and Charitable Behavior

One hundred and fifty-five individuals (mean age=35.7; 58 % female) were recruited online to participate in this 2 (pity: low vs. high)×2 (control attributions: low vs. high) between-subject experiment. Pity was manipulated such that in the high-pity condition, a picture of a person that was perceived vulnerable and suffer-ing (Dijker 2001) was presented to the participants while in the low-pity condition, the picture presented a person that was similar but not perceived as vulnerable. A pretest was conducted to ensure that pity differed across conditions. Using a mea-sure of pity (Stöber 2003; $\alpha=0.75$), the pretest revealed the expected difference on pity ($N=24$, $M_{\text{Low}}=2.05$, $M_{\text{High}}=3.33$, $t=2.89$, $p=0.015$) and the two pictures were thus selected for the experiment. Control attributions were manipulated through the cause of the plight presented in the advertisement. Considering the economic crisis, unemployment was used as a cause for the external control attribution condition. Turning to the internal control attribution condition, people often believe that lung cancer is a disease one can avoid, and people with lung cancer are often attributed

the responsibility for their situation (Brandt 2009). The choice was thus made to use lung cancer as the plight.

Participants were randomly assigned to an experimental condition. The external control attribution condition ("unemployment" treatment) consisted of a message placed below the picture of the victim that read "This man is unemployed and needs money. Your money can help him! Donations to the association 'People in need' will make a difference." The internal control attribution condition ("lung cancer" treatment) consisted of the same message except that it read "This man has lung cancer." Pity was manipulated through the picture placed above the message. After exposure to the ad, participants indicated their donation intentions (Winterich et al. 2012), their sympathy toward the person (Escalas and Stern 2003; $\alpha = 0.83$), and their control attributions using the item "How responsible, in your eyes, is the man for his plight?" from Greitemeyer et al. (2003). Pity was then measured ($\alpha = 0.80$).

The manipulations of pity ($M_{High} = 4.72$; $M_{Low} = 4.02$; $F(1, 153) = 13.69$, $p < 0.001$) and control attributions ($M_{Lung\ cancer} = 3.85$; $M_{Unemployent} = 3.18$; $F(1, 153) = 8.81$, $p < 0.01$) were effective. Sympathy was higher in the highly pity-inducing condition ($M_{High} = 4.61$) than in the lowly pity-inducing condition ($M_{Low} = 3.94$; $F(1, 153) = 7.35$, $p < 0.01$). A mediation analysis (5000 bootstraps samples) revealed a positive indirect effect of pity on donation intentions through sympathy (0.95; 6.81). Specifically, pity exerts a positive effect on sympathy ($\beta = 0.66$; $t = 2.71$; $p < 0.01$), which increases charitable behavior ($\beta = 4.72$; $t = 3.39$; $p < 0.001$), supporting Hypothesis 1. Results of a moderated mediation show that the mediating effect of sympathy is moderated by control attributions. When attributions are external, sympathy mediates the effects of pity (1.42; 9.04). On the contrary, when attributions are internal, sympathy does not exert a mediating effect ($-1.76$; 6.09). These results support Hypothesis 2.

Thus far, our results show that pity can increase donations provided that 1/sympathy is induced and 2/the responsibility of the plight cannot be attributed to the person in need. Hence, charities must make sure that pity will induce sympathy and that control attributions will be external. While charity organizations can control this latter variable and frame their ads such that the victim is perceived not responsible for his or her situation, the question remains as to how to increase sympathy through the use of pity.

Since identifiable victims stimulate greater sympathy and greater charitable behavior than abstract statistical victims (e.g., Small and Loewenstein 2003; Small et al. 2007), charities could gain in making pity increase identification. In his description of pity, Ben-Zeev (2000) depicts pity as an emotion that occurs in response to the fear of sharing the other's predicament and that is exhibited to maintain a safe emotional distance from the sufferer. As such, pity is seen as an affect that involves antagonistic emotions, such as love and hate. Allport's (1954) paradigm of "in-group love and out-group hate" posits that individuals develop preferential positivity toward in-groups (in-group love) and feel entitled to a sense of loyalty to certain groups which share similar interest, beliefs, traits, or traditions. Since value congruence between the perceiver and the sufferer is crucial for

identification to occur (Hall and Schneider 1972), it might be difficult for observers to identify with a person that induces pity and can be held responsible for his or her misfortune. Thus, pity might lead to higher identification for victims that cannot be held responsible for their plight (Hypothesis 3).

Further, control attributions may moderate the role of identification in the pity-sympathy effect. Since internal attributions may result in lower identification in a high-pity condition, it may be hypothesized that control attributions moderate the mediating effect of identification in the pity-sympathy relationship. When control attributions are internal (i.e., the victim is perceived responsible for his or her plight), pity may lead to lower identification, and the indirect effect of pity on sympathy through identification may thus be negative. On the contrary, when control attributions are external, such a negative effect may not hold (Hypothesis 4). Also, considering the damaging effect of internal attributions, pity may also lead to lower donations when the victim is judged responsible for his or her predicament, while such an effect may not occur when control attributions are external (Hypothesis 5).

## Study 2: The Role of Identification with the Victim

A 2 (pity: high vs. low) × 2 (control attributions: internal vs. external) between-subject design was conducted ($N = 200$; $M_{Age} = 40$; 51 % women). A pretest ($N = 106$) was conducted to appropriately manipulate pity and control attributions. A mock advertisement for the fictitious Association for Alcoholics was created. This ad presented the picture and the story of Nicolas. In both the pity and the no-pity conditions, participants were exposed to the story of Nicolas having alcoholic problems. However, in the pity condition, the story was highly dramatic, emphasizing the negative aspects of Nicolas' life. The scenario next manipulated control attributions. In the external control attributions, Nicolas couldn't be judged responsible for his alcohol problems, while in the internal control attribution condition, Nicolas' alcohol problem was depicted as his own making. Participants were randomly exposed to a condition and asked to look at the picture and to read the scenario depicting Nicolas' life. Participants then rated how much they felt pity and their control attributions. The manipulations of pity ($M_{Low\ pity} = 3.68$, $M_{High\ pity} = 5.05$, $F(1, 104) = 20.33$, $p < 0.001$) and control attributions ($M_{External} = 2.38$, $M_{Internal} = 5.34$, $F(1, 104) = 90.12$, $p < 0.001$) were effective and the stimuli were retained for the experiment. In this experiment, participants indicated their donation intentions (Winterich et al. 2012), their sympathy (Escalas and Stern 2003; $\alpha = 0.91$), and their identification with Nicolas (Curras-Pérez et al. 2009; $\alpha = 0.94$). Finally, in order to rule out any potential confound effect of sadness, sadness was measured, using the item "When thinking of the man in the text, to what extent do you feel sad?"; 1 = Not at all, 7 = Very much).

An ANOVA revealed no main effects of pity ($F(1, 196) = 1.37$, $p = 0.24$) and control attributions ($F(1, 196) = 0.69$, $p = 0.41$) on identification but, as predicted, a significant

interaction between pity and control attributions emerged ($F(1, 196)=5.67, p=0.018$). When pity is low, control attributions have no effect ($M_{\text{External}}=2.96$, $M_{\text{Internal}}=3.34$, $t=-1.10$, $p=0.272$) while when pity is high, low control attributions lead to higher identification ($M_{\text{External}}=3.26$, $M_{\text{Internal}}=2.47$, $t=2.26$, $p=0.026$), supporting Hypothesis 3. Also, results revealed a moderated mediating effect of identification. Identification does not mediate the effect of pity on sympathy when control attributions are external (−0.072; 0.207) while it does when control attributions are internal (−0.371; −0.049), indicating that identification mediates the effect of pity on sympathy only when the victim is judged responsible for his or her misfortune, supporting Hypothesis 4. A similar analysis with donation intentions as the dependent variable revealed that when control attributions are internal, identification mediates the effect of pity on donation intentions (−8.02; −0.83) while no mediating effect is observed when control attributions are external (−1.12; 5.58).

## Conclusion

This research makes advances by showing that while pity is a stimulus used in a wide number of charity advertisements, its effect on charitable behavior is not direct, but mediated by sympathy. In other words, when not inducing sympathy, pity has no effect on donation intentions. Also, we showed that people facing pity feel more sympathy and give more when the victim is perceived not responsible for his or her misfortune. Further, we showed that people exhibit more identification with a person experiencing a misfortune when such misfortune is not attributed to the person in need, and that such identification with the victim makes pity lead to more sympathy and donation intentions. Finally, we showed that this mediating effect is moderated by control attributions. Overall, our results offer insights for charities who aim to raise money through the use of pity in their ads.

**References available upon request.**

# Perceived Marketplace Influence and Sustainable Consumption: Does What We Do Matter?

R. Bret Leary and Richard J. Vann

## Abstract

In light of negative environmental trends (US Environmental Protection Agency 2014; Global Footprint Network 2014), it is apparent that smarter consumption by the collective of society is necessary, as it is only in the aggregate that the negative effects of harmful consumption patterns can be lessened and a more sustainable future achieved (Stern 2000; Peattie 2010). However, in interdependent fashion, the ability of the collective to have a positive impact on these environmental issues is a direct result of an individual's inclination to engage in environmentally and socially responsible behavior.

In an effort to capture this unique relationship between the individual, collective, and environmental issues, Leary and colleagues (2014) developed the concept of Perceived Marketplace Influence (PMI) to suggest that when one believes their environmentally responsible behavior holds sway over the actions of other marketplace actors (i.e., other consumers and organizations), they are likely to start or continue engaging in such behavior. Building on the work of these authors, the purpose of the current research is to further explore the concept of PMI, develop and validate a scale for the construct, and test its ability to predict various sets of environmentally responsible behavior. We present the results of three studies in support of these objectives, delivering a scale for PMI and showing its ability to influence environmental and broader sets of ethical behavior. We conclude with a discussion of the implications for marketing, consumer behavior, and policy.

**References available upon request.**

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# Are We All Equal in the Face of Social Comparison? The Moderating Role of Consumer Values: A Structured Abstract

**Amanda Pruski Yamim, Walter Meucci Nique, and Adilson Borges**

## Introduction

Magazines and advertisements depicting ideal bodies are inescapable today. The way consumers compare themselves with these images may lead to negative consequences, such as low self-esteem (Ferreira, Gouveia, and Duarte 2013) and eating disorders (Corning et al. 2006). However, some consumers compare themselves with this "ideal" beauty more often than others (Gibbons and Buunk 1999). For example, Buunk and Dijkstra (2011) show that gender affects the frequency with which people engage in social comparison, with women comparing themselves more often than men. Extant research also focuses on personality traits to explain differences in the frequency with which consumers compare themselves with others (Schneider and Schupp 2014). For example, neuroticism seems to be a potential antecedent of social comparison frequency (Van der Zee et al. 1998). Beyond personality traits, this chapter proposes and demonstrates that personal values can explain the frequency with which consumers engage in social comparison. Through three studies, we show that people with a strong need for power and achievement—two personal values associated with the quest for social status, success, prestige, and control (Schwartz 2012)—compare themselves more often than those with little need for these values do. We also show that power and achievement values not only affect the frequency with which consumers engage in comparison, but also increase

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the intensity of the consequences of social comparison. Marketers and public authorities can use need for power and achievement minimization to decrease the impact of unhealthy social comparisons while retaining the positive marketing results associated with exposition to such advertising.

## Background

Social comparison is a central phenomenon of human life that helps individuals situate themselves in society (Festinger 1954; Buunk and Gibbons 2007). However, social comparison does not impact all individuals equally. The frequency with which consumers compare themselves as well as the intensity of comparison consequences differ among individuals (Gibbons and Buunk 1999; Schneider and Schupp 2014). Most of the research investigating social comparison heterogeneity focuses on the frequency with which people engage in social comparison (Bosch et al. 2010; Schneider and Schupp 2014). For example, Bosch et al. (2010) found that individual differences in social comparison frequency can impact an individual's well-being. Extant research shows that this difference can also affect how individuals perceive their relations with others (Buunk et al. 2012) and the extent to which these comparisons affect consumers (Buunk and Oldersma 2001).

This research tests whether personal values can influence social comparison frequency. Consumer values represent what is important in one's life, and this impacts individual judgments, opinions, and behaviors (Schwartz 2012). This research proposes that social comparison can be linked to two particular values (power and achievement), which are associated with the search for personal recognition, competence acknowledgement, and control over situations and others (Schwartz et al. 2006; Schwartz 2012). More specifically, consumers that have a strong need for power want to control resources and other people and to be independent (Schwartz et al. 2006). Need for achievement is the need for personal recognition, competence acknowledgement and, social approval (Sagiv and Schwartz 1995). Individuals with high need for achievement put external matters and rules above personal standards in their mode of conduct and judgments (Batra et al. 2001). Past research shows that individuals that compare themselves more often are generally more concerned with others' opinions and necessities (Gibbons and Buunk 1999, 2007). Gibbons and Buunk (2007) also point out that the motivations of social comparison can be related to the search for control over the situation and independence recognition. Based on that, we propose that:

H1: Individuals with a strong need for power will compare themselves more frequently than individuals with less need for power.
H2: Individuals with a strong need for achievement will compare themselves more frequently than individuals with less need for achievement.

## Research Methods

We investigate the relationship between need for power, need for achievement and social comparison frequency (Studies 1A and 1B), and the moderating role of these values in the intensity of the consequences of social comparison (Study 2).

## Study 1A

The first study investigates the relationship between personal values and social comparison frequency. 205 Mechanical Turk participants answered a survey (60.7 % males; age mean 33, range 18–68), containing a questionnaire with scales of social comparison frequency (INCOM) (Gibbons and Buunk 1999) and personal values (PVQ) (Schwartz et al. 2006).

*Results.* To test H1 we carried out a median split, generating two groups according to the respective values used in the analysis (high vs. low power values; high vs. low achievement values). Then we ran an ANOVA to check the difference in social comparison frequency between the groups. The results show that participants scoring high in need for power declared higher social comparison frequency than participants with low need for power ($M_{\text{High Power}}=3.66$ vs. $M_{\text{Low Power}}=3.27$; $F(1.249)=12.66$, $p<0.001$). The need for achievement also had an effect on social comparison frequency. Individuals with greater need for achievement declared higher comparison frequency than individuals with less need for achievement ($M_{\text{High achievement}}=3.55$ vs. $M_{\text{Low achievement}}=3.21$, $F(1.249)=18.19$, $p<0.001$).

## Study 1B

Study 1B used the same procedures used in Study 1A using a student sample. With this replication, we sought further confirmation of the proposed relationships in a younger sample, in line with our proposal that social comparison can undergo a range of influences beyond personality variables, such as age. The sample is made up of 270 (54.4 % female) students from 27 undergraduate courses; the mean age is 22.47 (sd = 3.41) years.

*Results*. The results of this study confirm that individuals with high need for power ($M_{\text{High Power}}=4.70$ vs. $M_{\text{Low Power}}=4.32$; $F(1, 265)=15.15$, $p<0.001$) and need for achievement ($M_{\text{High achievement}}=4.74$ vs. $M_{\text{Low achievement}}=4.28$; $F(1267)=23.14$, $p<0.001$) compare themselves more often than individuals low in need for these values.

*Discussion*: The results of Studies 1A and 1B confirm hypotheses H1 and H2, and provide evidence that social comparison frequency is associated with need for power and need for achievement. In this sense, to control when and how often

people compare themselves with others it is relevant to consider the contextual aspects that can activate these values. Additionally, Schneider and Schupp (2014) point out that people also react differently to social comparison. The effect is stronger if the comparison concerns something important to them. Little or no reaction can occur if the element of comparison is not considered relevant. In view of this, we propose a third hypothesis to address other possible explanation for social comparison individuals' difference. Power and achievement values can also moderate the intensity of the consequences of social comparison. As a research field, we used aesthetic social comparison because of the importance that the type of comparison has in the society. The aesthetics social comparison normally has two important consequences: poorer self-concept (psychological consequence) and greater prevalence of eating disorders and food consumption change (behavioral consequence). In view of this, we propose the third hypothesis:

H3: Social comparison will have stronger consequences (poorer self-concept and greater preference for healthy diet) for individuals with greater need for power and achievement in comparison with individuals with low need for power and achievement.

## Study 2

This study tests the hypothesis that power and achievement values can moderate the intensity of the consequences of social comparison. It consists of an experiment with a single-factor design in which we manipulate the participant's opportunity to engage in social comparison (present vs. absent). The group in the social comparison opportunity condition saw nine Victoria's Secret advertisements with extremely slim models, while the group in the no social comparison opportunity saw nine advertisements for school equipment. After seeing the ads, participants fill out a questionnaire measuring self-concept and healthy choices. Self-concept captures individual perceptions of social adequacy (SCRS Scale, adapted from Allan and Gilbert 1995). Consumers also chose between a healthy or an unhealthy menu. Finally, subjects responded to items measuring need for power and need for achievement, and sociodemographic and physical variables.

We conducted two pretests to check our manipulation of the social comparison opportunity condition, as well as to check whether participants perceived the healthier menu as being healthy. The first pretest checked whether the healthier menu was perceived as healthier. Forty-five women indicated their perceptions of calories and tastiness concerning the food in the menu, attributes that normally distinguish healthy from unhealthy food (between subjects design, healthy vs. non-healthy). The results showed statistically significant differences for both adjectives: calorie ($p < 0.001$) and tastiness ($p < 0.05$). We also conducted a pretest to check the manipulation of social comparison. Fifty respondents were asked about how much they thought about themselves while looking at the advertisements. Women exposed to

the control condition reported fewer such thoughts than the manipulation group ($M_{\text{control}} = 3.88$; $M_{\text{social comparison}} = 4.71$; $p < 0.05$), confirming the manipulation efficacy.

*Results*. First of all, we detected multivariate outliers using the Mahalanobis distance and missing data. Seventeen participants were excluded, leaving a sample of 113 respondents. Manipulation check worked as expected, with participants exposed to Victoria's Secret agreeing more with the statement "when seeing the ads I thought about myself" than participants in the control condition ($M_{\text{social comparison}} = 4.48$; $M_{\text{control}} = 2.51$, $p < 0.001$). To evaluate the effect of social comparison context and the moderation of need for power or need for achievement we conducted a floodlight analysis (Spiller et al. 2013). We found that the women exposed to Victoria's secret advertising had a lower adequacy perception ($F(2108) = 3.2278$, $p < 0.05$, $R^2 = 0.4395$), and this effect was stronger as need for power ($p < 0.01$) and need for achievement increase ($p < 0.005$). These findings were later confirmed by a MANCOVA with age and BMI as covariates.

# General Discussion

This research contributes to research into social comparison in consumer behavior by studying how power and achievement values influence the social comparison phenomenon. In Studies 1A and 1B, we found that power and achievement values are related to different predispositions to social comparison, arguing that this may be associated with greater concern for control, status, and recognition (Corcoran et al. 2011). Study 2 explored another aspect of the possible relationship between the need for power and achievement and social comparison, investigating if these values can moderate the intensity of social comparison consequences. We demonstrated this moderation to self-concept consequences (adequacy perception), but not to food preference and neither a main effect of social comparison on this variable (Bosch et al. 2010; McFerran et al. 2010). These results suggest that promoting aesthetic social comparisons using thin models may not always be a good market strategy, because although it generates negative psychological consequences, it may not promote a behavior change.

# Conclusions and Limitations

Through the three empirical studies conducted in this research, we confirm the relationship between social comparison and power and achievement values. With this, we seek to contribute to the suggestion by Garcia, Tor, and Schiff (2013) that "social comparison needs greater predictive power for it to be recognized in the social sciences for its central role in people's lives." In this study, however, we do not promote the activation of power and achievement values. Rather, we evaluated them as an individual trait. Values, however, can be encouraged or activated, and checking if

the activation of these values can affect social comparison can be an advance to this research. Finally, social comparison is a phenomenon that can be influenced by a series of variables. In view of this, we propose that further investigation might improve understanding of social comparison and identify which other variables can impact social comparison frequency and moderate the intensity of social comparison consequences.

**References available upon request.**

# Understanding and Defining the Socially Conscious Consumer

**Alexis Croswell, Kevin Lehnert, and Christian Hinsch**

## Abstract

With the growing research on the impact of corporate social responsibility (CSR) programs, there is relatively little research on the makeup of the socially conscious consumer. This is particularly true with regard to their response to socially responsible initiatives. We address this gap through a qualitative study which ascertains the general mindset and makeup of the socially conscious consumer. Results indicate that socially conscious consumers use rational economic models in their consumption decisions, weighing the costs and benefits of their choices. This group also displays a general skepticism with respect to CSR tactics. This has distinct implications for managers, as it becomes more important for them to change the consumer's view towards marketing than to enhance the existing social viewpoints of the consumer.

**References available upon request.**

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# Session 11.1
# Spectator Sports, Value Co-Creation, and Connectedness

# Co-creation in the Sport Media Network: Attention Creating and Attention Destruction Interdependencies Between Live and Media Advertisements

**Guido Ellert and Simon Dallwig**

## Introduction

Throughout time advertising has proven to be a vital organism for the functionality of the market. Every day individuals are faced with numerous advertising, whether it is print, online, TV or other commercial stimuli. Advertisers have put hard work into generating as much value as possible out of their ads. Cross-media campaigns, sponsoring and other formats are all efforts in augmenting consumer realisation and ensuring loyalty. The functionality and efficiency of such techniques have not always proven to be successful. Advertising is supposed to construct value through incorporating consumers into their value chain. Advertising could sometimes result in the deconstruction of value, especially when the value of an offer or a product is demolished by another. More and more broadcasting institutions use split-screening as an innovative form of advertisement. They compete against the various actors of the value network of a live sport event for spectators' attention. The frame conditions are different. On the one side you have media rights and on the other hand it is dealt with advertising rights in the live case. The aim of our work is to analyse the destructive interaction of varied advertising methods which are broadcasted at one event. The interaction between stadium sponsoring and split screening is the chosen example. When the audience interacts with the ad they become part of the value creation. New technology has created the opportunity of multiple forms of advertising to be broadcasted at the same time in the same place. An example of this is when using background advertising in addition to split-screen fading which is broadcasted on television. Is it necessarily a co-destruction or can the participating actors convert it into co-creation? Therefore we have to ask the following questions:

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1. What are the factors of success of the split-screen advertising?
2. How does the method of the split-screen advertising reduce the attention dedicated by the audience to stadium sponsors (background advertising)?
3. Does the fade-in situation (point in time) of split-screen advertising cause different effects?
4. Are there possibilities to switch co-destruction into co-creation?

## Theoretical Background

Over time, sports have become a highly attractive and rich platform for media, especially for advertising. Advertising is an industry which is dependent on viewers and their perception and realisation of the ads provided. Since sports are known to have a large fan base and a high viewership rate, advertisers are keen on using sports events as campaign platforms (Meenaghan 2013). These platforms generate their value out of the interaction of the various participating actors (Stabell and Fjeldstad 1998; Prahalad and Ramaswamy 2004; Woratschek et al. 2006; Ramaswamy and Gouillart 2010). The interaction can be described as co-creation of value and put into the service-dominant logic (Vargo and Lusch 2004; Vargo and Lusch 2008; Vargo et al. 2008). New theories describe co-destruction as a side effect of the interaction within the value network. Plé and Chumpitaz Cáceres (2010) defined value co-destruction as "an interactional process between service systems that results in a decline in at least one of the systems' well-being (…)." (p. 431). Referring to the SD logic of Vargo and Lusch (2004), every entity is service oriented and the customers are alongside the sponsoring firms, since they are now considered to be main actors in the value creation process (Stieler et al. 2014). The main facts of SD logic can be adapted to sport management (Woratschek et al. 2014) that includes the consideration of media management as one part of value creation in sport. According to that there is a risk of co-destruction for at least one, when two ads are being advertised in sync. Even though the synchronisation of ads seems to be a major advancement in the world of advertising, the only constant benefiter is for example in the case of sports advertising the sports team itself. One of the synchronised ads is bound to be set to the background and neglected by the choices of consumers. As sponsoring has grown constantly throughout the last decades (Meenaghan 2013), research now focuses on the impact sponsoring makes without minding the destructive components (Romaniuk 2013). Hence, a qualitative research is substantial for measuring the destructive effect synchronisation has on the perception and realisation of ads.

## Research Methods

In a qualitative research test, a targeted group of 14–60-year-olds were selected in order for their levels of perception ($n = 147$) to be measured. The setup consists of nine experiments that are focused on 30 mediating and moderating variables. The

execution of this research was conducted by using an instrument which measures the implicit perception by operating an eye tracker. The research design was quasi-biotic. The participants were exposed to nine different versions of an 18-min excerpt of a special cut treatment. It considers 30 mediating and moderating variables on the base of fixation duration. The study focusses on the difference of gaze interaction concerning the influence of advertising stimuli. The randomised treatment consists of controlled testing conditions for gaining insights of advertisement attention. In order to obtain a characterisation of the inquired individuals and to rule out confounding variables, all participants were asked to fill out and answer a carefully conducted post- and pre-questionnaire.

## Results and Discussion

After obtaining the analysis results of the software and also ruling out any odd commodities from the undergone questionnaire, the following results can be drawn out of this research:

The amount of attention given to sponsors by viewers has been measured (no split screening) and is taken as a measuring ruler.

1. There is highly significant differ from a modified split-screen advertisement. The design of split-screen advertisement is crucial to the attention. The research focusses on implicit perception, so downstreamed effects were not part of the experimental setup.
2. Split-screen advertisement pulls away significant attention from sponsoring boards.
3. The fade-in situation (point in time) causes highly significant effects of the spectators' attention.
4. A correspondence of the split-screen content and non-split-screen content increases attention highly significant.

Finally, one can conclude that the integration of split screening results in a negative influence on the co-creative function the synchronising of both advertising methods should have. Advertising is regarded to be a value-generative service-providing system, which increases with the engagement of viewers. The coming together of two service-providing systems has proven to have a negative influence on at least one of them and therefore defeating the purpose of such service. The combination of split screening and advertising has hence demonstrated to be of destructive nature. Value co-creation is therefore impossible to obtain in such a cooperative structure at that time.

The design of the split-screen advertisement influences its attention. So media manager must take care of some crucial aspects to increase advertising appeal without minding the TV content. If future perspective allows adapting split-screen content to editorial content both ways of advertising can be optimised.

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# Co-creation of Value Through Virtual Sports Communities

**Nick Hajli**

## Abstract

This research analyzes the opportunities that sport organizations can generate by co-creation of value through social media. After examining two virtual sporting communities, a content analysis of posts in this community provides valuable information about sports brand communities. The results of content analysis show that virtual communities offer online social support and enriched relationship quality to their clubs. These findings create a picture of how virtual communities can support co-creation of value for sport organizations. The primary contribution of the present research lies in exploring the relationship perspective in sport clubs and the key role of online social support through social media and virtual communities. The research found that online social support attracts fans to the community and through social media encourages them to participate, which in turn produces value for the club and for the fans. This offers a new theoretical foundation for investigating co-creation of value in sport management.

## Introduction

The Internet continues to provide new and different opportunities to develop sport (Weeks et al. 2008) as it empowers individuals to be active on the Internet (M. Hajli et al. 2013). Web 2.0 developments, in particular, offer powerful tools for sport marketing (Seo and Green 2008), providing interactive marketing to manage different brands. Managing brands and optimizing e-service platforms of sport organizations in the current multichannel marketing environment has been identified as a critical issue in sport management (Carlson and O'Cass 2012). To compete successfully in today's market, sports organizations have to be advanced service sellers (Bauer et al. 2005). These challenges are forcing sport marketers to shift from a traditional exchange paradigm, which many sport organizations are currently applying, to a relationship-based paradigm (Kim and Trail 2011).

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Sport is a global product (Ratten and Ratten 2011), and sport marketing trans-actions contain different types of relationship marketing (Tower and Deery 2006). In recent years, many sport organizations have focused on relationship programs, with the aim of retaining consumers for the long term while offering improved relationship quality. One such tool (or set of tools) is social media establishing social interaction with fans (Hajli and Hajli 2013). Social media attracts a wide range of users who integrate social platforms into their daily activities (Okazaki 2009). Social media provides new ways of communicating with consumers (Nambisan and Baron 2007). The popularity of social media attracts consumers who are not familiar with a brand (Roggeveen et al. 2012). Social media enabled the development of co-creation of value (Zwass 2010). Co-creation of value is based on the strategy of value creation with consumers rather than creating value for consumers. This new strategy primarily aims at developing the emergence of targeted virtual communities.

Virtual communities are the main focus of joint contributions to co-creation (Zwass 2010). Virtual brand communities are a new form of brand community, which have developed in recent years through the use of social media. They now make a valuable impact on marketing strategies, largely because the social inter-action of individuals in brand communities influences consumer attitudes toward the brand (McAlexander et al. 2002). These communities have become a useful tool in marketing strategies as it is a suitable place to develop a closer relation-ship between business and consumers to promote a better understanding of their mutual needs (Casaló et al. 2008). There, participation of consumers on virtual brand communities generates value (Schau et al. 2009). This would be the main reason for sport marketers that recently have worked on fan communities to facilitate the social relationship and interaction of fans within virtual communi-ties to enhance the relationship between fans and sport organizations (Jae Seo et al. 2007).

Toward these ends, it is important for business to try to co-create value with customers (Schau et al. 2009). Therefore, the question to be asked is how to co-create value with consumers through virtual sport communities. Despite the undeniable importance of co-creation of value with consumers, limits to the value that can be achieved have been identified (Payne et al. 2008; Schau et al. 2009).

This chapter investigates co-creation of value in sport brand communities and, in particular, the ways in which value can be co-created with consumers through vir-tual brand communities. This research draws on relationship quality and social sup-port theory by attempting to gauge co-creation of value in two virtual communities in Liverpool Football Club and Manchester Football Club through investigation of these questions: (1) Why are fans attracted to virtual communities? (2) Why might fans participate in co-creation of value? (3) What are the types of value co-creation for fans in virtual sport communities?

## Literature Review and Theoretical Foundation

In this section a literature review in the area of co-creation, social support, and relationship quality in the context of sport has developed to establish a theoretical foundation for the study.

### *What Is Co-creation?*

Co-creation is the process of involving customers in creating value for the firm and market (Grönroos 2011). Co-creation is seen as consumer activity in the production of value through social interaction in a platform developed independently by consumers or via an organization's hosted community. Thus, co-creation is the participation and interaction of consumers with an organization in the value creation process in the marketplace. Therefore, we define co-creation as *the process of engaging consumers in value creation; this creates a new marketing strategy for the firm, shifting from the traditional strategy of value creation for customers to a new strategy of value creation with customers.*

Virtual communities have become one of the most popular forms of value co-creation environments. The growth of co-creation is significantly related to the social interaction of consumers and the collective process of knowledge and experience exchanges on the Internet through virtual communities. This phenomenon is related to the growth of Web 2.0 and the growing popularity of social networking sites (SNSs), which increasingly attracts individuals for social interaction. Thus, a reader of Wikipedia can read an article and contribute by becoming coauthor of a review. The users of an SNS can leave comments about a new product and share their experiences with other users. This information is a valuable source of information for other members (N. Hajli 2013b). The same users can search for information they need about a company or service and the comments produced by others are of value when purchasing decisions are to be made. It therefore makes sense for firms to use the opportunities of co-creation of value through social media, and to develop their marketing strategies accordingly.

### *Brand Communities*

Traditionally, fans kept in touch with club information through newspapers, television, radio, magazines, and other services. But social media offers new opportunities for fans to receive regular updates; sport brand communities are examples of this. Brand communities are a form of virtual community, which have become

important in value co-creation through information sharing of members and creating and developing commitment to the brand (Zwass 2010). Virtual communities are social aggregations that have emerged from the Internet through the participation of individuals (Rheingold 2000) and are the main foundation of sport brand communities. We define sport brand communities as "online communities of sport organizations; facilitating social interaction of fans with the clubs to co-create value with fans." Via this definition, sport brand communities employ social media strategies to develop online communities to establish a better relationship between fans and clubs. This is of crucial importance as recent years have seen an increasing disconnect between these clubs and fans. The definition highlights a new professional brand management in sport. Professional brand management is all-important in sport organizations (Bauer et al. 2005) because when the level of fans' involvement with a sport organization's brand increases, it is more likely that trust will increase too and consequently loyalty to the organization (Carlson and O'Cass 2012).

## *Social Support*

Functions implemented by individuals who are significant within a social network are defined as social support (Thoits 1986). Social support is an interpersonal exchange, which makes individuals feel accepted, motivated, or valued (Teoh et al. 2009). Social support emphasizes the existence of relationships or social relations, where individuals exchange information on a network. The emerging role of the Internet in promoting social support within communities has been investigated in different disciplines such as health (Wangberg et al. 2008), marketing (M. Hajli 2013a), information management (Liang et al. 2011), and learning and education (N. Hajli et al. 2013).

In business, social support is perceived organizational support in the relationship between employer and employee (Rhoades and Eisenberger 2002). There are a number of items of research into social support within sport focused on different sport issues (Nicholson et al. 2011; Robbins and Rosenfeld 2001). Social support in sport can be provided by friends, parents, coaches, teammates, and fans. These different groups provide different types of social support. However, as yet, there are a limited number of investigations into online social support and relationship marketing in the context of sport.

## *Relationship Quality*

Relationship quality refers to the strength of the relationship between a customer and a service provider (Crosby et al. 1990). Relationship quality is a basic foundation for relationship marketing. In the context of sport organizations, relationship

quality is one of the most important aspects of the relationship between consumers and organizations (Kim and Trail 2011). The higher the degree of relationship quality, the more positive will be the attitude to the club's sponsors, etc., ultimately generating more revenues for the club (Kim et al. 2011).

Relationship quality has three primary indicators: trust, relationship satisfaction, and relationship commitment (De Wulf et al. 2001). A lack in any of these indicators contributes to unproductive relationships (Tower and Deery 2006). Therefore, in this research the authors assume that good relationship quality is revealed by these indicators, as relationships are one of the main elements of sport marketing (Bee and Kahle 2006).

Relationship satisfaction refers to the affective and cognitive state of individuals from their entire evaluation of the relationship (De Wulf et al. 2001). It can be enhanced by working on the quality of services. Trust is based on belief in the trustworthiness of an organization through three characteristics of ability, integrity, and benevolence (Gruen et al. 2007). It is a focal construct in marketing and a key factor for any organization hoping to develop a successful bond with consumers (Ali 2011). Social interaction, including emotional and informational interaction, generates trust for trading communities and consequently loyalty to firms (Jin et al. 2009). Relationship commitment refers to an individual's desire to develop a continuing relationship with an organization (De Wulf et al. 2001). Commitment is the main part of successful relationships, which can lead an organization to improve its market share, revenues, and profits (Palmatier et al. 2006). Commitment to sport organizations plays an important role in characterizing the relationship between sport organizations and sport consumers (Mahony et al. 2000). The stronger the commitment, the less elastic the demand by consumers for the product, which has a crucial impact on pricing strategy.

## Research Methodology

This research applies content analysis. The choice of content analysis is based on the social interaction of individuals on the Internet, with its limitation and its caveats. This offers a significant step forward in gaining a better understanding of online interaction of consumers (Pan and Zhang 2011). The case study of the research is an online sport brand community which provides platforms for fans to interact online. In online communities users have mass communication, for which content analysis provides a particularly suitable methodology for data analysis of mass combination (Lombard et al. 2002). Content analysis is one of the qualitative research methods for analyzing a text through the systematic classification in coding procedure and identifying themes (Hsiu-Fang and Shannon 2005). Asynchronous and computer-facilitated discussion communities have been examined through content analysis, which is a qualitative technique, in order to create information that is not visible at the surface of the records (De Wever et al. 2006). The success of content analysis is mostly related to a coding system (Hsiu-Fang and Shannon 2005).

## Description of the Brand Community: Case Study

The case study of this research is Liverpool Football Club as well as Manchester Football Club. These are the independent supporters' communities for Liverpool Football Club and Manchester Football Club available on the Internet. In theses online communities there are a range of discussion boards and topics to attract fans to interact online. Fans visiting the websites are encouraged to contribute to the community by participating in the forums. The rationale behind selecting these brand communities is that the websites and its virtual community are ranked by www.alexa.com, a web information company, as one of the most visited sport communities in the UK and indeed the world. The forum status shows that Liverpool community, for example, has had 10,584,163 posts on 156,301 topics by 38,532 members by 02/03/14. The forum has been monitored throughout different periods of time showing that there are on average 1700–1900 online users in a day, indicating that the forum is very active. The communities have different forums, including discussion boards, opinion pieces, information sharing, announcements, feedback, ticket exchange, and travel information categories. The variety of information, social interaction, number of online users, different categories, and different types of support in the forums were seen as good reasons for choosing these particular virtual communities.

## Data Collection

The study was focused on Liverpool Football Club and Manchester Football Club, because football is a global sport (Harris and Ogbonna 2008) and these two clubs remain among the best supported worldwide (Derbaix et al. 2002). Football continues to be recognized internationally as the sport with the highest income and expenditure (Goldblatt 2008). We have collected data through reviewing posts to the communities' websites. The choice of post was based on the latest updates in different categories of the forum. Three different months were selected, December 2013, January 2014, and February 2014, to avoid monthly or seasonal bias. The aim is to obtain a condensed view of the phenomenon (Eto and Kyngäs 2008). These considerations resulted in a valuable dataset of 1264 posts.

## Coding Procedure

There is not a definitive procedure for coding system in content analysis. However, we allude to other studies in the analysis of virtual communities and divide the procedures into a structured system. The purpose is to find themes within the

Liverpool Football Club community and Manchester Football Club. One of the basic phases of content analysis is to choose a unit of analysis (Graneheim and Lundman 2004). The unit of analysis chosen for this research is the discussion of individuals in two virtual sport communities. The choice of unit of analysis is one of the issues under discussion in content analysis (De Wever et al. 2006). In fact, the choice of unit of analysis is an area of debate among scholars with every researcher having particular reasons to select a unit of analysis. The text of online conversations was sorted into two content areas, relationship quality and online social support.

In the first step, the text was read a number of times in order to have a complete view of meaning and its context. Having done this, the text was then divided into meaning units that were compressed as necessary. A meaning unit is denoted by a code (Graneheim and Lundman 2004) and can fluctuate according to different meanings interpreted (Eto and Kyngäs 2008). Finally, each compressed meaning unit is assigned a code. Table 1 demonstrates an example of this procedure.

The next step was to categorize codes based on their comparison. The main characteristic of content analysis is the development of different categories for the text (Graneheim and Lundman 2004) with the aim of creating a theoretical system or map, model, or categories (Eto and Kyngäs 2008). The internal validity, which is a significant part of this research, is ensured by inviting a scholar to review and revise the categories if necessary (Eto and Kyngäs 2008). We invited a professor of sports marketing in a British university to review the coding process. There were no major disagreements. Based on a minor comment we adjusted the coding process. The adjustment was for the selection of code.

The final step is the preparation of themes based on meaning units and categories. The theme generated from the unit of analysis is useful as attitudes, values, and issues will be considered in this form (Kassarjian 1977). The underlying meanings in different categories have been linked through the development of themes (Graneheim and Lundman 2004) facilitating the research questions. These are the following: (1) Why are fans attracted to virtual communities and how do they participate in co-creation? (2) What are the values of co-creation by fans? (3) How do fans co-create value for the club? Table 2 demonstrates some examples of categories and a theme.

**Table 1** Example of meaning unit and coding procedure

| Meaning unit | Compressed meaning unit | Code |
|---|---|---|
| My step dad is going to the Arsenal game this weekend and I just wondered if the two club shops in the city center did shirt printing for LFC shirts even if you did not buy the shirt from the shop and if they do how much would it cost for a shirt to be printed? | Looking for some information related to supporting his team | Information seeking |

**Table 2** Examples of codes, categories, and a theme

| Theme | Online social support | | | |
|---|---|---|---|---|
| Category | Informational support | | Emotional support | |
| Codes | Searching for some information in the forum | To share the information and help other peers in the community | A place for expressing feeling about the club | A place to share emotions about wins or loses, where peers understand each other |

## *Trustworthiness of Content Analysis*

To provide trustworthiness we undertook a number steps to ensure reliability and validity.

## *Reliability*

A text can have different meanings and can be interpreted in different ways; therefore, in a content analysis it is vital to study trustworthiness (Graneheim and Lundman 2004). Different phases were checked to secure reliability of the results (Riffe et al. 2005). Then, texts were pooled and an independent judge was questioned, without communicating during coding procedures, to ensure reliability. This step was indented to avoid any author bias in coding procedure and to ensure inter-coder reliability, the agreement of independent judge with the process of content analysis (Lombard et al. 2002). The judge came to agreement about coding procedure with the authors. In addition, it is recommended to measure the reliability of a category to ensure that the analysis has the ability to formulate categories with fewer differences, given the judges' definition of categories (Kassarjian 1977). Despite the fact that the meaning of content can be interpreted in diverse ways, some of them emerged as clear. It is argued that the validity of research is secured by carrying out sufficient work on the details of the analyzing process (Eto and Kyngäs 2008). Therefore, to establish the trustworthiness of the work, we describe the coding process step by step.

## *Validity*

The internal validity of the study was also increased through measuring validity of content analysis by involving other scholars (Eto and Kyngäs 2008). The choice of unit of analysis and categories affect the validity of content analysis (Kassarjian 1977). Different parts of the research, particularly the coding phase, have been checked by two other colleagues. Because the coding phase of a content analysis

is a vital step in challenging the reliability of the results, it was important to include this initiative (Riffe et al. 2005) since it safeguards both the trustworthiness and the interpretation of data in the final analysis. In addition, the review of unit of analysis, theme, and categories by other researchers offered face validity to the study. For external validity, the results of coding were shared with a few respondents to ensure unbiased interpretation by the authors. We had the same interpretation of data with responds, ensuring external validity.

## Results

The social interaction of individuals on the Internet through virtual communities and the popularity of social media has opened up new opportunities for firms to co-create value with consumers. The co-creation of value with fans instead of co-creation of value for fans provides an opportunity for sport organizations to enhance service quality. This research has adopted relationship quality and social support theory to investigate how these relationships along with social constructs would offer co-creation of value for sport organizations. Because this sheds light on the current literature on relationship quality that lead a business to securing loyalty it has impact beyond sport. A content analysis was conducted to examine the posts of fans in Liverpool Football Club and Manchester Football Club. The results show two main themes in co-creation of value with consumers. The first theme is that through social interaction, fans produce online social support for their communities. Online social support has been measured by the two dimensions of informational support and emotional support, as they are intangible dimensions of social support and can be found in an online context. The second theme that has emerged for fans in this virtual community is the generation of relationship quality; this has three dimensions, of trust, satisfaction, and commitment. The two themes are the basis of co-creation of value by the social interaction of individuals in these virtual communities based around Liverpool Football Club and Manchester Football Club and help the study to answer the research questions.

The results show that fans use these virtual communities to search for information related to their club and to receive emotional support from their peers. Fans join these communities to provide support for peers as they have experienced an event before or they have knowledge related to a specific topic. This information is online social support. In Table 3 we show the coding process of informational support.

**Table 3** Some individuals join this forum to provide support for peers

| Meaning unit | Compressed meaning unit | Code |
| --- | --- | --- |
| Liverpool is changing the advertising policy next month. I was in the monthly meeting last month | Having the knowledge and experience about club | Informational support |

Online social support is a valuable consequence of social interconnectivity developed by fans on this virtual community through social media. The results show that online social support attracts many fans to join the community and seek the information they need for different issues. Table 4 shows examples of requests, information, and advice given by fans in the community to give more clear vision about online social support.

Online social support is an aspect of co-creation of value through the social interaction of fans in these two virtual communities. Fans join these virtual communities, search for information, and share their knowledge and experiences which develops a supportive climate for members. An example of the coding process is shown in Table 5, answering the first question of the study "*Why are fans attracted to virtual communities?*" The study reaffirms the valuable support for consumers who engage in online brand communities. These results indicate that online social support is the main reason of attraction of participants in these online communities. Therefore, this supportive climate encourages them to have more participation, which these interconnectivities establish a platform to co-creation of value for the club. Answering the second question, "Why are fans participate in co-creation of value?", the study shows that this supportive environment empowered fans to join these sport communities and participate in co-creation of value.

The third question "What are the types of value co-creation for fans in virtual sport communities?" indicates the types. As the results show, the social interaction of fans in these communities enhances relationship quality, as a valuable outcome of such interaction. Developing good-quality relationships with sport consumers is perhaps one of the fundamental issues in sport marketing; leading sporting organizations who embrace this, to gain a competitive advantage in the market. Therefore, this type of value creation in these online sport communities pictures the importance of value co-creation with fans. The results show that social interaction of individuals in the forum produces trust, commitment, and satisfaction; these are fundamental to co-creation of value for fans of this club. The results show that interaction of fans in the community through social media produces a supportive

**Table 4** Examples of online social support requests in the forum

| Online Social Support | Where can I find a local print shop to print Liverpool logo on my T-shirt? |
| --- | --- |
| | Do you have the e-mail address of James (one of the club managers)? |
| | Anyone got a ticket for the Tuesday match? |
| | … Looking for logo to add it in my shop! |

**Table 5** Social support attracts individuals to join and seek information

| Meaning unit | Compressed meaning unit | Code |
| --- | --- | --- |
| I really like to know more about the club as I love Manchester Football Club. I think this forum is a good place to learn more about Manchester Football Club | Attraction of the forum for new members searching for information | Attraction of forum |

climate. Fans in these communities receive better and enhanced services through up-to-date news and information they need for the matches or players or the club per se. Receiving service quality is a type of value co-creation for fans, which produces relationship quality. Table 6 shows the coding procedure for service quality leading to relationship quality. This example shows that fans of Liverpool sport community and Manchester Football Club receive information and services they need through online communities, which increases the quality of services they receive from their club. Therefore, this service quality both is good for fans and provides satisfaction, which increases the relationship quality.

The results show that social interaction of fans involving both emotional and informational interaction produces increased trust and commitment. These dimensions of relationship quality lead them to enriched relationship quality. This finding is consistent with previous research (Carlson and O'Cass 2012; Heehyoung et al. 2008). The coding process in Table 7 shows how interaction generates trust and commitment.

These factors strengthen the quality perception of Liverpool Football Club and influence fans' decisions leading to increased relationship quality. This consequently affects word of mouth and media consumption. Consumers in the area of co-creation play multiple roles and they are now empowered to exert influence on their club. Online interactive marketing through social media is emerging as an important aspect of brand building.

Although there are different studies in the area of relationship quality and value co-creation, less research has been conducted in sport organizations, specifically sport marketing strategies. The research findings suggest that virtual sport communities are likely to generate value for sport organizations and support stakeholders

**Table 6** Example of coding procedure for service quality

| Meaning unit | Compressed meaning unit | Code |
|---|---|---|
| I like the forum as I can have the most updated news about the club. I do not like to buy a newspaper anymore | Receiving information and services they need | Service quality |
| Thanks for providing information for the next match | | |
| Oh, I need this ticket. Thank you very much for giving it to me | | |

**Table 7** Example of coding procedure for trust building through social interaction and commitment

| Meaning unit | Compressed meaning unit | Code |
|---|---|---|
| Thanks for the valuable information I need for the shop to print on my T-shirt | Receiving information and services they need | Trust and commitment |
| I remember last year that you mentioned this news and now I see how this brand has been ignored to be sponsored in Liverpool | | |
| I will write you about the season ticket next week. Let me talk to them first | | |

to co-create value together. Virtual communities are likely to retain their members and facilitate value co-creation. These should encourage businesses to develop the strategies to "put consumers to work." Therefore, the contribution of the present research would be primarily exploring the relationship perspective in sport clubs and the key role of online social support through social media and virtual communities. The research found that online social support attracts fans to the community and through social media encourages them to participate, which in turn produces value for the club and for them. This offers a new theoretical foundation for investigating co-creation of value in sport management. The second contribution of the research is in social media, which offers interactive marketing tools to sport clubs to generate enhanced relationship quality.

## Practical Implications

The findings of this research have implications for both sport management and marketing. The results show that social factors have a key role in facilitating value co-creation in sport. Social support, developed from online support, is one of the key factors emerging from virtual communities in offering value to organizations. This research has placed emphasis on social support as the social interaction of consumers in virtual communities is seen as vital, encouraging members of communities to feel closer to one another. This facilitates more interaction and consequently more value co-creation. The supportive environment in these virtual communities offers trust, commitment, and satisfaction. Hence, relationship quality and loyalty to the business will likely improve.

The finding is also applicable to consumers who are new to a brand and who try to access information and form opinions about a brand. Therefore, these results can attract the attention of businesses that are looking to develop their brand in the marketplace. This requires a social media strategy to attract new users and retain existing users. The social media activities of companies positively affect relation equity (Kim and Ko 2012).

In line with previous research on sport online communities (Jae Seo et al. 2007), this research focuses on the development of virtual sport communities. The research confirms a previous study (Jin et al. 2009) on virtual trading communities, showing that social interaction of consumers, including emotional and informational interaction, produces trust, leading to increased loyalty to the business. Therefore, it is important for a firm to develop the platforms to encourage consumers to have some interaction in virtual communities. Interactive marketing communication though social media is identified as a growth area in marketing strategies. This research is also consistent with previous research showing that social media offers new channels of marketing communications (Hennig-Thurau et al. 2010).

## Limitation and Future Research

Like other research this study has limitations. We have investigated only two virtual communities, that being a football-based community. However, the study can be developed to other football clubs and other sports to investigate other ways in which fans can co-create value with their club. The study also needs more investigation through interviews to produce more rich data for content analysis. In addition, the coding process should have different coder to compare the codes and categories for reliability and validity of content analysis. This research recognizes that a single coder, or even a small group, might produce biased themes. However, we have sent out the codes and themes to other scholars to check the procedure of coding to try and ensure the trustworthiness of the research.

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# Fan Experience in Spectator Sports and the Feeling of Social Connectedness

**Maximilian Stieler and Claas Christian Germelmann**

## Introduction

Hedonic consumption is often characterized by joint social experiences (Arnould and Price 1993; Holt 1995). Joint experiences involve sharing emotions with each other (Argo et al. 2008; Ramanathan and McGill 2007) and a certain feeling of belongingness may lead to increased hedonic value (Raghunathan and Corfman 2006). Customers of a hedonic mass service, e.g., spectator sports, may experience a variety of emotions during the course of consumption. These feelings vary from positive to negative, from strongly felt emotions to more subtle feelings, and have an impact on the value that a customer draws from the experience. However, to our knowledge the emotional state that arises because a customer feels connected to the collective of other customers has not been described yet. From the field of community research we know that people may feel relational bonds to others (McMillan 1996; McMillan and Chavis 1986). Such a feeling of connectedness may be viewed as the "emotional glue" between all customers in a spatially and timely limited frame. This emotion is qualitatively and semantically different from other feelings such as joy, fear, or anger and can be seen as a sign of homogeny of the group of customers. Despite the fact that customers differ strongly in psychometric and sociodemographic variables, they are all equal in the characteristic that they form a collective gathering. To a certain extent, a feeling of social connectedness may arise between consumers who do not even know each other.

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## Theoretical Background

### *Emotional Connections Among Service Customers*

Service settings usually involve human interaction and emotions naturally occur through the process of interaction. Service management has largely focused on the emotions in the interaction between employees and customers (Hennig-Thurau et al. 2006; Jiangang et al. 2011; Mattila and Enz 2002; Pugh 2001). However, customers also influence each other emotionally during the course of consumption (Ramanathan and McGill 2007; Tombs and McColl-Kennedy 2003). In hedonic services, others may foster the hedonic value that one may draw from the experience (Raghunathan and Corfman 2006). Hedonic services are generally characterized by individuals that experience emotions (Havlena and Holbrook 1986; Hirschman and Holbrook 1982), often accompanied by the sharing of emotional stimuli with others (Arnould and Price 1993; Holt 1995).

Emotion research suggests that emotions have relevant functions in our social life and cannot be solely viewed from an individualistic perspective (Keltner and Haidt 1999; Parkinson 1996). Emotional processes become dynamic and reciprocal when we look at an interpersonal level. Yet, there is still a lack of understanding of how collective gatherings are experienced by customers. Standard emotional sets do not mention such an affective state that explicitly refers to the mental connectedness to others (Clore, Ortony, and Foss 1987; Shaver et al. 1987). This is not surprising because there is an infinite number of feelings that can be experienced, but not labeled (Moors 2014). However, a certain degree of closeness among individuals plays a major role in the performance of working teams (Evans and Dion 2012) or sports teams (Pescosolido and Saavedra 2012). Community researchers label the feeling of togetherness among community members *psychological sense of community* (PSOC). PSOC is a relatively stable and long-term oriented cognitive construct that goes beyond a mere emotional reaction (Glynn 1981; McMillan and Chavis 1986). The common bonds between community members usually build up over time through shared experiences and require the individual participation in community actions (McMillan 1996; Obst et al. 2002). In management literature, the concept of PSOC mostly focuses on long-term communities such as brand communities (Carlson et al. 2008) or work teams (Boyd and Nowell 2014). Nevertheless, focusing on the temporal dimension of PSOC, it also has been applied to service research (Jahn et al. 2011). Especially the membership component of PSOC represents the emotional bonding with a larger collective (McMillan and Chavis 1986).

A certain degree of perceived togetherness among people involved may lead to positive psychological and behavioral outcomes such as increased subjective well-being (Cacioppo and Patrick 2009; Hawkley et al. 2005), increased brand commitment (Carlson et al. 2008), loyalty towards the service (Jahn et al. 2011), or community engagement of the individual (Nowell and Boyd 2010).

## *The Nature of the Feeling of Social Connectedness among Customers*

When a service encounter is constituted as a collective gathering of customers, the feeling of social connectedness may arise in this spatially and temporally limited setting. The experience of this particular emotion may be goal relevant as the need for affiliation might be fulfilled to a certain extent (McClelland 1961). As a genuine feeling it is a subtle psychological state that is usually described as the conscious representation of an emotion (Moors 2009, 2014). Therefore, it is less intense, is longer in duration, and doesn't refer to a specific object (Derbaix and Pham 1991). Additionally, it will not necessarily lead to a specific action tendency.

Such a feeling might be fostered by a certain degree of similarity among customers (Obst et al. 2002). From sports fans we know that uniform clothing and shared rituals lead to an increased sense of belonging to a specific in-group (Derbaix et al. 2002). Striving for a sense of relatedness is fundamental to human beings (Baumeister and Leary 1995) and self-identity also has a social dimension (Brewer and Gardner 1996). The aspect of being similar to each other may in turn foster the salience shift from the personal self to the collective self during a shared episode (Páez and Rimé 2014). This may then result in a feeling state we can call a perceived "we-feeling." Especially mass hedonic services (Ng et al. 2007) are characterized by a larger collective that has a focal object as a reference point (e.g., spectator sports, concerts, festivals). Apart from the hedonic value customers of these events draw from the actual content (e.g., sports, music), the mere presence of others might also add value to the entire experience.

We investigate how consumers label such an emotional experience as a feeling state. If so, it should be taken into account in the investigation of hedonic service experiences. In this chapter we focus on the qualitative and semantic differences between traditional emotional reactions towards stimuli (e.g., anger, joy, pride) and the feeling of connectedness among service customers. Therefore, we first conducted a qualitative study to find out how visitors of such an event call their feelings that bind them together before we empirically investigated the discriminant validity of the construct.

## Methodology

### *Qualitative Pre-study*

We employed a qualitative approach to better understand the feelings visitors experience at a mass service occasion. Research on emotions or feelings as the conscious representation of emotions may start with the collection of emotion terms that also might be context specific (Richins 1997). The qualitative pre-study

was conducted in Germany during the 2012 UEFA European Championship. Spectator sports setting usually evokes an array of different emotions (Biscaia et al. 2012; Wann et al. 1994). We interviewed sports fans who jointly watched the games of the German national soccer team in front of huge screens in public. Such collective gatherings had been established during the 2006 FIFA World Cup in Germany as there were not enough tickets for all who were interested. Since then soccer fans have been gathering to watch the games together. The service can be characterized as a mass service (Ng et al. 2007) since the customers do not know each other but gather together for pleasure purposes.

The purpose of the qualitative pre-study was twofold. First, we wanted to assess the context-specific set of feelings sports spectators experience during sports consumption. Second, we wanted to find out whether a feeling of connectedness is salient during sport consumption among visitors of such an event. We explicitly focused on the experiential component of an emotion that respondents can access consciously. Respondents were interviewed at different venues in a medium-sized town and a medium-sized city in Germany. In total, 97 semi-structured qualitative interviews were conducted at four collective gatherings varying from 400 to 10,000 participants. Furthermore, we interviewed visitors of the events prior to the game, during the halftime and after the game at five games of the German national soccer team. Spectators of these events saw three wins, a draw, and a loss against Italy in the semifinal. The respondents were asked how they felt at this particular moment before the game, after the game, or during the half-time.

The interviews were transcribed and coded by two coders independently. Inconsistencies were resolved by discussion. The qualitative pre-study revealed a variety of discrete emotions that are not new to the context of hedonic consumption. Emotions such as joy, pride, sadness, anger, and optimism could be found. Causes of these feelings were the game, the venue, the service environment (catering), and so on. Apart from individualistic emotion, respondents reported to experience feelings of *affiliation, belongingness, togetherness, team spirit, cohesion,* and a *sense of community* when they were asked how they had felt. These answers indicate that visitors of such a sports event feel a certain degree of closeness towards, mostly unknown, others. This experience differs not only semantically from standard emotion sets, but it names the emotional bonds that the service created among its customers.

## Main Study

We conducted a survey research ($N = 394$) to find out whether the feeling of connectedness is distinct from other emotional reactions. During the 2014 FIFA World Cup we distributed an online questionnaire in online event forums and Facebook event groups. The sample comprised 59 % male and the average age was 26.3 years (SD = 6.66). The feeling of connectedness was measured on a

five-item scale derived from the qualitative pre-study (e.g., "I felt as being part of a large group during the event."). The scale encompassed two reverse-coded items. Discrete emotions were measured on a shortened version of the Consumption Emotions Set (Richins 1997). A few adjustments were made based on the qualitative pre-study as emotions such as love or peacefulness cannot be found in the sports context. The final version of the emotion scale covered seven emotions (excitement, joy, optimism, fear, sadness, worry, and anger), represented by 23 emotional adjectives from the CES (e.g., angry, optimistic, happy, depressed, thrilled). Respondents had to rate whether they felt a certain emotion during the event (1 = not at all, 7 = extremely).

An exploratory factor analysis with principal component analysis was conducted with oblique rotation. The Kaiser-Meyer-Olkin measure was 0.93 and all other individual KMOs were above 0.88. Factor analysis revealed a four-factor solution. The first factor represented the positive emotion items such as joyful, happy, pleased, thrilled, enthusiastic, proud, and optimistic. The second factor comprised all the negative emotional adjectives such as angry, frustrated, irritated, depressed, and miserable. All the emotional reactions that did not have a clear valence structure and could have a positive as well as a negative connotation fell into the third factor (nervous and tense). The fourth factor represented all the statements of the feeling of connectedness scale derived from the qualitative pre-study.

We conducted a regression analysis on overall service satisfaction as a typical service outcome variable which is managerially relevant. It should be noted that the experience of positive emotions and an experienced feeling of connectedness should lead to an increased hedonic service value as affect and satisfaction are closely related (Mano and Oliver 1993; Oliver 1993). The regression analysis revealed that positive emotions and the feeling of connectedness both significantly influence overall service satisfaction, $F(2, 392) = 92,468$, $p < 0.0005$, $R^2 = 0.321$. Both positive emotions and feeling of connectedness predict overall satisfaction significantly, $p < 0.05$. The analysis shows that positive emotions lead to an increased overall service satisfaction, $b = 0.27$, $t(394) = 5.64$, $p < 0.05$, as well as a feeling of connectedness, $b = 0.38$, $t(394) = 7.62$, $p < 0.05$.

As hedonic services are clearly characterized by experiencing positive emotions, we conducted a confirmatory factor analysis to assess the validity of the concept. After checking communalities, we ran a CFA with four statements of the feeling of connectedness and ten emotion adjectives. The final CFA model had a moderate fit, $\chi^2 = (76, N = 394) = 288,787$, $p < 0.0005$, GFI = 0.9, CFI = 0.95, RMSEA = 0.084. The two factors show convergence validity as AVE for the positive emotions factor was 0.62 and 0.64 for feeling of connectedness factor. The squared correlation between the two factors of 0.4 suggests discriminant validity (Fornell and Larcker 1981).

The results indicate that the feeling of connectedness is distinct from discrete positive emotions customers experience when consuming an event. In the case of the soccer event, customers may feel situational happiness when the German team scores a goal and might feel angry about an opponent's goal. The feeling of connectedness seems to be salient during the entire course of consumption.

## Implications and Future Research

Hedonic services excel in the fact that customers experience a wide array of discrete emotions. There might be different causes of emotions such as the core service (e.g., a soccer game) or the service environment that elicit individualistic emotions. Our pre-study shows that the feeling of connectedness is relevant for customers when experiencing a hedonic service. Furthermore, it is distinct from discrete emotions. In the main study we confirmed that the feeling of connectedness differs from the experience of positive emotions. This might add to a better understanding of how customers experience mass services to effectively evoke customers' emotional reactions. We propose that experiencing the feeling of social connectedness may serve as a starting point for a long-term relationship towards the service itself or brands associated with the service. Research on the feeling of connectedness among customers in the future may identify the antecedents of such a feeling state and how it can be fostered by service providers. Furthermore, incidents during the course of consumption that may vary the salience or strength of this feeling should be investigated. Potential outcome variables should be investigated. Our findings already suggest that the feeling of connectedness and positive emotions together positively affect overall service satisfaction. Moreover, different hedonic mass service contexts such as concerts or festivals should be taken into account in further analyses. Further research is under way to investigate this feeling in different service contexts and with regard to potential mediators and moderators of its effect on service outcomes.

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# Session 11.4
# Promotion and Social Marketing

# Do Pro-social Ads Influence Social Attitudes and Consumer Response?

**Kevin Lehnert, Christian Hinsch, and Alexis Croswell**

**Abstract** Corporate social responsibility (CSR) activities can be an important tool for businesses to connect with their stakeholders. While there is growing research on the impact of CSR, there is relatively little research on how socially conscious consumers respond to socially responsible initiatives. We address this gap by quantitatively investigating the role of consumer's social attitudes and their response to social message advertisements. Results indicate that some socially conscious consumers are generally leery of advertising and this can extend to CSR tactics. A consumer's general attitude towards advertising mediates the relationship between their pro-social viewpoints and their attitude towards the brand, and this process is moderated by the content of the advertisement (i.e., CSR focused or neutral). The findings show that pro-social consumers do react differently to pro-social vs. traditional advertisements. This has distinct implications for managers, as it becomes more important for them to understand the pro-social attitudes of the audience before investing in CSR-focused advertising.

**References available upon request.**

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# There's a Silver Lining: Information Quality, Trust, and Positive Meaning After a Crisis

**Maria Ek Styvén, Anne Engström, Esmail Salehi-Sangari, and Mana Farshid**

**Abstract** Communication and public relations play a pivotal role in crisis management (Tirkkonen and Luoma-aho 2011). Due to the high levels of uncertainty created during a crisis, stakeholders have a strong need for fast and accurate information (Seeger and Griffin Padgett 2010). For public sector organizations, crisis communication is perhaps even more challenging and complex, given that government agencies have democratic obligations to serve and communicate with all citizens (McCoy 2014). A main goal of crisis communication is to restore reputation and regain customers' trust (Utz et al. 2013). It seems likely that individuals have different perceptions of the information quality of crisis communication, which in turn may influence their trust in government. We also suggest that the level of perceived information quality is related to the extent to which people find positive meaning in a crisis (Fredrickson et al. 2003), and to their level of crisis involvement (Claeys and Cauberghe 2014). In this chapter, we identify segments of citizens based on their perceptions of the information quality of local governments' crisis communication, and assess whether there are differences between these segments in terms of their post-crisis trust in government, perceptions of positive meaning, and crisis involvement.

After running five exploratory focus groups, we conducted a postal survey in two midsized Swedish cities. Both municipalities have experienced the exact same type of crisis, i.e., parasites in the drinking water, affecting a major part of their citizens. We received 663 responses from men and women in the ages of 20–74. Through a cluster analysis, three segments were identified based on the citizens' perceived information quality.

Results indicate that the perceived quality of information from the local government is strongly related to post-crisis trust, which highlights the importance of providing relevant, reliable, sufficient, and up-to-date information throughout the crisis. Citizens' perceptions of the crisis communication also seem to play a role in

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the extent to which they can find positive meaning in the event afterwards. Moreover, we can conclude that municipality residents who fell sick from the parasite-infected drinking water were more involved in the crisis and therefore reacted differently from residents that had no such problems. They were much more critical toward the crisis communication, a finding that also was evident in the focus groups. Overall, the results of the study place further emphasis on long-term effects of the information quality of crisis communication. Thus, to maintain citizens' relationship commitment, strategies for information dissemination and communication during crises are vital for public sector organizations.

**References available upon request.**

# The Mediating Role of Message Concreteness and Perceived Persuasiveness in Explaining the Match Effect Between Temporal Frame and Self-View

**Seungae Lee and Kate Pounders**

**Abstract** Different temporal frames are often used in health communication to convey persuasive messages. This work investigates how temporal frames can be used more effectively depending on an individual's accessible self-view. This study found that a distal temporal frame is more effective with an independent self-view whereas a proximal temporal frame is more effective with an interdependent self-view. In addition, this chapter examines two mediating variables as being important in understanding the relationship between temporal frame and self-construal on behavioral intentions: persuasiveness and message concreteness. This study revealed that the cognitive information processing of the match effect varied depending on how concretely one construes health-risk-related information. This chapter adds to the existing literature by explaining the underlying mechanisms of the match effects between temporal frame and self-view.

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# Session 11.5
# Value Creation in Marketing Channels

# Protecting Brand Value: Walking the Talk After the Sale

**Joël Le Bon, Doug Hughes, Wyatt Schrock, and Dwight Merunka**

Brands determine marketing activity effectiveness, drive marketplace performance, command premium prices, and, ultimately, impact shareholder value (Ailawadi et al. 2003; Keller 1993; Srivastava et al. 1998). Building brands that customers value is the work of marketing departments. The latter frequently staff brand managers to coordinate a given brand's marketing activities, deliver brand-development objectives, and be accountable for brand performance (Low and Fullerton 1994). However, a more traditional marketing department-based view of managing brands is narrow. In reality, brands can be built (or destroyed) by employees company-wide, as employees interact with various stakeholder groups (De Chernatony 1999; King 1991). All customer interactions (customer experiences) have brand implications (Brakus et al. 2009; Grace and O'Cass 2004; Sirianni et al. 2013). These interactions are especially crucial for brands in a services context, wherein front-line employees represent—or become—the brand in human form (e.g., Long-Tolbert and Gammoh 2012; Morhart et al. 2009). When the customer experience is suboptimal, the brand is held in the hands of customer service personnel or front-line call-center employees, for example, far from the reach or formal authority of marketing and brand managers. Before the sale, marketing communications (e.g., advertising, salespeople) naturally lead customers to expect positive brand experiences. After the sale, however, things can go wrong. Service failure is inevitable (Bitner et al. 1990; Hart et al. 1990) and can quickly destroy slowly developed goodwill and long-standing relationships (Bitner 1995; Gassenheimer et al. 1998).

The primary objective of this research is to investigate the extent to which customer service personnel participate in building and protecting brands. In particular, this

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research explores ways in which front-line service employees drive customer perceptions of a brand's trustworthiness several months after initial service failures. Multiple source data from 326 business customers of a large service organization gathered in three time periods reveal that only distributive and procedural justice impacts customer dissatisfaction. Moreover, customer service employees' extra-role behaviors do not moderate the relationships between distributive, procedural, interactional justice, and customer dissatisfaction. From a brand perspective, procedural justice does not affect brand trust, and interactional justice only partially does. Service employees' extra-role behaviors only moderate the relationship between distributive justice and brand trust. Findings also suggest the mediating role of brand trust between distributive justice provided by service employees' extra-role behaviors and brand perceived value and preference.

The findings contradict prior research; yet combining the service recovery and brand literature, they also show how brands can be built and preserved by customer service departments. By capturing customers' perceptions after multiple service failure experiences, the study bridges the gap between service recovery and brand research. Confirmed and disconfirmed hypotheses provide interesting insights into how companies can walk the talk after the sales and protect their brands.

**References available upon request.**

# Can High-Status Local Partners Lead to Success in Developing Economies? Managing Quality, Order, and Opportunism in Emerging Markets

**Annie H. Liu, A. Noel Gould, and Yang Yu**

## Introduction

Developing economies present many challenges for foreign business-to-business (B2B) firms: unfamiliar cultures and exchange systems, in-group biases, state-driven forms of capitalism, and weak legal systems—each and all intensifying transaction cost economics (TCE) in channel development and the resulting relationships. Yet the right local partners can provide cultural wisdom, market centrality, and other long-term performance advantages, including strategic, organizational, and financial strengths (Luo 1998; Liu et al. 2014; Shi et al. 2014). The many risks and rewards in China's markets make informed and successful partner selection imperative. And while *guanxi* capitalism (McNally 2011) presents many indigenous and highly successful enterprise networks to choose from, these are complex and sometimes unforgiving in foreign-local entry and performance relationships (Luo 2007; Liu and Gao 2014).

As a result, during the first decades of China' economic opening and expansion, research on market entry and interfirm relationships centered on *guanxi* networks (Chen et al. 2013). Only recently new research streams have emerged exploring these crucial functions through market centrality (Shi et al. 2014), TCE, and social exchange theory (SET) (Wang et al. 2013; Liu et al. 2014). Each of these Western-based theories addresses forms of connectivity and uncertainty ever present in developing economies from their respective disciplines (Podolny 1993; Williamson 1975). Joined together, they can add additional insights and direction for Western

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firms working with *guanxi* networks, which exist and operate as indigenous interweavings of economic and social relationships (Chung and Jin 2011; McNally 2011; Su et al. 2007).

We add to and link the more recent research by applying the theories of high status, contingent opportunism, and potential governance mechanisms to local channel partner selection and the resulting foreign-local channel relationship performance in emerging markets. Specifically, we examine how a foreign firm may select a high-status Chinese channel partner to secure its apparent market prestige and performance, and how the hope for channel relationship outcomes may be realized through the mechanisms of either or both transaction-specific investments (TSIs) and socialization. To do this, we ask two fundamental questions: First, the baseline question of "Do foreign firms achieve greater partnership performance with high-status local channel partners in the Chinese market?" and next, "Can TSIs and socialization with such partners deliver the desired channel relationship outcomes despite the contingent opportunism their high status allows?"

## Literature Review and Hypotheses Development

Whenever actors gather as a group, a social hierarchy will emerge, which confers levels of status (Chen et al. 2012). An actor's status implies its relative power and prestige, and often predetermines opportunities and constraints. Applying the signaling factor in status theory, Podolny and his fellow researchers concluded that since all firms hold a distinctive market status that is observable to external audiences, status signals the "quality" of a firm to a perspective customer or partner seeking to make a proper selection in the midst of market complexity and uncertainty (e.g., Benjamin and Podolny 1999). Research shows that high-status firms achieve higher performance because they have better access to business opportunities; crucial financial and human resources; and control over partners; and can charge higher prices to gain cost efficiencies (Benjamin and Podolny 1999; Castelluci and Ertug 2010).

In the current study, we suggest that foreign firms are more likely to achieve positive channel performance outcomes with high-status local partners in rapidly developing economies because of the many strategic advantages they offer (Calhoun 2002; Das and Teng 1998; Liu et al. 2010). In China, a high-status local channel partner's strategic knowledge of "who and when" in key *guanxi* networks can expertly guide foreign firms into their robust exchange systems. This can provide privileged access to additional *guanxi* partners and their collaborative resources (Liu and Gao 2014).

H₁: *A local channel partner's high status can positively affect channel relationship outcomes.*

However, as compelling as the selection of a high-status local channel partner appears, powerful partners can easily frustrate, forestall, and/or deny the hope for relationship outcomes by engaging in opportunism—and this enabled by the same prestige, power, and in-group knowledge the foreign firm was relying on for supe-

rior performance outcomes (Cowen 2012; Luo 2007). Two governance structures were examined to mitigate high-status channel partner's opportunism. Recent interfirm research in Asia has applied both economic and social theory in researching TSIs and opportunism (Wang et al. 2013; Y. Liu et al. 2014; Zhou and Xu 2012). These build on Luo's (2007) construct of comprehensive anti-opportunism governance systems for international joint ventures (IJVs). Social bonds include social capital, solidarity, and network embeddedness, all of which reflect socialization between the firms (Rokkan et al. 2003; Wang et al. 2013; Y. Liu et al. 2014). For the current study, we explore the efficacy of TSIs and socialization as moderators of opportunism a foreign firm may employ to safeguard and secure the hope for performance outcomes from a high-status Chinese channel partner.

TCE research has shown that unilateral TSIs by a foreign firm tend to result in opportunism; once invested, the local channel partner is likely to have even more relationship power. Since high-status channel partners in China are very attractive to foreign firms seeking entry into the world's second largest economy (Shi et al. 2014), major TSIs may be the winning price of bidding wars by interested suitors. And the foreign firm's continuing information asymmetry, the ongoing environmental uncertainties, and minimal legal recourse may lead its host partner to conclude that opportunism is both "feasible and profitable" (Rokkan et al. 2003, p. 211–212). Because of these likely overriding drivers of opportunism, we propose:

$H_2$: *As a foreign firm's TSIs increase, the positive link between the local partner's high status and channel relationship outcomes decreases.*

Since socialization fosters social contracts and solidarity (Heide et al. 2007), it can simultaneously reduce behavioral uncertainty as interfirm learning increases (Das and Teng 1998). The positive benefits of socialization can also accelerate the local channel partners to connect the foreign firm with its important network members (Shi et al. 2014). Socialization is particularly relevant in the present study because social governance is more effective in collectivist cultures where interfirm relationships drive business (Luo 2007). Since negotiating and enforcing detailed contracts with high-status partners in China are often difficult (A. Liu et al. 2014), "relationship ink" can substitute for legal contract ink. Therefore, we propose:

$H_3$: *As a foreign firm increases socialization with its high-status channel partner, the positive link between a local partner's high status and channel relationship outcomes increases.*

Research on interfirm/channel opportunism has increasingly tested for the combined effect of economic and social governance mechanisms. Most studies suggest that the two work better together because the strengths of one make up for the weaknesses of the other (Luo 2007). As such, their combination creates an overarching governance strategy. With this research in mind, we propose:

$H_4$: *As the foreign firm's TSIs and socialization with a high-status channel partner increases, the positive relationship between a local partner's high status and channel relationship outcomes increases.*

## Methodology

To test our hypotheses, we collected data from a sample of 800 companies randomly selected from the local government's official record of foreign enterprises. We selected foreign firms with less than 10 years' operation in China to minimize potential issues of becoming localized (Kronborg and Thomsen 2009) and reduced the sample to 437 companies. After the initial contact with managers from those companies to seek their participation, 134 firms expressed their interest. One hundred and ten of them were interviewed on-site, producing 96 complete and useable questionnaires, comprising a variety of commercial sectors, firm sizes, and corporate nationalities. An English version of the questionnaire was developed, translated to Chinese, and back-translated to English to ensure accuracy and validity (Wu 2008; Xin and Pearce 1996).

Multiple informants (i.e., two senior managers from each foreign company) were used to collect data. Screening criteria were used to ensure respondents' direct involvement with and knowledge of the partner. We compared respondents and non-respondents for non-response bias, and *t*-tests showed no significant difference in industry type, firm size, and sales revenues.

The multi-item scales for TSIs, socialization, and relationship outcomes were adapted from established studies, and the items for partner status were developed specifically for the current study. Prior to the fieldwork, a pilot study with 20 managers was undertaken to provide feedback and enhance the content and face validity of the survey instrument. All measurement items were 7-point Likert scale, except for firm size and relationship duration. Factor analysis and reliability tests were conducted and all scales showed high Cronbach's alpha scores, which are preferable and crucial for testing moderation effects (Frazer et al. 2004). Firm size, relationship duration, and satisfaction were included as control variables for hieratical regression analysis. Coefficients for firm size and relationship duration are not significant across all the models. Yet, satisfaction with overall performance is positively correlated with the dependent variable, suggesting that firms having satisfactory performance generally enjoy good relationship outcomes with their exchange partners in the market.

## Results and Discussion

A hierarchical regression was used to test hypotheses (Baron and Kenny 1986). Hypothesis 1 (the main effect) is supported in all four models, indicating that firms are likely to achieve greater performance with high-status partners. Our findings show that TSIs ($H_2$) have no direct effect on relationship outcome while socialization ($H_3$) has a positive effect. This suggests that socialization could be a quasi-moderator, rather than a pure moderator (Sharma et al. 1981). Lastly, results of the three-way interactions (status × TSIs × socialization) show significant correlation

with relationship outcome ($H_4$), suggesting that foreign firms are more likely to achieve higher relationship outcome from their high-status partners when investing in TSIs and socialization concurrently.

Our findings confirm that selecting high-status Chinese channel partners can be advantageous for Western firms entering the world's second largest economy. The moderating analysis result shows that TSIs decrease the positive link between high-status and channel relationship outcomes while socialization enhances it. As important, foreign firms that invest in TSIs with socialization may achieve higher channel performance outcomes with high-status partners.

## Conclusions and Implications for Theory and Practice

By bringing status theory into partner selection theory in emerging markets, we bring with it the concept of status-as-signal for quality and order. Here, we enrich status theory by showing how foreign firms confirm the value of this signaling in actual operations in China with their high-status local partners.

We also add to recent studies exploring the singular and combined effects of structural and social governance systems arresting interfirm opportunism in emerging markets. We confirm that a strategic combination of economic and relational governance is needed to address opportunism in channel relationships. Additionally, we concur with Rokkan and colleagues (2003) that the economic signals are often stronger than social ones.

Our research contributes to international B2B and channel literature as well as TCE and SET theories in emerging markets. In particular, we add guidance to Western firms seeking navigational charts to steer their "know how and why" to high-status Chinese partners' "know who and when" (A. Liu et al. 2014). We do this by showing that Western notions of high status may be helpful for identifying and selecting channel partners with the desired *guanxi* centrality, and the connection between their high status and the resulting B2B/channel relationship performance. As important, our findings suggest governance strategies from Western theories of TCE and SET to ensure the hope for business and financial benefits in a major global market with new currents of connectivity and uncertainty emerging every day.

Foreign B2B firms entering and expanding in developing economies are advised to develop strategic models of the cultural, historical, and present workings of the relevant in-group exchange systems and how these both reflect and interact with market status; types of capitalism and markets; and formal legal and governance systems within the host economy. Combined and frequently reviewed economic and social governance systems are recommended.

**References available upon request**.

# The Effects of Customer Orientation and Relationship Marketing on the Performance of Logistics Firms in Taiwan

**Stephen W. Wang**

**Abstract** Consistent with the research attention afforded to market orientation's impact on logistics firm performance, the present study empirically investigates three seminal constructs underlying market orientation. Specifically, the research explores the relationship between customer orientation, customer trust, and customer commitment on logistics firm performance. More than 500 logistics employees and managers in one of the world's most vital supply chain hubs, Taiwan, participated in the study. The posited measurement model was estimated using structural equation modeling. The data analysis revealed support for a customer orientation, customer trust/customer commitment, and firm performance causal chain. This causal chain suggests that the customer relationship management paradigm aligned with a market orientation approach is paramount to logistics firm performance.

## Introduction

The transformation of planned to market economies in global supply chains has received increased research attention (Mahmoud & Hinson, 2012; Wiley, Wilkinson, & Young, 2006; Lukas, Tan, & Hult, 2001; Hooley et al. 2000). As logistics and supply chain management are inextricably linked to organizational performance, much of the literature to date has focused on cost containment and systems integration. Surprisingly, far less attention has been afforded to the relationships that govern the supply chain. While there exists a general approbation of market orientation as a managerial mechanism (Hult, Ketchen, & Slater, 2005; Jaworski & Kohli, 1993; Narver & Slater, 1990), there exists a paucity of attention afforded to its

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underlying dimensions and the ensuing relationship between logistics firms' market orientation and their bottom-line performance (Eris & Ozmen, 2012).

The growth of transitional and emerging economies in the Asia Pacific region coincides with the most significant geographic shift in manufacturing and distribution channels in history. As manufacturing and distribution hubs have become concentrated in the Asia Pacific region, 90 % of the world's busiest ports are located in Asia and 70 % are located in China (*World Shipping Council* 2014). So, it is not surprising that marketing researchers and practitioners alike are focused on managing the transition from planned to market-based economies in Asia. Both local and foreign channel members are increasingly deploying more customer-oriented strategies in these markets (Park & Luo, 2001).

Despite the general agreement that customer orientation may make a difference in firm performance, scholars tend to disagree on the circumstances and specific mechanisms in which a customer-oriented strategy matters (Luo et al., 2008). While some researchers suggest that customer orientation has a direct influence on firm performance (Deshpandé & Bowman, 2004; Deshpandé & Farley, 2000; Slater & Narver, 1994), others argue that environmental settings and corridors impact the relationship between customer orientation and organizational performance outcomes (Hartline et al., 2000; Luo et al., 2005a, b; Zhou et al., 2005). Nevertheless, Brady and Cronin (2001) warned that "no matter directly or indirectly, how a customer-oriented firm benefits from its customer centric strategy remains unexplored."

Concurrent with the rich research stream confronting the associative correlation between customer orientation and firm performance, a recent research stream based on relationship marketing suggests that customer orientation may lead to competitive advantages for a firm vis-à-vis bilateral trust and commitment in the buyer-seller or any exchange relationship (Walter & Ritter, 2003; Saparito et al., 2004; Khong, Onyemeh, & Chong, 2013). Walter and Ritter (2003) suggested that customer orientation may initiate and sustain a trustful and committed relationship between the buyer and the seller, since customer-oriented adaptations represent the supplier's risky advances and interests to solve the customer's problems. Subsequently, committed customers who believe in the seller's honesty and competence are key drivers for the firm's value exploration and enhancement.

Griffith and Harvey (2004) further proposed that customer orientation influences a firm's social capital development, which in turn influences the firm's dynamic capabilities and performance. Furthermore, Saparito et al. (2004) extended the posited relationship between a firm's social capital development and its dynamic capabilities and ensuing performance to the service sector. They empirically supported that customer orientation in the banking industry may "cultivate customer's relational trust, and binds customers emotionally to their banks, and lessens their propensity to switch." Thus, these authors disclose a customer orientation–customer trust/customer commitment–firm performance causal chain (Saparito et al., 2004).

Logistics is an industry in which complex supply chain relationships are intertwined, connecting producers, suppliers, distributors, retailers, and final customers. This network is often linked by *guanxi*: a channel governance mechanism that

relates to the highly personal relationships that are leveraged to garner favorable (or unfavorable) social capital (Fowler & Reisenwitz, 2014). An organization's logistics network is a part of the global, highly complex interrelated system composed of a multitude of both independent and strategic partnerships across transportation (e.g., freight forwarders, railways, airlines, shipping companies), distribution intermediaries and sourcing firms (e.g., trading companies, service providers), and government entities (Gudehus & Kotzab, 2012).

While most logistics and logistics firm performance-related studies focus on quality management (Anderson, Jerman, & Crum, 1998), knowledge management (Ramírez, 2012), service provision (Lai, 2004; Shang & Marlow, 2005; Panayides & So, 2005; Ishfaq & Sox, 2010; Liu & Lyons, 2011; Grawe, Daugherty, & McElroy, 2012; Subramanian, Abdulrahman, & Zhou, 2014), customer loyalty (Ramanathan, 2010), and supply chain management (Lai, Ngai, & Cheng, 2002), there has been a paucity of research attention on the highly personal and behavioral underpinnings of customer orientation in logistics management. Accordingly, this study adopts a relational exchange framework to critically investigate the influence of logistics firms' customer orientation strategy on the ensuing logistics firm's performance outcomes.

Despite the salient benefits and the popularity of customer orientation and relationship marketing as a marketing communication strategy to enhance firm performance, surprisingly, very few logistics-related studies have been done to investigate this topic. Consequently, this study aims to fill this research gap, positing a testable model of the underlying dimensions of customer orientation. The objective of the present research is to verify the theoretical model of organizational performance incorporating the seminal constructs in relational exchange, including customer orientation, trust, and commitment. The focal domain is the logistics industry in Taiwan.

## Focal Domain: Taiwan Logistics Industry

One of the standards for measuring logistics performance is the Logistics Performance Index (LPI), a weighted average of six determinants of logistics performance computed across countries. The LPI includes the efficiency of the clearance process, that is, the fluidity and predictability of getting goods through the clearance process (i.e., port of entry) administered by controls such as customs and border control. It also includes the infrastructure development quality of trade and transportation (e.g., ports, railroads, roads) extended to the information technology governing transportation flows. The other measurements in the LPI are the ease of arranging competitively priced cargoes; the availability and competency of logistics service providers (e.g., transport operators, customs brokers); monitoring and tracking technologies of containers; timeliness of both inbound and outbound shipments; and the country's internal transportation infrastructure. Germany and Singapore are the most efficient and highest ranked LPI countries. Taiwan has been consistently

ranked among the Top 20 LPI in the world (*lpi.worldbank.com*), and it is the focal domain for the present study.

Taiwan is a principal logistics network hub positioned geographically in the Northeast Asia and Southeast Asia economic circle, and it has matured conditions in both software and hardware for the development of the logistics industry (World Bank, 2014). The annual gross production output of the Taiwan logistics industry topples NTD1.4 trillion (*World Bank*, 2014), generated from over 20,000 logistics and transportation companies. Trappey et al. (2009) conducted the most wideranging analysis of Taiwan's logistics industry, analyzing six major sectors. Lee (2003) asserts that" Northeast Asia, including South and North Korea, China, the Far Eastern part of Russia, and Japan, is recognized as an economic bloc with considerable growth potential. Demand for airfreight transport in the region is Thus expected to grow" (p. 114).

To date, there exists no comprehensive empirical investigation of the causal chain linking customer orientation, trust, commitment, and firm performance in this integral hub of the global supply chain. The focal domain was supported by a competitive research grant, and it aims to provide both normative and prescriptive insights for logistics researchers and managers, respectively. The precedent for this focal domain is reinforced by the recent work of Yeh (2014) who empirically assessed the automobile manufacturing channel in Taiwan.

## Conceptual Framework and Hypotheses

The paradigmatic shift from a transactional to a relational perspective has been widely accepted among marketing researchers (Sheth & Parvatiyar, 2012; Samaha, Palmatier, & Dant, 2011; El-Ansary 2005; Sheth & Parvaitiyar, 1995; Pelton, Strutton, & Lumpkin, 2001; Sheth & Parvatiyar, 1995). Relational exchange is largely derived from social contract theory (Macneil, 1980), and it focuses on the governance norms that extend beyond discrete, transactional perspectives of economic exchange. Instead, the implicit intent of economic exchange is relational, and its goal is to attain long-term, win-win buyer-seller relationships. Social contract theory was later applied to the marketing discipline from social contract theory in the context of conflict resolution (Kaufmann & Stern, 1988).

In the last decade, relational exchange and relational governance norms have received increased attention in business to business (Cheung, Myers, & Mentzer, 2011; Paulin and Ferguson, 2010; Pelton, Strutton, & Lumpkin, 2001; Sheth & Parvatiyar, 2005). Daugherty et al. (2009) specifically discuss the importance of relational exchange in the context of logistics, and they call for increased research attention to the behavioral norms underlying supply chain relationships.

Within this rich relational exchange theory research stream, there has emerged general theories of relationship marketing (Morgan & Hunt, 1994), suggesting that both trust and commitment are the seminal constructs underlying enduring buyer-seller exchanges. The present study embraces both market orientation (Jaworski &

Kohli, 1993; Narver & Slater, 1990) and relationship marketing (Hunt & Morgan, 1994) framework and market orientation, identifying three measurement constructs that are ubiquitous across these theoretical foundations. The following discussion describes the nature and scope of customer orientation and its ensuing relationship on organizational performance.

## *Customer Orientation*

It has been widely acknowledged that successful organizations need to have a customer-oriented business culture (e.g., Athanassopoulos, 2000; Deshpande, Farley, & Webster, 1993; Houston, 1986; Parasuraman, 1987; Shapiro, 1988; Webster, 1988; Panayides & So, 2005). In fact, a customer orientation[1] has been identified as a cornerstone of the theory and practice of marketing management (Jaworski & Kohli, 1993) for more than four decades. Thus, researchers (Sinkula, Baker, and Noordewier, 1997; Slater & Narver, 1995) suggest that customer-oriented firms outperform competitors by anticipating consumers' needs and responding with market-oriented goods and services that deliver superior value and greater satisfaction. Therefore, being customer oriented allows firms to acquire and assimilate the information necessary to design and execute marketing strategies that result in more favorable customer outcomes (Luo et al., 2008).

While customer orientation refers to "the set of beliefs that puts the customer's interest first" (Deshpandé et al., 1993), it subsequently leads to the development of a long-term profitable enterprise. Based on past research, customer orientation has been found to help develop customer trust and customer commitment and, consequently, generate a competitive advantage (Farrelly & Quester, 2003; Saparito et al., 2004). Based on this literature, the following hypotheses are posited:

$H_1$: The influence of customer orientation on customer trust is positively significant.

$H_2$: The influence of customer orientation on customer commitment is positively significant.

## *Relationship Marketing and Organizational Performance*

Morgan and Hunt (1994) conceptualize trust as existing when one party has confidence in an exchange partner's reliability and integrity, which parallels that of Moorman, Deshpande, and Zaltman (1993): "Trust is defined as a willingness to

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[1] The terms market oriented, market driven, relationship orientation, and customer focused tend to be considered synonymous (e.g., Deshpande, Farley, and Webster, 1993; Deshpande and Webster, 1989; Shapiro, 1988; Slater and Narver, 1995) and are so used in this chapter.

rely on an exchange partner in whom one has confidence." Both definitions highlight the importance of confidence. The literature on trust suggests that confidence on the part of the trusting party results from the firm belief that the trustworthy party is reliable and has high levels of integrity.

Integrity is implicitly associated with such qualities as consistency, competency, honesty, fairness, responsibility, helpfulness, and benevolence (Altman & Taylor, 1973; Dwyer & LaGace, 1986; Larzelere & Huston, 1980; Rotter, 1971). Similarly, Morgan and Hunt (1994) define commitment as an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it. That is, the committed party believes that the relationship is worth vesting in to ensure that it endures indefinitely (Moorman, Zaltman, & Deshpande, 1992).

The relationship between trust and commitment is paramount to relationship marketing. Morgan and Hunt (1994) theorize that the presence of relationship commitment and trust is central to successful relationship marketing, rather than the use of power and the disproportionality in the relationship which results in an ability to "condition others." Therefore, when both commitment and trust—not just one or the other—are present, they produce outcomes that promote efficiency, productivity, and effectiveness. In short, commitment and trust lead directly to cooperative behaviors that are conducive to relationship marketing success.

Relationships characterized by trust are so highly valued that parties will desire to commit themselves to such relationships (Hrebiniak, 1974). Accordingly, "mistrust breeds mistrust and as such would also serve to decrease commitment in the relationship and shift the transaction to one of more direct short-term exchanges" (McDonald, 1981). Therefore, researches (Achrol, 1991; Moorman, Zaltman, & Deshpande, 1992; Morgan & Hunt, 1994) posited that trust is a major determinant of relationship commitment, that is, trust by marketing research users in their research providers significantly affected user commitment to the research relationship.

Recently, Sheu and Hu (2009) suggested the sophisticated utilization of independent incentives through channel relationship commitment as the key mediator determines the channel performance; furthermore, relative to contractual incentives, relationship-building incentives appear to be more effective in promoting channel relationship commitment, thus leading to superior channel performance toward the ultimate goal of sustainable channel relationship management. Therefore, we hypothesize:

$H_3$: The influence of customer trust on customer commitment is positively significant.

$H_4$: The influence of customer trust on firm performance is positively significant.

$H_5$: The influence of customer commitment on firm performance is positively significant.

As shown in Fig. 1, our research model holds that customer orientation may lead to a firm's excellent performance via generating customer trust and commitment.
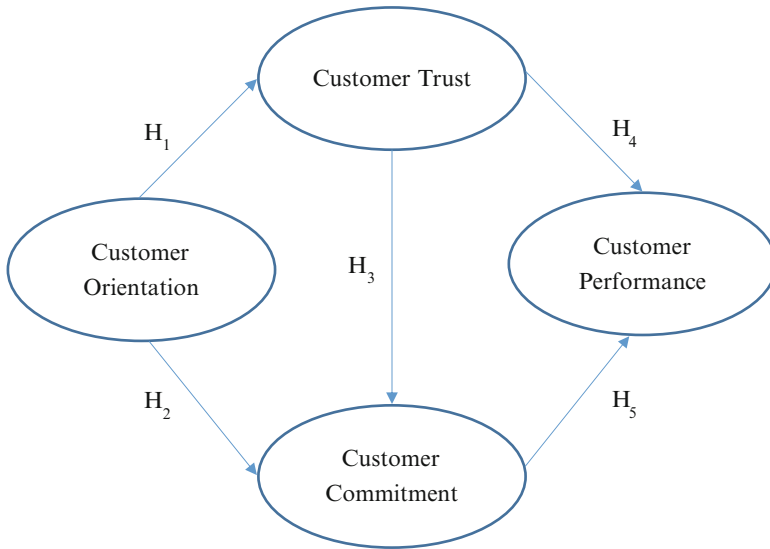
**Fig. 1** Hypothesized model

## Research Methodology

The original conceptual framework embraces information on customer orientation, customer trust/commitment, and firm performance (see Fig. 1). Customer orientation (ten items), customer trust (four items), customer commitment (three items), and firm performance (four items) are all measures anchored to a seven-point Likert-type scale, ranging from Strongly Disagree (1) to Strongly Agree (7).

### Sampling Frame and Data Collection

In the first stage, an extensive literature review on research constructs was conducted to examine the external validity of the research model. From the literature review, seminal constructs were identified, and scales were adapted for development of a self-administered questionnaire. Since the original scales were adapted from extant measures that were written in the English language, the questionnaire used in Taiwan was translated from English to Chinese in a tripartite process that included language, back-translation, and a third-party re-translation. This should reaffirm the extent to which the translation was an understandable and conceptually consistent attempt to measure each scale item (Kotabe & Helsen, 2000).

A self-administered questionnaire was used to collect data from professional managers of logistics industry. The questions were based on a review of the literature and specific logistics service contexts, and the questionnaire was pretested and

revised. The questionnaires were distributed based on a "convenience" sampling method and collected from the participates of the training program held by The International Society of Logistics (SOLE) Taiwan Taipei Chapter and the Global Logistics Council of Taiwan. The training programs were designed and provided for professional logistics managers who want to get a license of Demonstrated Logistician, Demonstrated Senior Logistician, Demonstrated Master Logistician, Certified Master Logistician, and Certified Professional Logistician. The data collecting time period ranged from January to April 2014. Six-hundred questionnaires were distributed, and 508 complete questionnaires were included in the analysis, yielding a 84.67 % response rate from those who agree to participate.

Among the 508 valid respondents, 207 are male and 301 are female. Besides, nearly 89 % (450) of respondents are aged under 40 years old. As to the education background of respondents, 450 respondents are college school graduated, and 39 respondents have master's degree. With regard to discussions with logistics professionals about their work experience in the current employing logistics company, most respondents (428, 84.2 %) have 1–10 years' working experience in their logistics firm, while 67 respondents have more than 10 years' working experience in their company. As to the working experience in the relevant industry (i.e., supply chain, logistics, transportation), most respondents (232, 45.7 %) have 5–10 years' working experience on relevant industry, while some (102, 20.1 %) have 10–15 years' working experience on relevant industry, and 94 (18.5 %) respondents have only 1–5 years' working experience on relevant industry. Finally, the position of the respondents is mostly employee (354, 69.7 %) of their logistics firms, while 136 (26.8 %) respondents are middle managers, and 18 (3.5 %) respondents are senior managers (Table 1).

## Measurement

To measure customer orientation, ten items were adopted from the study by Deshpandé and Farley (1998). To measure customer trust and customer commitment, four items and three items were adopted from the study by Doney and Cannon (1997) and Morgan and Hunt (1994), respectively. To measure firm performance, four items were adopted and modified from the studies by Moorman and Rust (1999), and Lin and Germain (2003).

Customer orientation is correlated with two other popular market orientation scales (Narver & Slater, 1990; Kohli & Jaworski, 1990), but it is considered to be more stable and applicable in a variety of economic settings (Deshpandé et al., 2000). Customer trust toward the firm assesses the degree to which the firm is trusted by the customers at all times, can be counted on to do what is right, and has high integrity, as perceived by the managers. Customer commitment toward the firm has three separate items, which were also adapted from previous studies (Doney & Cannon, 1997; Morgan & Hunt, 1994).

**Table 1** Respondent profile

| Characteristics | Category | Full sample | |
|---|---|---|---|
| | | _n_ | _%_ |
| Gender | Male | 207 | 40.7 |
| | Female | 301 | 59.3 |
| Age | Under 30 years | 196 | 38.6 |
| | 31–40 Years | 254 | 50.0 |
| | 41–50 Years | 56 | 11.0 |
| | 51–60 Years | 2 | 0.4 |
| | More than 61 years | 0 | 0 |
| Education | Senior high school | 19 | 3.7 |
| | College school | 450 | 88.6 |
| | Graduate school | 39 | 7.7 |
| Company work experience | Less than 1 year | 13 | 2.6 |
| | 1–3 years | 177 | 34.8 |
| | 3–5 years | 149 | 29.3 |
| | 5–10 years | 102 | 20.1 |
| | More than 10 years | 67 | 13.2 |
| Industry work experience | Less than 1 year | 2 | 0.4 |
| | 1–5 years | 94 | 18.5 |
| | 5–10 years | 232 | 45.7 |
| | 10–15 years | 102 | 20.1 |
| | More than 15 years | 78 | 15.4 |
| Position | Employee | 354 | 69.7 |
| | Middle manager | 136 | 26.8 |
| | Senior manager | _18_ | _3.5_ |
| | | _508_ | _100.0_ |

Firm performance reflects a firm's performance in terms of both market expansion and financial return, which assesses the rating, compared with its major competitors, of a firm's performance in sales growth, market share, and return on investment (ROI).

# Data Analysis and Results

## *Exploratory and Confirmatory Factor Analysis*

To test the hypothesized model, an exploratory factor analysis (EFA) was first employed to check whether there was any notable deviation from the structure of the adapted constructs. Notably, this study examined whether the data conformed to the multinormality requirement because the SEM model testing was based on the validity of this assumption (McDonald & Ho, 2002).

The next stage was to test the proposed models in a two-stage structural equation framework. CFA was performed to evaluate construct validity regarding convergent and discriminant validity before performing structural path analysis in order to examine the research hypotheses. The sample size ($n=508$) was considered large enough to compensate for likely model misspecification and model complexity (Hair, Anderson, Tatham, & Black, 2006; Fritz & MacKinnon, 2007). This study checked for possible univariate and multivariate outliers, which reveal no significant violations. Specifically, the outcome showed that the value of kurtosis ranged from −0.43 to 1.15 and that the value of skewness ranged from −0.42 to 0.81, which satisfied the evaluation criteria (ranging from −2 to +2) suggested by Mardia (1985).

## Goodness of Fit

The proposed measurement model was estimated using LISREL 8.80 (Joreskog and Sorborn, 1989, 1993). The goodness-of-fit indices are summarized in Table 3. The Chi-square statistics were significant at the .05 level, not an unusual finding with a relatively large sample (Doney and Cannon, 1997). The values for comparative fit index (CFI), root mean square error of approximation (RMSEA), and standardized root mean residual (SRMR) were considered acceptable for proposed model, based on the criteria suggested by Hu and Bentler (1995, 1999): .95 for CFI, .06 for RMSEA, and .08 for SRMR. Given that a battery of overall goodness-of-fit indices were deemed acceptable and that the proposed model is developed on a theoretical base, no effort is made to modify the model specifications.

After measurement model analytics, the quality and adequacy of measurement models were tested by investigating unidimensionality, reliability, convergent validity, and discriminant validity. To assess unidimensionality, a principal component factor analysis was performed on all items. All items loaded .67 or higher on the hypothesized factors and no profound cross-loading was identified on the EFA findings. This invariably supports the unidimensionality for each of the studied constructs. To assess the composite reliability, evidence showed that all Cronbach alpha (α) values exceeded the suggested .60 benchmark (Fornell & Larcker, 1981; Bagozzi & Yi, 1988) (Table 2).

In the CFA context, convergent validity was assessed by examining *t* statistics related to the factor loadings. The fact that all *t* statistics were statistically significant at the .05 level showed that all indicator variables provided good measures to their respective construct, offering evidence that supports convergent validity (Hoyle & Panter, 1995; Rao & Troshani, 2007). Moreover, the fact that average variance extracted (AVE) values related to all constructs were at or higher than .50 offered supportive evidence for convergent validity (Fornell & Larcker, 1981). Finally, discriminant validity was assessed using the procedure recommended by Bagozzi and Phillips (1982) and Anderson (1987).

**Table 2** Measurement scales

| Construct | Mean | Reliability | Average variance extracted (AVE) |
|---|---|---|---|
| *Customer orientation* | *4.12* | *0.7643* | *0.72* |
| Intelligence Generation | Our strategy for competitive advantage is based on our understanding of customer needs. | | |
| | Our firm measures customer satisfaction systematically and frequently. | | |
| | Our firm has routine or regular measures of customer needs. | | |
| | I believe that our business exists primarily to serve customers. | | |
| Intelligence Dissemination | Our firm is more customer focused than our competitors. | | |
| | Our firm polls end users at least once a year to assess the quality of our products and services. | | |
| | Data on customer satisfaction are disseminated at all levels in our business unit on a regular basis. | | |
| Responsiveness | Our business objectives are driven primarily by customer satisfaction. | | |
| | Our firm constantly monitors our level of commitment and orientation to serving customer needs. | | |
| | Our firm freely communicates information about our successful and unsuccessful customer experiences across all business functions. | | |
| *Customer trust* | *4.23* | *0.8766* | *0.79* |
| | Our firm can be trusted by our customers at all times. | | |
| | Our firm can be counted on by our customers to do what is right. | | |
| | Our firm has high integrity. | | |
| | Our customers are satisfied with our firm. | | |
| *Customer commitment* | *4.31* | *0.8858* | *0.85* |
| | Our firm is very committed to the relationship our firm has with the customers. | | |
| | Our firm intends to maintain indefinitely our relationship with the customers. | | |
| | Our relationship with the customers deserves maximum attention. | | |
| *Firm performance* | *4.23* | *0.9043* | *0.82* |
| *Comparing with our major competitors, …* | Our firm's performance in market share growth in our primary market last year. | | |
| | Our firm's performance in sales growth last year. | | |
| | Our firm's performance in percentage of sales generated by new products last year. | | |
| | Our firm's performance in ROI last year. | | |

A series of Chi-square difference tests were performed on the nested models to assess whether the Chi-square values were significantly lower for the unconstrained models where the *phi* coefficient was constrained to unity (Anderson, 1987). The critical values related to the Chi-square difference at the .05 significance level were higher than 3.84 in all possible pairs of constructs, and this outcome gave support for discriminant validity. Thus, the present construct measures meet the commonly recognized reliability and validity standards.

**Table 3** Structural parameter estimates and goodness of fit

| Hypothesized paths | $H_n$ | Standardized Original model |
|---|---|---|
| Customer orientation → customer trust | $H_1$ | 0.400 (6.028**)[a] |
| Customer orientation → customer commitment | $H_2$ | 0.277 (4.212**) |
| Customer trust → customer commitment | $H_3$ | 0.423 (6.044**) |
| Customer trust → corporate performance | $H_4$ | 0.058 (0.802) |
| Customer commitment → corporate performance | $H_5$ | 0.138 (1.772**) |
| Fit statistics | | $\chi2=748.976$ (P=0.00, d$f$=178), $\chi2/df$=4.208, GFI=0.85, CFI=0.861, RMSEA=0.080 |
| Sample size | | $N=508$ |

[a]: **Denotes $p \leqq 0.05$. The value in the parenthesis is $t$-value

## Hypotheses Testing and Results

The sample size ($n=508$) is considered sufficiently large for model specification and further analysis. The overall fit of the model is reasonable. Simultaneous maximum-likelihood-estimation procedures are used to examine relationships among customer orientation, customer trust, customer commitment, firm performance, and guanxi (Table 3). Hypothesis tests of the research model present positive significant effects on $H_1$, $H_2$, $H_3$, and $H_5$. Only $H_4$ was not significant.

## Discussion

The purpose of this study is to investigate customer orientation, customer trust, and customer commitment, and its ensuing impact on organizational performance. As such, a causal chain was proposed from the extant literature and empirically validated using structural equation modeling. The focal context is particularly germane given the prominence of Taiwan as a global logistics hub as evidenced by its LPI. In light of the transition from planned to market-oriented economies, Taiwan is positioned to accommodate unprecedented transitions in global manufacturing and distribution channels. The flow of goods from East to West (i.e., global sourcing and purchasing) has reached unparalleled activity. Given that the majority of port activity alone is in this economic circle, greater attention must be afforded to how these seminal constructs may be managed to achieve efficiency and effectiveness in the global supply chain.

The posited causal chain embraces the tenets of market orientation, focusing on the role of customer orientation, trust, and commitment—*a largely behavioral approach*—contrasted with a prevalent focus on cost containment and systems

integration in the logistics research tradition. As such, the current study is consistent with the extant market channels theory, asserting the importance and relevance of a paradigmatic shift from transactional to relational exchange. The constructs are further evidence that channel members highly value the relationships that underlie physical distribution.

Toward addressing the paradigmatic shift in marketing and logistics, the causal chain tested fortifies the importance of how logistics professionals manage long-term, win-win relationships in the supply chain. In this sense, there is an implicit connection between the preservation of buyer-seller exchanges in lieu of brokering or low-cost sourcing. In fact, the causal link fortifies the connection between trust and commitment originally introduced by Morgan and Hunt (1994). As more than one decade has passed since Morgan and Hunt (1994) asserted that trust and commitment were the nucleus of relationship management, the recognition of these seminal constructs in logistics relationships is in its embryonic stages of actual deployment in the supply chain.

One of the hypotheses that was not supported was the causal linkage between customer trust and firm performance. This is an important finding, and it may be explained by the total absence of trust; therefore, trust may be perceived as an inconsequential factor. Or more likely, the data collection coincided with economic downturns in manufacturing and distribution, resulting in reduced profitability due to macroeconomic fluctuations.

Interestingly, the path coefficient of customer orientation on customer trust is greater than that of customer orientation on customer commitment. That means customer-oriented actions from logistics firms could generate more customer trust than customer commitment. Customer trust leads to customer commitment, which is echoed in the study of Morgan and Hunt (1994). If channel members perceive mutuality in the relational exchange among logistics service providers, then customer commitment may be attained, which ultimately impacts organizational performance. The absence of a direct causal link between customer trust and firm performance warrants additional investigation. Greater research attention should be given to the perceived opportunism that may mediate the relationship between perceptions, trust, and performance in the logistics industry.

Based on the former discussion and conclusion, this study enriches our understanding of implications of performance on customer orientation and customer relationships. Specifically, extant studies (Farrelly & Quester, 2003; Saparito et al., 2004; Walter & Ritter, 2003) have suggested the proposed causal chain, in which customer orientation may lead to performance vantages for a firm through exploring customer trust and customer commitment toward the firm. It is worthy to note that the present study is among the handful of research contributions that customer orientation indirectly leads to firm performance in Chinese society through the mediator of trust/commitment. The results of this study reinforce previous studies investigating the direct association of customer orientation on firm performance (Deshpandé & Farley, 2000, 2002; Liu et al., 2002; Luo et al., 2004, 2005a, b; Sin et al., 2005). However, it is distinctive in its focus on the logistics industry, a research context that has traditionally focused on economic rather than behavioral dimensions of firm performance.

Executives in customer-oriented logistics firms should understand that strong relationships within the firm's global supply chain members are critical to explore. Companies with meticulous channel networking efforts may find it much easier to implement a customer-oriented strategy, and therefore reap the benefits from customer-focused relationship bonding tactics.

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# Session 11.6
# Store Satisfaction, Patronage, and Customer Referrals

# Price and Quality Value: Impacts on Store and Service Satisfaction

**Thomas L. Powers, J'Aime C. Jennings, and Eric Jack**

## Abstract

Previous research has not fully considered how value and satisfaction may in combination contribute to satisfaction and loyalty (Kumar et al. 2013). The present research considers multiple dimensions of value and satisfaction. Value is measured based on *price value* and *quality value* (Sweeney and Soutar 2001). Customer satisfaction is also measured in two dimensions, *store satisfaction* which contains elements related to the store including the merchandise that is sold, and *service satisfaction* which relates to the customer's interaction with store personnel and the customer service that they experience (Dabholkar et al. 1996; Mittal et al. 1999). The inclusion of value with satisfaction as determinants of loyalty addresses calls in the literature for this type of research that explains loyalty beyond the satisfaction antecedent alone (Kumar et al. 2013).

A survey of 308 discount retail shoppers was conducted. The scales for price and quality value were based on Sweeny and Soutar (2001). The measure of store satisfaction was based on Menon and Chowdhury (1995). The measure for service satisfaction was based on Dabholkar et al. (1996) and customer loyalty measures were adapted from Gremler and Gwinner (2000). Partial least squares (PLS) was used in the analysis. The results found that there was no significant relationship between price value and store satisfaction. There was also no significant relationship between price value and service satisfaction. A positive relationship was found between quality value and store satisfaction. A positive relationship between quality value and service satisfaction was also found. A positive linkage between store satisfaction and service satisfaction was found. A positive relationship between store satisfaction and customer loyalty was found. Lastly, there was no significant relationship between service satisfaction and customer loyalty.

The research reported in this chapter has several implications for managers seeking to understand and improve customer loyalty to their organizations. Despite the fact that discount retailers emphasize low prices, the quality value of the products purchased may still be important to customers and thus was related to both store and

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service satisfaction. The finding that service satisfaction was not related to loyalty was unexpected and was counter to the literature (Zeithaml et al. 1996). A possible explanation of this finding is that customers of discount retailers may find service not as important as store-related elements.

**References available upon request.**

# The Effect of Consumer Local Engagement and Personal Values to Local Store Patronage

**Mika Skippari, Jussi Nyrhinen, and Heikki Karjaluoto**

## Introduction

The question of why customers patronize small stores is important to academics and practitioners alike, but the perspective of rural and local retail patronage is understudied and underdeveloped (Pan and Zinkhan 2006; Brown and Dant 2006; Runyan and Droge 2008). Also, store patronage from the standpoint of local communities seems to have been only little investigated (Runyan and Droke 2008).

In this chapter we examine the drivers of local grocery retail patronage from consumers' point of view. We posit that in explaining local store patronage it is essential to take into account the standpoint of local communities and local customer's personal values. In local context, understanding the effects of community involvement and attachment could lead to considerable strategic advantages for small retailers. We seek answers to the research question: How does local values and engagement of consumers to local communities affect consumer satisfaction and local store patronage? In particular, we explore the effect of various social factors, such as local engagement, social interaction, and vitality of local services, on consumer satisfaction and store choice.

## Theoretical Background and Hypotheses

Local retailing and particularly its role in reviving and supporting the local communities (e.g., urban renewal) has been a central theme in small retail research (Runyan and Droke 2008; Clarke and Banga 2010). Similarly, local retail patronage, commonly conceptualized as a consumer's choice of store choice or as frequency of visits in a store, has been widely examined. Miller and Kean (1997) examined how consumer lifestyles

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are linked to inshopping behavior. Noble et al. (2006) showed how gender is a key predictor of local merchant loyalty.

Many studies have emphasized the importance of retail local engagement and socialization actions in explaining why local consumers choose to use local retail services (Miller and Besser 2000; Kim and Stoel 2010; Landry et al. 2005). The key tenet is to address the inherently social nature of shopping process and to emphasize that small local stores meet a variety of social, sustainability, and ethical needs (Megicks 2007; Clarke and Banga 2010).

In studying local engagement the concept of social embeddedness (Granovetter 1985) is widely used. For example, Miller and Kim (1999) show how consumer/retailer exchange activities are embedded in social structure, and how higher levels of attachment increase local store patronage. Landry et al. (2005) show that retailers can derive significant value from community engagement. Miller et al. (2003) found that perceived success of local retailer is positively linked to social and community support.

In addition to local engagement, social interaction has been recognized as a key motivator for consumer retail patronage (Noble et al. 2006; Clarke and Banga 2010; Home 2002). Home (2002) suggests that strengthening social interaction and making local people more involved in their local store could motivate customers to utilize services in their neighborhood. Clarke and Banga (2010) note that small local stores can provide a "hub" for social interaction within communities. Besser and Miller (2013) show that communities with high bridging social capital enhances local entrepreneurs' success by helping to retain and attract skilled labor and engendering resident customer loyalty.

It has been argued that consumer attitude toward local retailer (Miller and Kean 1997) and their support of local retailers (Noble et al. 2006; Kim and Stoel 2010) are critical for local retail success and performance. Also, the reciprocity between retailer and customer, conceptualized as the norm for support of local businesses (Landry et al. 2005), and retailer's adherence to institutional norms within community (Handelman and Arnold 1999) are shown to have an effect on patronage. This suggests that the consumers' perceptions of and preference for the vitality of local services could impact on their inshopping decisions in the local context.

Earlier research has also suggested that consumer satisfaction to a retailer has important implications to retail performance and patronage (Lombard and Louis 2012; Zeithaml et al. 1996). However, earlier research has not yet investigated how the linkages between customer satisfaction and local engagement can explain retail patronage.

To sum up, we have utilized the insight of social network theory (Granovetter 1985) as well as retail patronage literature (Miller and Kean 1997; Miller 2001; Noble et al. 2006; Pan and Zinkhan 2006; Runyan and Droke 2008) to develop a set of seven hypotheses:

H1: Local engagement has a positive association with local store patronage.
H2: Local engagement has a positive association with vitality of services.
H3: Local engagement has a positive association with social interaction.
H4: Vitality of services has a positive association with local store patronage.
H5: Social interaction has a positive association with local store patronage.
H6: Social interaction has a positive association with consumer satisfaction.
H7: Consumer satisfaction has a positive association with local store patronage.

## Research Method and Measurements

The data was collected by surveying 1504 Finnish consumers aged between 18 and 75, using structured Internet panel in October 2013. The data collection was complemented with telephone interviews for consumers older than 65, because those consumers do not use the Internet as commonly as the other age groups (OSF 2010). The respondents were chosen by using random sampling with quotas so that the data would represent the entire adult population of Finland. 1500 valid responses were set as the minimum quota, so that 1300 responses were collected from respondents between the ages of 18 and 65 by the Internet panel and 200 telephone interviews to respondents between the ages of 66 and 75. Telephone interviews were conducted so that data collected with both methods could be combined as one file. Also age and gender quotas were set so that data would represent the entire population. The generalizability of the sample was analyzed by comparing it to The Official Statistics of Finland: Population (2010), Income and Consumption (2009) and Education (2009). The data was representative sample of population though some demographic groups were c.a. 1–5 % over- or underrepresented.

The survey form included, among other themes and questions not relevant for this study, 25 opinion and attitude statements related to local store patronage. Respondents evaluated these statements with a Likert-type scale (1 = strongly disagree, 5 = strongly agree). Our dependent variable, local store patronage, was drawn from Grewal et al. (2003) and Noble et al. (2006). To identify consumer local engagement and community consumer values variables were derived from Miller and Besser (2000), Miller (2001), Kim and Stoel (2010), and Landry et al. (2005). Variables measuring social interaction in local store were adopted from Home (2002) and from the framework of Noble et al. (2006). Vitality of local services was measured using attitude toward local retailer (Miller and Kean 1997), support of local retailers (Kim and Stoel 2010; Noble et al. 2006), and reciprocity (Landry et al. 2005). Variables measuring consumer satisfaction to retailer were derived from Lombard and Louis (2012) and Zeithaml and Berry (1996). In addition, we used three control variables: age, gender, and level of income.

First we conducted an exploratory factor analysis to discover the components of local merchant loyalty. Subsequently, the data was analyzed using partial least squares (PLS) confirmatory factor analysis (PLS-SEM).

## Results

In the final model of the factor analysis, 16 variables with sufficiently high communality ($h^2 \geq 0, 4$) and factor loadings ($\geq 0, 45$) were included. In general, construct measures showed high internal reliabilities, as composite reliabilities were all equal to or larger than 0.844 and Cronbach's alphas larger than the recommended cutoff value of 0.70. Discriminant validity was achieved by using the Fornell–Larcker criterion, which is based on the premise that a latent variable should better explain the variance of its own indicators than the variance of other latent variables.

The likelihood of common method bias tainting the results was mitigated through the following procedure. The items were mixed in the questionnaire, item ambiguity was reduced, and respondents' identities were kept confidential. Two statistical analyses were performed to test for possible common method bias. First, Harman's one-factor test showed the presence of measurement model factors rather than a general factor. The largest factor accounted for 35.07 % of the total variance of the factors. Second, a model with a common method factor was run in SmartPLS. The results showed the average method-based variance to be low (0.007) compared to the average variance explained by the indicators (0.688). These tests provide evidence that common method bias is not a concern in our dataset.

## *Analysis and Results*

To test our hypotheses, we first examined the direct effects followed by the analysis of the mediation test, including an assessment of indirect and total effects. The significance of the paths was assessed using bootstrapping with 5000 re-samples.

Overall, the model explained over 35 % of the $R^2$ of local store patronage. The $Q^2$ value was larger than 0.2 for local store patronage indicating medium-large predictive relevance. Local engagement has strong positive associations with vitality of local services ($\beta=0.437$, $p<0.01$) and social interaction ($\beta=0.173$, $p<0.01$), providing support for H4 and H5. With respect to H2–H3 and H6–H7 positive associations were supported by data. However our findings do not support the direct positive association between local engagement and local store patronage (H1). Instead, the model confirms the indirect paths between local engagement and local store patronage via vitality of local services, social interaction, and overall satisfaction. The results of the total effects confirm our hypotheses by showing that local engagement has a significant positive association with local store patronage (0.196, $p<0.01$), but the effect is rather indirect than direct. None of the control variables has a significant association with local store patronage.

Finally we examined how the effect of local engagement on store patronage is mediated by social interaction, overall satisfaction, and vitality of local services. To assess these relationships, the indirect effects and mediation were assessed by calculating the significance of the indirect effects by bootstrapping the sampling distribution (5000 bootstrap samples, no sign changes) and calculating the variance accounted for (VAF) value (Preacher and Hayes 2008). The results reveal that the effects of local engagement on local store patronage are fully mediated through vitality of local services (VAF=1.02) and partially through social interaction and customer satisfaction (VAF=0.310).

## Conclusions

In this chapter we have offered new insights into existing knowledge on local retail patronage. First, we have emphasized the importance of social factors in determining local retail store choice among customers. Earlier studies on retail patronage

have focused mostly on retail-specific factors, such as location, selection, and price. Second, we have investigated the drives of local retail patronage from consumers' point of view (consumer personal values and social embeddedness), whereas earlier research has emphasized the importance of local retailer's socialization actions (e.g., engaging in local communities, supporting local communities) in explaining local retail patronage.

Our results contribute to the literature on retail patronage in several ways. First, we show that consumer local engagement has indirect effect to the local store patronage through perceived vitality of local services. Second, we demonstrate that social interaction in grocery store and customer satisfactions also affect the local store patronage. Third, we show that perceived vitality of local services affects recommending the local store both directly and indirectly through local store patronage.

For practical implications, our study suggests that retailers could engage customers to the local shop by reinforcing local community to increase vitality of local services. Retailers should also encourage store personnel to interact with customers in order to make customers more committed to the local shop. Effectively managing the social factors could help local retailers to stand out from competitors and avoid losing customers to super markets that are able to provide lower prices and broader selection.

**References available upon request.**

# Friends and Family: To Refer or Not to Refer?

**Stephanie M. Mangus and Patrick Fennell**

## Abstract

Sales promotions are an important strategic tool for firms wishing to increase sales, attract new customers, or retain existing customers. The proliferation of customer relationship management systems has allowed firms to more easily implement referral reward programs, where a firm's current customer is offered a reward (i.e., rebate, coupon, and discount) in exchange for recommending the firm's product to another consumer. These referral reward programs both improve retention of current customers by rewarding word-of-mouth (WOM) behaviors and attract new customers (Ryu and Feick 2007) through positive WOM and referrals.

This research applies a social capital theory (SCT) lens to existing WOM work to explore the role of consumer-to-consumer relationships in managing customer-to-firm relationships. Based on the importance of WOM referrals in existing literature and the implications of SCT, we developed the following research questions to explore the impact of referral rewards and relational ties on WOM behavior: Can a referral reward improve referral likelihood? (H1) Does the presence of a referral bonus impact referral likelihood differently for strong versus weak ties? (H2) Does the amount of a referral bonus differentially impact referral likelihood for strong versus weak ties? (H3) Are there instances where a referral bonus can actually decrease referral likelihood? (H3)

Results of a $3 \times 2$ between-subjects factorial experiment in which we varied the reward size (no reward, small reward, large reward) and tie strength (weak, strong) revealed a main effect of reward on referral likelihood where the presence of a reward decreased referral likelihood, supporting H1. A significant main effect was also evident for tie strength such that referral likelihood was greater for strong ties, supporting H2. In support of H3a and H3b, we find that in the strong tie strength

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conditions there was a significant increase in referral likelihood when there was a high reward versus a small reward; however, there was no difference between high reward and no reward. In the weak ties conditions, referral likelihood was significantly higher when there was no reward versus when a high reward was present. However, there was no significant difference between the no-reward and a low-reward conditions.

This research further explores referral program effectiveness currently addressed in the literature (Ryu and Feick 2007) by identifying the presence of high levels of social capital as a factor limiting the impact of referral rewards on referral likelihood. First, this research demonstrated the significant effects of rewards on referral likelihood demonstrating that consumers may be less likely to make referrals when motivated to do so by an extrinsic reward. Second, the relationship between rewards and referral likelihood is moderated by the strength of the consumer-to-consumer relationship. These findings suggest that retailers must consider the type of referrals they are hoping to attract when offering referral program and should consider incentives or programs that reduce the risk to a consumer's social capital in the event a referral goes wrong to prevent damage to the consumer-to-consumer relationship.

# Session 11.7
# Levels of Knowing in Consumers, Ethics, and Policy Research

# When Do Anticipated Guilt Ads Lead to Ethical Consumption? Identifying Moderating Variables from a Literature Review

**Sabrina Spence, Kai-Yu Wang, Narongsak Thongpapanl, and Todd Green**

## Abstract

Recent research in the marketing literature indicates that while consumers' interest in ethical products is growing, demand for such products still remains weak. Previous research indicates that anticipated guilt can be an antecedent to ethical consumption. Thus, the objective of this chapter is to identify three possible moderating variables: socially responsible consumer behavior (SRCB), consumer attachment style, and perceived similarity that may impact the link between anticipated guilt and ethical consumption. Further, we discuss the possible underlying mechanisms of these effects. By identifying the role that these potential moderators play in the relationship between anticipated guilt and ethical consumption, this research provides propositions that future researchers can test with empirical studies in order to close research gaps and assist marketers in understanding when an anticipated guilt ad is an appropriate strategy in marketing ethical products.

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# Consumer Perceptions of Green Marketing Claims: An Examination of the Relationships with Type of Claim and Credibility

**Carolyn (Casey) Findley Musgrove, Pilsik Choi, and K. Chris Cox**

## Introduction

In the 1990s, some called it the issue of the decade (Kirkpatick 1990; Roberts 1996). In this new millennium, it continues to grow in importance as issues such as global warming are further highlighted. Many companies have begun to use green marketing as a way to appeal to consumers. Green marketing is the most often used term; however, it has also been called ecological marketing, environmental marketing, greener marketing, enviropreneurial marketing, green advertising, and sustainable marketing. All of these terms refer to the study of marketing's impact on the environment and how the environment is included in marketing decisions (Chamorro et al. 2007). Previous research indicates that green marketing can lead to many positive outcomes, such as positive product image, corporate reputation, purchase intentions (Ko et al. 2013), brand attitude (Matthes et al. 2014), and positive image toward the retailer (Lavorata 2014).

However, there are some inherent challenges with green marketing. Several companies have been known to adopt green marketing, but then not change their corporate culture or business practices to reflect their claimed environmental concern (Davis 1992; Ellen 1994). Some companies even intentionally mislead consumers with their environmental claims and packaging (Schuhwerk and Lefkoff-Hagius 1995; Polonsky et al. 1998). Schlossberg (1993) called misleading environmental claims one of the biggest problems facing consumers and businesses. Some companies engage in "greenwashing," which includes vague, meaningless statements, like "environmentally friendly," to make consumers believe that they are superior to their own previous forms or competitors (Carlson et al. 1993; Ellen 1994; Polonsky et al. 1997). Lack of credibility, consumer cynicism, and confusion of green marketing programs are among the result of these misleading practices (Mendleson and Polonsky 1995).

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Green marketing and social responsibility programs are very timely topics. Many companies are "going green," and yet many programs have not produced the anticipated positive results. A key reason for this lack of success is that consumers question the credibility of green marketing claims. This has led to consumer skepticism toward environmental claims in marketers' communications (Gray-Lee et al. 1994; Mohr et al. 1998). This difference between the actions of companies and what they disclose to the consumers is the "credibility gap" (Azzone et al. 1997). In their development of a measure of consumer skepticism toward environmental claims, Mohr et al. (1998) made a call for research on the relationships between types of environmental claims and skepticism, specifically the evaluation of individual cases (e.g., ads). The present study seeks to answer Mohr et al.'s (1998) call for research on the effects of different types of environmental claims on consumer skepticism through examination of individual cases or ads. Specifically, this study will examine different types of environmental claims, paired with companies of different levels of corporate credibility.

Furthermore, in their review of literature on green marketing, Chamorro et al. (2007) point out several areas that are in need of research. First, the number of articles on green marketing peaked in the 1990s (the proclaimed decade of the environmentalists) and has since declined. The environment remains a pertinent issue and more current research is needed to reflect changes in consumer's attitudes, intentions, and behaviors. Second, previous research has predominantly been from a managerialist strategic perspective, and there is a lack of research from the consumer perspective. This project will answer these calls by examining a variety of current consumer attitudes and perceptions that result from green marketing.

## Economics of Information Theory and Types of Environmental Claims

Economics of information theory (EOI) (Stigler 1961) pertains to consumers' search cost of marketing. Basically, consumers will continue to search for information as long as the benefits of doing so outweigh the cost. Nelson (1970, 1974) expanded EOI to include a variety of product qualities, beyond price, and made a differentiation between search and experience attributes. Search attribute claims are those that consumers can evaluate prior to purchase through a variety of methods, while experience attribute claims can only be evaluated after the product has been purchased and used. Finally, Darbi and Karni (1973) further extended EOI to include credence attributes. Credence attribute claims cannot be evaluated reasonably before or after purchase or use, due to consumer's lack of technical expertise or the benefit of verifying the claim does not outweigh the economic or time costs of doing so. Neither experience nor credence attributes can be evaluated or verified prior to purchase and consumption (Ford et al. 1990).

Green marketing claims fall into the credence claim category because it is usually difficult for consumers to evaluate the environmental impact either before or after

purchase/use (Kangun and Polonsky 1995; Ottman 1995; Polonsky et al. 1997). EOI suggests that consumers have more positive perceptions and are less skeptical of claims that they can easily and inexpensively evaluate prior to purchase (search), and have less positive perceptions and are more skeptical of claims that are more difficult or expensive to verify (Ford et al. 1990; Franke et al. 2004). Consumers often have negative perceptions and are skeptical of green marketing because often the claims have a vague or unclear meaning and because it is generally difficult for consumers to understand without scientific knowledge (Carlson et al. 1997). This predisposition to skepticism for credence claims combined with the growing public knowledge of greenwashing (Landler 1991) indicates that green marketing claims are especially susceptible to consumer skepticism and other negative perceptions.

Carlson et al. (1993) developed a conceptual framework of environmental advertising claims, which included a matrix composed of two typologies. The first is a typology of four environmental marketing claims: (1) product orientation (which focuses on the environmentally positive aspects of their products), (2) process orientation (which deals with their internal techniques in technology, production, and disposal), (3) image orientation (in which a company associates with an environmental cause), and (4) environmental fact (which is an independent statement about the condition of the environment in general). The second typology regards categories of misleading or deceptive environmental claims (vague/ambiguous, omission, and false/outright lie). The two typologies were cross-classified to show what types of misleading information are associated with each type of environmental claim or effort. Polonsky et al. (1997) elaborated on the categories of environmental marketing claims by grouping them into substantive or posturing claims. They proposed that product or process claims (assuming they are accurate) generally indicate actual substantive changes in environmental behavior, so they are grouped as substantive claims. The image- and environmental fact-based claims are grouped as posturing claims because they do not require actual modification or "real change" of the company's behavior. Substantive claims are more objective in nature, while posturing claims are more subjective. EOI suggests that because subjective claims are harder for consumers to evaluate than objective claims, consumers are more skeptical of subjective than objective claims (Nelson 1974; Ford 1990). Therefore:

H1: As compared to substantive green marketing claims, posturing green marketing claims produce a higher (a) mean level of consumer skepticism and lower (b) retail interest, (c) patronage intentions, (d) positive word of mouth, (e) expected service quality, and (f) attitude toward the company.

## Source Credibility

Another variable that may play a role in the effectiveness of green advertising claims is corporate credibility, a type of source credibility. Source credibility theory (SCT), as set forth in Hovland, Janis, and Kelly (1953), states that people are more likely to be persuaded when the source of a message is perceived as credible. Hovland et al.

(1953) proposed that the two primary dimensions of source credibility are expertise and trustworthiness. In fact, the exact same message or presentation tends to be judged more favorably when coming from a highly credible source versus a source with low credibility.

Early research on source credibility focused on endorser or spokesperson credibility (e.g., Bergin 1962; Bochner and Insko 1966; Sternthal et al. 1978). However, Goldsmith et al. (2000) expanded source credibility to include corporate credibility. Keller and Aaker (1998) conceptualize corporate credibility as consisting of three dimensions: expertise, trustworthiness, and likability. Corporate credibility is defined as the extent to which consumers feel that the firm has the knowledge or ability to fulfill its claims, whether the firm can be trusted to care about its customers, and whether the firm is able to be liked by customers (Newell and Goldsmith 2001; Keller 2012). Several researchers have found corporate credibility to have a direct effect on attitude-toward-the-ad (Newell 1993; Lafferty and Goldsmith 1999), attitude-toward-the-brand (Newell 1993; Goldsmith et al. 2000), purchase intention (Lafferty and Goldsmith 1999; Winters 1988; Goldsmith et al. 2000), and reputation in the marketplace (Upshaw 2007).

Of these three dimensions, expertise deals with a firm's technical capabilities in their line of business, which are not clearly linked to environmental issues, positions, or claims. The greenwashing practices previously mentioned that have led to consumer skepticism appear to violate the trust of consumers. Further, consumers generally like a firm less if they have the feeling that the firm was trying to manipulate them with marketing claims. Therefore, greenwashing puts the trustworthiness and likability components of corporate credibility at the most risk. Because corporate credibility requires all three components to remain intact, a lack of any of them constitutes a threat. As suggested by SCT, a lack of trustworthiness and/or likability could easily threaten the perceived corporate credibility and result in increased consumer skepticism. Accordingly:

H2: Green marketing claims from sources (companies) with lower levels of trustworthiness produce (a) higher levels of skepticism and lower levels of (b) retail interest, (c) patronage intentions, (d) positive word of mouth, (e) expected service quality, and (f) attitude toward the company than green marketing claims from sources (companies) with higher levels of trustworthiness.

H3: Green marketing claims from sources (companies) with lower levels of likability produce (a) higher levels of skepticism and lower levels of (b) retail interest, (c) patronage intentions, (d) positive word of mouth, (e) expected service quality, and (f) attitude toward the company than green marketing claims from sources (companies) with higher levels of likability do.

As discussed above, EOI would predict that the more objective, substantive environmental claims would be met with less consumer skepticism than the more subjective, posturing environmental claims. However, SCT suggests that if the source does not have credibility, by possessing a low level of trustworthiness and/or a low level of likability, then its green claims might be ineffective, regardless of the type of claim that is being made. Therefore:

H4: The relationship between the type of environmental claim (substantive or posturing) and consumer skepticism will be moderated by the level of likability of the source (company). Specifically, for companies with a high level of likability, substantive claims will result in less consumer skepticism than posturing claims. However, for those with low likability, type of claim will have no effect on consumer skepticism.

H5: The relationship between the type of environmental claim (substantive or posturing) and consumer skepticism will be moderated by the level of trustworthiness of the source (company). Specifically, for companies with a high level of trustworthiness, substantive claims will result in less consumer skepticism than posturing claims. However, for those with low trustworthiness, type of claim will have no effect on consumer skepticism.

## Proposed Methods

These hypotheses will be tested in a 2x2x2 between-subject scenario-based experimental design (type of green marketing claim × likability × trustworthiness). The context of the scenarios will be a hospitality service industry, specifically an imaginary hotel. This context is logical because many hotels and resorts are engaging in making green marketing claims (Goldstein et al. 2008). The hotel context allows for a setting that is both realistic and familiar to many consumers.

Type of green marketing claim was manipulated as either a substantive or posturing environmental marketing claim (Polonsky et al. 1997). In a content analysis of over 200 print advertisements containing environmental marketing claims, a clear pattern emerged. Of the categories of misleading claims, vague/ambiguous claims were the most common. Of the substantive claims, the majority of the claims were the product orientation type, while the majority of posturing claims were the image orientation type (Carlson et al. 1993). Therefore, substantive claims were operationalized as vague/ambiguous product claims, while posturing claims were operationalized as vague/ambiguous image claims. The portion of the scenarios that represents the substantive claim is as follows: "You saw an advertisement for Hotel ABC that said that the hotel <u>uses recycled paper products, energy efficient light bulbs, recycles water, and uses electric vehicles</u>." The posturing portion of the scenarios that represents the posturing claim is as follows: "You saw an advertisement for Hotel ABC that has slogan <u>that said the hotel cares about the environment</u>." A manipulation check was performed to verify that the stimuli are effective in representing substantive and posturing environmental claims, and to improve internal validity. A group of 40 undergraduate students in an upper-level marketing and management classes were provided with written and verbal definitions and examples of posturing and substantive environmental claims. Then, they were presented with the stimuli and asked to identify each as either posturing or substantive. All 40 students indicated that the substantive manipulation was indeed substantive, while 38 correctly identified the posturing claims as posturing.

As discussed above, likability is one component of corporate credibility that could be threatened by perceived greenwashing. Likability will be manipulated as either high or low. The portion of the scenario that represents high likability is as follows: "Then, you went to look at travel reviews for this hotel and saw that overall rating from previous travelers was <u>excellent, which made you think you would probably like this hotel</u>." Conversely, the scenarios that include a low likability condition have the following: "Then, you went to look at travel reviews for this hotel and saw that overall rating from previous travelers was <u>low, which made you think you would probably not like this hotel</u>."

Similarly, trustworthiness is another component of corporate credibility that could be threatened by greenwashing. Trustworthiness is also manipulated as either high or low. The high trustworthiness condition is manipulated as follows: "One of the reviews in particular said that <u>the traveler felt this hotel was very trustworthy because she forgot her cellphone and wallet with over a hundred dollars of cash in the lobby and the staff made sure that it was safely returned to her. She said she is not surprised that the hotel was nominated for an Ethics Award from the Better Business Bureau</u>." The low trustworthiness condition is manipulated as follows: "One of the reviews in particular said that <u>the traveler felt this hotel was not very trustworthy because there were several surprise fees on her bill that seemed frivolous. She reported them to the Better Business Bureau for investigation</u>."

Pretesting and data collection are under way at the time of writing this abstract. Preliminary results will be presented during the conference.

**References are available upon request.**

# Knowledge Is Power: Why Public Knowledge Matters to Charities

**Maureen Bourassa and Abbey Stang**

## Abstract

Establishing the public's trust is a critical issue for charities and for the entire nonprofit sector (Herrington 2007). Although most kinds of charities are well regarded (O'Neil 2009), the public is weary of trusting charities (Sargeant and Lee 2002). In addition, the public expects charities to be transparent and accountable (Bryce 2007). For example, in a survey of nearly 15,000 Canadians, 46 % agreed that they did not give more donations because they did not think the money would be used efficiently (Hall et al. 2001). Yet, Saxon (2004) proposed that the real modern-day challenge is whether donors and the public in general understand how a modern charity works. Further to this point, McDougle (2014) found that awareness of the nonprofit sector (i.e., familiarity/knowledge) was a significant predictor of confidence (i.e., trust) in the performance of nonprofits.

Consumer behavior theory highlights the importance of knowledge. For example, Cowley and Mitchell's (2003) spreading activation network model of memory suggests that new knowledge is more easily remembered if it can be attached to existing nodes/network structures within the memory such that knowledge will have a moderating effect on future learning. Given this, in the context of the nonprofit sector, perceptions of trustworthiness and transparency/accountability are likely to be more accurate and more reliable if they are connected to more elaborate knowledge structures to begin with. Thus, we hypothesized that knowledge will play a key role in shaping the effects of trust as well as transparency/accountability on public support.

We conducted telephone surveys with 3853 randomly selected Canadian residents in 2013. The survey asked participants to think about "charities in general" as they provided their responses to a variety of questions. We conducted hierarchical multiple regression analysis and used a median split to explore the moderating effects of knowledge (high/low) on annual donation amounts. When knowledge levels are low, donation amount is related to only demographic variables, but when knowledge levels are high, perceived trust, transparency, fiscal responsibility, and value of nonprofits explain significant variance over and above the demographic variables.

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As expected, donation amounts increase as perceptions of trust, value, and fiscal responsibility increase.

We used logistic regression to explore the moderating effects of knowledge (high/low) on volunteer status. Amongst low-knowledge respondents, only demographic variables significantly predict volunteer status. Amongst high-knowledge respondents, however, in addition to demographic variables, trust and perceived value of nonprofits also significantly predict volunteer status. Overall, based on the findings from this study, we conclude that the nonprofit sector cannot depend on ratings of transparency/accountability or trust on their own as reasonable predictors of support; instead, these must be considered together with knowledge.

**References available upon request.**

# Knowledge Utilization by Policy Makers: Is There a Role for Marketing?

**Lauren Arnold, Maureen Bourassa, Loleen Berdahl, Jana Fried, and Scott Bell**

## Abstract

While most university settings expect and aspire for researchers to share their findings with policy makers, industry, and society (Tatari et al. 2012), there are several barriers within this process (Sa et al. 2011). In this conceptual chapter, we describe findings from an interdisciplinary investigation of existing work on knowledge use by policy makers and identify opportunities to incorporate marketing theory to facilitate knowledge transfer.

Knowledge utilization, or knowledge use, is broadly defined as transferring scientific information from scientific researchers and other "knowledge producers" into active use by decision makers. Models for understanding knowledge use by decision makers can be broadly sorted into the categories of instrumental use, contextual use, and symbolic use (Contandriopouos et al. 2010; Landry et al. 2001; Lester and Wilds 1990; Rich 1997; Weiss 1980). Instrumental use assumes an ideal scenario in which decision makers follow a linear process to incorporate the results of science directly into decisions, policies, or practices. Contextual use suggests that use of scientific evidence is not linear, but rather complex linkages between users and knowledge producers involving many sources of information. Symbolic use encompasses the political function that using knowledge plays in decisions and debate.

Throughout the literature, there are many factors that influence whether and how decision makers use knowledge, underscoring the fact that knowledge utilization is more complex than a linear process. These factors include (1) attributes of the research (quality, methods, dissemination, timelines, clarity, relevance, research unit size, discipline, novelty of results), (2) individual attributes (user efforts and skill), (3) theory of two communities (differing values and conflict between users and

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producers of knowledge), (4) social capital, and (5) organizational factors (financial capacity, power distribution, norms, political context, nature of the problem).

Existing strategies to increase knowledge use focus on addressing barriers and facilitating connections between users and producers of knowledge. Given the challenges that remain in successfully transferring knowledge to policy makers, we argue that the marketing field should become an active participant in this discussion to offer key insights into terms of how knowledge producers and users can build successful relationships, what strategies might be used to best communicate research outcomes, and how knowledge use might be measured. Marketing has a role to play in the research and development of best practices and strategies for increasing knowledge utilization by policy makers.

**References available on request.**

# Session 12.5
# Technology and Problem Solving in the Selling Environment

# Antecedents and Consequences of Sales Force Technology Use

**Rocío Rodríguez and Sergio Román**

## Abstract

Today's salesperson is pressured to do more in less time, and technological advancements have become an integral part of the personal selling process (Rapp et al. 2008). During the last 30 years researchers from a diverse set of disciplines, such as information systems research, innovation research, social/organizational psychology, and marketing, have paid a lot of attention to examine the antecedents of individual technology acceptance and use (Brancheau and Wetherbe 1990; Kwon and Zmud 1987; Moore 1987; Taylor and Todd 1995; Venkatesh et al. 2003). The sales studies on the antecedents of technology acceptance primarily deal with features of the technology tools, such as perceived ease of use and perceived usefulness and salespersons' individual traits and disposition toward technology (Jelinek et al. 2006; Jones et al. 2002; Mallin and DelVecchio 2008; Schillewaert et al. 2005). Little attention, however, has been paid to management policies and actions. Similar to findings related to IT (information technology), the majority of findings in the sales literature suggest technology use positively and that it significantly influences sales performance (e.g., Hunter and Perrault 2007; Jelinek et al. 2006; Mathieu et al. 2007; Rodriguez and Honeycutt 2011; Senecal et al. 2007). Clearly sales are important, but they do not consider salespeople's feelings, emotions, and psychological aspects of the job (Karasek 1979).

In short, while several studies examine a number of personal antecedents to salespeople technology use (mainly characteristics of the technology and the user), and others its consequences (primarily sales performance), this study models and simultaneously tests numerous organizational antecedents and psychological outcomes, so as to begin to build the foundations of a more comprehensive model about technology use among salespeople. In particular, this study offers a comprehensive understanding of technology use organizational antecedents and psychological job outcomes (perceived work overload and job satisfaction) among salespeople. Also, we look beyond the direct influence of technology use on the psychological outcomes by analyzing the moderating role of technological compatibility.

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A diverse group of salespeople from a variety of industries of various sizes in Spain were surveyed. Results revealed that user training fully mediates the influence of management pressure on technology use. Coaching has a direct influence not only on technology use, but also on the psychological outcomes. Interestingly, the consequences of hardware and sales software use do not follow the same patterns since hardware, rather than sales software, leads to positive psychological outcomes. In addition, our results reveal that increased usage of technology does not always lead to positive outcomes; rather, under low technological compatibility, technology use (particularly sales software) can even be counterproductive. This study has several implications both for theory and management.

**References available upon request.**

# Sales Force Acceptance of Disruptive Technologies

**Michael Obal and Nathan Fong**

## Abstract

In this study, we measure the roles of individual performance motives, team goal commitment motives, and managerial support on the acceptance of disruptive technologies amongst sales force members. Disruptive technologies are unique in that they require the end user to drastically change their work processes in order to fully integrate the technology. As this transition to a disruptive technology takes both time and effort, a salesperson is likely to be distracted from their primary goals (e.g., hitting deadlines or goals). We explore the interaction of these factors with an online survey of 163 sales force members. A confirmatory factor analysis was run to confirm the validity and reliability of the data while OLS regression was used to analyze the results. To facilitate this analysis, we develop a new, five-item scale that measures technology disruptiveness at the employee level.

The results show that the disruptiveness of a technology may negatively moderate a salesperson's motivation to accept that technology. Managerial support, individual performance motives, and team goal commitment motives all serve as main effects on salesperson acceptance of new technology. In hopes of identifying mitigating factors, we also measure the moderating influence of managerial support and team goal commitment motives on acceptance of disruptive technologies, finding managerial support to be the more important factor.

This research offers several broad implications. First, we identify a fundamental problem that purchasing managers encounter after they adopt and introduce a disruptive technology to their sales force. Managers should take into consideration the huge learning curve associated with disruptive technologies and understand that employees may be hesitant to take on the extra efforts necessary for technology integration. Second, this study introduces a new scale that measures the disruptiveness of a technology at the employee level. Third, this study measures the moderating

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impacts of managerial support and team goal commitment motives on the main effect of individual performance motives on salesperson acceptance of technology. The use of technology champions and other motivational tools from the managerial level appears to be especially important in the integration of disruptive technologies in order to offset the waning individual motives to adopt. In sum, the findings from this study should help managers have a better understanding of how to handle the integration of a disruptive technology into their sales force.

**References available upon request.**

# Business-to-Business Solution Provision: An Empirical Investigation of the Deliberate vs. Creative Problem-Solving Routines of Salespeople

**Sreedhar Madhavaram and Vishag Badrinarayanan**

## Abstract

The provision of high-value integrated solutions that address customers' business or operational needs can lead to potential competitive advantages (Davies 2004). Formally, "a solution is a set of customer–supplier relational processes comprising (1) customer requirement definition, (2) customization and integration of goods and/or services and (3) their deployment, and (4) postdeployment customer support, all of which are aimed at meeting customers' business needs" (Tuli et al. 2007, p. 5). Solving customers' problems is critical and providing customized solutions that may consist of tangible products; application of specialized competences (knowledge and skills) through deeds, processes, and performances; or combinations that solve customer problems could lead to competitive advantages in the marketplace (Vargo and Lusch 2004).

This study focuses on problem-solving routines employed by business-to-business salespeople to provide customized solutions to their clients. Specifically, we offer a framework of the antecedents and consequences of deliberate (i.e., purposeful processes by which individuals structure complex problems to analytically solve problems) and creative (i.e., processes that emphasize the infusion of new knowledge, the open-mindedness to unconventional ideas, and thinking outside the box) problem-solving routines of business-to-business salespeople. The framework was tested using data gathered from an online survey of 194 business-to-business salespeople.

The results indicate that salespeople's learning orientation and intrinsic interest in problem solving are positively related to deliberate and creative problem solving. Behavior-based control systems positively influence deliberate problem solving and negatively influence creative problem solving. However, output-based control sys-

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tems were unrelated to deliberate problem solving and positively related to creative problem solving. Deliberate problem solving positively influences outcomes such as customized solution provision, solution effectiveness, overcoming buyer objections, sustaining valued customer, and adaptive selling. In contrast, creative problem solving negatively influences customized solution provision and solution effectiveness, is unrelated to overcoming buyer objections and sustaining valued customer relationships, and is positively related to only adaptive selling. These results indicate that deliberate and creative problem-solving routines may perhaps exert countervailing influences on critical sales outcomes.

In addition to offering relevant and counterintuitive implications, this study provides theoretical and empirical foundations for future research on the role of problem-solving routines of salespeople in business-to-business solution provision.

**References available upon request.**

# Session 12.6
# Reviews, Reviewing, and Comparative Methods in Marketing

# Mirror, Mirror on the Wall: A Comparative Evaluation of Six Structural Equation Modeling Methods

**Kai O. Thiele, Marko Sarstedt, and Christian M. Ringle**

## Abstract

Structural equation modeling (SEM) has become a quasi-standard in marketing research when it comes to analyzing the cause-effect relationships between latent variables. For most researchers, SEM is equivalent to carrying out covariance-based SEM (CBSEM) or variance-based partial least squares (PLS), whose performance has been researched in a multitude of simulation studies. However, recent research has brought forward a variety of different methods for estimating structural equation models, which have not been researched in-depth. We extend prior research by (1) examining a broad range of SEM methods, several of which have not been analyzed in-depth in prior research (CBSEM (Jöreskog 1978), PLS (Wold 1982), extended PLS (PLSe; Lohmöller 1979), consistent PLS (PLSc; Dijkstra and Henseler 2015), generalized structured component analysis (GSCA; Hwang and Takane 2004), and sum scores), (2) analyzing null relationships in the structural model, (3) considering measurement model results, and (4) reporting additional performance measures that allow a nuanced assessment of the results.

Our research results suggest that there are two groups of SEM methods, which differ noticeably in their behavior: CBSEM and PLSc, on the one hand, and PLS, PLSe, GSCA, and sum scores on the other. CBSEM and PLSc clearly outperform the other methods in terms of measurement model parameter accuracy when sample sizes are high. With lower sample sizes, however, these advantages diminish. In the structural model, CBSEM and PLSc exhibit less parameter accuracy than PLS, PLSe, GSCA, and sum scores in all small sample size situations (i.e., 100 observations). Analyzing the direction of estimation bias shows that PLS, PLSe, GSCA, and sum scores overestimate the parameters in the measurement model and underestimate them in the structural model. This kind of estimation bias shrinks with a larger

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number of indicators per measurement model and larger numbers of observations. Hence, PLS, PLSe, GSCA, and sum scores are all subject to the well-known consistency at large behavior. In contrast, CBSEM and PLSc show very little under- or overestimation tendencies, except when measurement models are parsimonious (e.g., two indicators per measurement model) and sample sizes are small (e.g., 100 observations). Finally, CBSEM and PLSc clearly lag behind the other methods in terms of statistical power. This characteristic translates into CBSEM and PLSc having a slight advantage regarding avoiding false positives (i.e., type I errors), especially in situations with small sample sizes, few indicators, and low loadings. Based on these results, we determine implications for SEM researchers and offer recommendations on the selection and use of appropriate methods for specific goals in applications.

**References available upon request.**

# Living Dangerously: Generalizing in Case Study Research

**Jillian Farquhar and Linda Deigh**

## Introduction

The weak representation of case study research in marketing may in part be attributable to a lack of clarity in demonstrating and assessing rigour. The issue of rigour is ever present in research and in case study research has been the subject of investigation in several discipline-specific studies (for example Beverland and Lindgreen 2010; Dubé and Paré 2003; Gibbert and Ruigrok 2010). These studies have generated an array of insights and recommendations for management and management-related researchers whilst observing that extant advice is sometimes overlooked. In marketing, the lack of published papers means that case study researchers unlike quantitative investigators have few models with which to engage and thus limited guidance on how to deal with the vexatious rigour issues such as generalizability. The purpose of this chapter is to review claims for generalizability through a synthesis of the theory underpinning sampling and the nature of case study research. We offer important propositions for case study selection, which illuminate the burning issue of generalizability. The structure of this chapter is as follows: an overview of case study research rigour, sampling theory as applied to case study research, conclusions and further research.

## Rigour in Case Study Research

Case study research is the study of phenomena linking the theoretical with the empirical (Ragin 1992; Siggelkow 2007) through a study, which is bounded and in a specific context (Creswell 2007; Miles and Huberman 1994; Swanborn 2011). It has been described as a holistic research strategy, which looks at a few strategically

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chosen cases in their natural context to study highly complex phenomena (Verschuren 2003) or which focuses on understanding the dynamics present within single settings (Eisenhardt 1989). The data which make up the case study or studies are usually specified as being from multiple sources (Cresswell 2007; Swanborn 2011; Verschuren 2003) such as archives, interviews, questionnaires and observations (Eisenhardt 1989) and the nature of the data sets can be both qualitative and/or quantitative (Stake 1995; Yin 2009). In generating context-dependent knowledge, case study research provides a nuanced view of reality and thus acts as a valuable counterpoint to knowledge derived from predictive investigation (Flyvbjerg 2006). In spite of the advantages of case study research in its generation of context-dependent insights, case study researchers experience an uphill battle in persuading their readers of the rigour and contribution of their research (Siggelkow 2007). The challenges of demonstrating quality or rigour in case study research have been acknowledged in recent investigations (for example Dubé and Paré 2003; Beverland and Lindgreen 2010; Gibbert and Ruigrok 2010). These studies provide accounts of how case study research rigour has been addressed in published work and generate important insight into how rigour can be evidenced. There is however remarkably little discussion in these studies about the selection of cases and how this selection process then goes on to underpin the contribution of the research. This issue is particularly potent as critics of case study research have long pointed to the lack of generalizability in this research strategy owing to the small number of units or cases.

## Generalizability in Case Study Research

Generalizability in research relates to the belief that theories must be shown to account for phenomena not only in the setting in which they were studied but also beyond those confines (Bryman 2012). Whilst case study researchers might with justification argue that their research is in-depth and context dependent, they may also want to argue for the contribution of their study beyond an immediate case or cases. That challenge has been summarized as follows:

> On the basis of our researched case(s), what can be said about non-researched cases? Swanborn (2010, p. 66).

It is not as if the issue of generalizability has not been debated in case study research. Yin (2009) is uncompromising in his dismissal of conventional generalizability in case study research and argues that the analogy to samples and universes is incorrect when dealing with case studies. Nonetheless there is tension in claims about the findings of case study research and the contribution that a case study makes to theory. Whilst critics suggest that generalizing from case study research is only tentatively possible and that it should be complementary to more extensive research (for example, Swanborn 2010), others have asserted that the study of multiple cases as opposed to single cases does create a basis for generalizing (Johnston et al.

1999; Leonard-Barton 1990). These divergent views indicate that there is indeed confusion over generalizability in case study research, which we now attempt to unravel. It is important to remember that the purpose of study is to make a theoretical contribution, which is illustrated or supported by the case study findings (Siggelkow 2007). Some further insight into the question of generalizability can be gained from the sampling literature.

## Sampling and Selection

Just as in all empirical studies, the unit of analysis forms a core component of the research design. In qualitative research, sampling for this approach is embedded in the notion of in-depth and within context and involves small numbers (Miles and Huberman 1994). The rationale driving sampling is usually purposive that is chosen to fulfil a research objective (Patton 2003) and the researcher will choose units that will generate particular insight into the research question. These units will often in the broad church of qualitative research be human informants. The findings of the research will therefore be considered on the basis of how the data extend or advance the theory relating to the phenomenon in question. Similarly, in case study research, the specification of the unit of analysis and its selection is strategic and theory driven (Ragin 1992). Two particular issues face case study researchers.

The first is the delineation of the unit/case (Creswell 2007): For example, is the theory under study going to be extended by studying the performance of a sales team over a period of time, an evaluation of marketing communications or the creation of customer value by a brand, organization or stakeholders? All of these examples pose questions about identifying and then bounding the unit(s) of analysis for the theoretical investigation. As case study research is by definition within context, the boundaries of the unit may be hard to define, permeable and ephemeral. Part of the researcher's task is to set limits such as times, events or processes (Creswell 2007). Nor can these limits be arbitrary. Researchers will need to argue or demonstrate that as the periphery of the case boundaries is reached, the information becomes less relevant (Yin 2009).

The second issue relates to choosing the case or cases which are best suited to the theoretical purpose of the paper (Eisenhardt and Graebner 2007) or theoretical sampling (Charmaz 2006). Cases may be extreme (Flyvbjerg 2006; Patton 2003), allow for maximum variation (Creswell 2007), revelatory (Yin 2009) or critical (Miles and Huberman 1994). From these alternatives, critical, revelatory and extreme all suggest the selection of a single case (see for example Siggelkow 2007). Single cases exploit opportunities for exploring significant phenomena under rare or extreme circumstances (Eisenhardt and Graebner 2007), which enable logical (Patton 2003) or analytical (Yin 2009) generalizations to be made from the evidence. A single case study may act as an example which violates the theory and thus enables inferences to be drawn about more normal cases (Flyvbjerg 2006; Siggelkow 2007). Cases may

also be selected to allow for comparison, in which case the researcher will choose units that allow for the theory to be advanced through comparing two or perhaps three units. These units may be embedded in a larger case (see Yin 2009).

The rationale for multiple cases will rest on replication logic. According to replication logic, which Yin (2009) draws from his analogy between case study research and experiments, when a significant finding is made, for it to be considered robust, it is necessary to replicate the research in further experiments so that finding can be duplicated. In case study research, the investigators would seek to replicate a particular finding through replication in multiple cases, with each case chosen so that it is either likely to predict similar or contrasting results. Case study researchers therefore use the logic of replication in multiple case studies to strengthen conclusions and provide evidence for both their broader utility and the conditions under which they hold (Firestone 1993). Researchers select cases as the research progresses with the aim of supporting or disconfirming initial findings through replication (Eisenhardt 1989; Yin 2009). This process referred to as theoretical sampling (for example Eisenhardt 1989) or theoretical replication logic (Yin 2009) is also a characteristic of grounded theory. In grounded theory, theoretical sampling is a method of sampling data for the development of a theoretical category and only takes place when the researcher has tentative categories to investigate. Once the researcher has arrived at some tentative theoretical categories from the data, he or she then goes on to gather further data to explicate them (Charmaz 2006). It can be difficult to know when to withdraw from the field, that is, cease data collection. The researcher may draw a line when he or she has been able to account for rival explanations or negative cases (Eisenhardt and Graebner 2007; Yin 2009).

Grounded theorizing is usually regarded as a form of qualitative inquiry, though in fact its originators saw it as applicable to quantitative data too (Glaser and Strauss 1967). In this context, theoretical sampling is tied to the purpose of generating and developing theoretical ideas, rather than being aimed either at producing findings that are representative of a population or at testing hypotheses. This form of sampling does not take place at a single point in the inquiry process but is a recurrent feature: at various times the researcher must ask what settings, events or people are worth investigating next in order to develop aspects of the emerging theory. In this way, theoretical sampling is both guided by contributes to the "theoretical sensitivity" that is necessary in grounded theorizing, and indeed in qualitative work (Hammersley 2006) as well as case study research. The process is therefore to select incidents, slices of life, time periods, or people on the basis of their potential manifestation or representation of important theoretical constructs (Patton 2003). The techniques advocated above remove much of the uncertainty about "one or many" in case study research in marketing (see for example Perry 1998).

On the basis of this discussion, we suggest that Swanborn's (2010) question about the researched and the un-researched cases may not be quite the right question. Case study researchers are not making claims about other un-researched cases. Instead their contribution to theory is derived from their investigation into a case or cases, which they have selected on the basis of their ability to illuminate the theory or phenomenon under scrutiny. Owing to the rigour of the selection, that is its strategic

and theoretical foundation, they are able to make statements about the theory or phenomenon provided by the evidence in that case or cases (Siggelkow 2007).

## Discussion and Conclusion

In this chapter, we have set out the key considerations for case selection in case study research and the principles that inform these considerations. Case selection is not achieved through some rule of thumb or a proposition that the more cases the safer the conclusions. Cases are selected according to their rationale which the researcher builds for advancing the theory under consideration. The cases or units are scrupulously bounded for this very purpose. However, there is a suggestion in the literature that single cases play a different role in informing theory from multiple cases. We propose accordingly that the arguments for basing research on a single case should be carefully elaborated and justified with reference to the types suggested in the literature, for example revelatory or critical. For multiple cases, there is an expectation of replication logic and recourse to theoretical sampling. As yet, there seem to be few arguments that support the rationale for choosing multiple cases at the beginning of the study but an analysis of published cases may shed some further insight here. Although the reasoning behind the choice of cases can rest on a number of approaches, we argue that theoretical sampling so far offers both researchers and readers the most clear-cut basis for case selection as it supports claims for contribution to theory and wider issues relating to rigour. This type of case selection may also be more palatable to the wider marketing academic community at least for the time being.

We reiterate our contention that marketing is being deprived of a key research strategy which is appropriate for providing rich insight and hence building theory in marketing. We hope that by opening a debate on generalizability and case selection we can encourage colleagues to take up the challenge and indeed fill the space by writing compelling work based on rigorous case study research. We extend this challenge to editors and reviewers that until there is more case study research written and published in marketing, the discipline is suffering.

**References available upon request.**

# Session 12.7
# Decision Making

# Jumped or Pushed? Understanding Customer Switching in the Banking Context

**Hanim Misbah, Tina Harrison, and Essam Ibrahim**

## Introduction

The concept of switching generally assumes that customers have choice and the ability to change from one service/product provider to another. Yet, not all situations present consumers with the same degree of choice or ability to switch. In the UK, lack of competition, choice, and switching barriers are cited as particular problems facing consumers in switching from one bank to another. Previous studies of switching have tended to focus only on certain aspects affecting switching behavior, such as switching factors (Keaveney 1995; Gerrard and Cunningham 2004) or staying factors (Patterson and Smith 2003; Panther and Farquhar 2004; Colgate and Lang 2001). Other studies have combined elements (Bansal and Taylor 1999) such as switching and sociopsychological factors; but few studies have combined factors affecting both switching and staying. We attempt to provide a more holistic analysis of the factors prompting switching intentions including those factors that serve to promote or inhibit switching or staying. We take as our theoretical basis migration theory and the theory of planned behavior.

## Background

In the year 2000, The Cruickshank report found a lack of competition in the UK banking sector, characterized by a concentrated market, lack of information to personal customers, high barriers to exit, and low customer switching (Fingleton 2012). Following the global financial crisis in 2008, the level of concentration increased

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further, exacerbating the situation. In 2010, the UK Independent Commission on Banking was established to further examine ways to promote competition in banking and improve consumer choice (Maxwell 2012).

The personal payments/checking account market in particular has been identified as problematic regarding lack of competition and consumer choice. Since the financial crisis, the four largest UK banks have controlled around three-quarters of the UK payments/checking account market (Office of Fair Trading, OFT 2013). In response, the UK Government perceived that increasing the conditions for customer switching would lead to improved service levels and competition and consequently took active steps to increase awareness of switching, to reduce or eliminate problems associated with switching and to reduce consumer fear of switching by establishing the Payments Council switch guarantee in 2013. These steps have led to an increase in customer switching of 20 %[1].

Understanding switching in this context is not simply about understanding the negative service encounters faced by consumers. Hence we take a more holistic approach to understanding the factors that both prompt switching and those that may work against it, drawing on insights from both migration theory and the theory of planned behavior.

Migration theory (Lee 1966), or push-pull theory, recognizes push factors as negative elements that push a population from their origin (i.e., their current bank), and pull factors as positive elements that pull a population to their destination (i.e., a competitor bank). The extent of push-pull migration is also affected by intervening obstacles or mooring factors that restrict the migration process, as well as personal factors. In applying migration theory, push factors include poor pricing and poor service incidents; pull factors include availability and attractiveness of alternatives; intervening obstacles include switching barriers; and personal factors include situational factors and attitudes. A number of push-pull-mooring models have been developed in services (Bansal et al. 2005) and in online contexts (Zhang et al. 2012; Hsieh et al. 2012).

The Theory of Planned Behavior (TPB) (Ajzen 1991) also provides useful insight into factors affecting switching intentions, in particular attitudes towards switching, the belief that switching will reap benefits, social norms in relation to switching and perceived ability to switch. All of these can act as further intervening obstacles to switching intentions in a push-pull framework. Hence, based on this we assess the impact of push (negative factors associated with the current bank), pull (positive factors associated with the competitor bank), mooring factors (such as switching barriers and situational factors), and personal factors (such as attitudes, perceived behavioral control, social norms) on customer bank switching intentions.

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[1] http://www.thisismoney.co.uk/money/saving/article-2540418/Current-account-customers-vote-feet-7-day-switching-rules-sees-number-people-changing-bank-leap-20.html.

## Research Methods

Both qualitative and quantitative research methods were used. Measurement items were derived from the literature and unstructured interviews with ten individuals. The key independent variable (switching intention) was measured using items adapted from Bansal et al. (2005) and Bansal and Taylor (1999). Guided by the literature and previous studies, the dependent variable constructs were grouped according to push factors, pull factors, mooring factors, and personal factors.

Push factors consisted of negative experiences associated with poor pricing and other poor service incidents. These are often cited as key triggers or critical incidents (Keaveney 1995) prompting switching behavior and measurement items were based on these studies. Pull factors related to the attractiveness of the competitor bank and included perceived availability and attractiveness of alternatives, as included in studies by Zhang et al. (2012) and Chang et al. (2014). Mooring factors related to obstacles that inhibited switching behavior, such as perceived switching barriers and situational factors. Finally, personal factors included attitudes towards switching and perceptions of others, and were derived from TPB. A total of 48 measurement items were used.

A Web-based survey containing all items, plus questions about demographic information and banking behavior, was administered to a sample of 10,000 individuals obtained from an online panel. The survey yielded a response rate of 20.8 % amounting to 2018 usable completed questionnaires following elimination of incomplete responses. The sample comprised 60.1 % females and 39.9 % males and covered a range of ages of 18–65 years old, with a mean sample age of 41.

Empirical analysis was conducted in two stages. An initial assessment of the dimensionality of the push, pull, mooring, and personal factors was conducted using exploratory factor analysis (EFA). This was followed by regression analysis to predict switching intention based on push, pull, mooring, and personal factors.

## Results and Discussion

To assess the dimensionality of the push-pull-mooring predictors, EFA was conducted. The items were divided into groups to account for push, pull, mooring, and personal factors and EFA was conducted separately on each group. The analysis resulted in two push factors (poor pricing and poor service incidents), one pull factor (perceived availability of alternatives), two mooring factors (switching barriers, positive attachment), and five personal factors (situational factors; perceived switching benefits; positive attitudes towards switching; positive beliefs of others towards switching; and perceived ability to switch).

Multiple linear regression analysis was used to develop a model to predict switching intention from the push, pull, mooring, and personal factors identified. Prior to performing regression analysis it was established that the data did not violate

the assumptions concerning multicollinearity, normality, and the presence of outliers. All ten factors (two push, one pull, two mooring, and five personal) identified from the EFA were included in the model to ascertain the relative impact on switching intention. The model is statistically significant and explains 53.6 % of the variation of the dependent variable switching intention. With the exception of poor pricing, all the predictor variables are significant at the 95 % level.

To establish the reliability of the model across samples, the total sample of 2018 was randomly divided into two subsamples. Doing so did not violate any rules regarding sample size or key assumptions. The same linear regression analysis was performed on each subsample and the outcomes compared. Both subsamples produced results consistent with the full sample model. The $R^2$ for subsample 1 was 0.536 and for subsample 2 0.535, compared with 0.536 for the whole sample. The direction and significance of all parameters were consistent across the full model and the subsample models.

The study shows that nine of the ten factors were found to have a significant contribution towards switching intention. Attitude towards switching makes the strongest unique and statistically significant contribution to switching intention ($\beta=0.495$), followed by switching barriers ($\beta=0.125$) and poor service incidents ($\beta=-0.105$). The remaining predictors make a much lower and similar level of contribution. Perceived ability to switch ($\beta=-0.049$) and availability of alternatives ($\beta=0.054$) had the lowest overall impact on switching intention.

## Conclusions and Implications

Drawing on both migration theory and TPB we examine a more holistic range of factors influencing switching intentions, accounting for the negative factors associated with the existing bank, the positive factors associated with the competitor bank, the factors that serve to inhibit or restrict switching, and a set of personal factors. The most important determinant seems to be that of attitudes towards switching. TPB suggests that positive attitudes associated with the action influence behavioral intentions. This was found to be true in this study; positive attitudes towards switching have a significant impact on intention to switch. The likelihood of switching is thereafter determined by the existence of switching barriers. The reason why perceived ability to switch and availability of alternatives may have a low impact on switching intention may be due to the significance of switching barriers: it doesn't really matter whether consumers feel confident to switch and have a suitable competitor to switch to if barriers stand in the way. Traditional push factors or switching triggers, such as poor service incidents, are featured as important, but less important than attitudinal factors. In contrast with other studies, poor pricing did not emerge as a unique factor impacting switching intention. This may suggest that customers value other benefits rather than price alone, but may also be a symptom of the lack of transparency in financial service pricing. If banks wish to retain customers and reduce switching they should emphasize the positive benefits of remaining a customer and should not be fooled into thinking that switching barriers will necessarily prevent customers from leaving.

**References available upon request.**

# Driving Employee-Based Brand Equity

**Achillleas Boukis and George Christodoulides**

## Abstract

Scholars emphasize the role of front-line employees for customers' experience with the brand, as they constitute the original source of brand equity for external stakeholders while their performance affects customer perceptions of the brand and brand equity (Baumgarth and Schmidt 2010). Current knowledge mostly captures individual brand-related antecedents of employee-based brand equity (EBBE) ignoring how employees' perceptions of other aspects of the organizational environment shape their levels of EBBE received from the company's brand (King and Grace 2012). Existing studies also consider brand equity as the outcome of the internal branding process, bypassing whether higher levels of EBBE are actually associated with employees' reciprocal behavior towards the company or its customers (Lohndorf and Diamantopoulos 2014). Little research scrutiny is attracted to what drives employee brand-based equity (EBBE) as well as its value for successful internal branding outcomes.

This study adopts an inside-out employee perspective of internal branding with the aim of providing a comprehensive understanding of the key antecedents that determine EBBE as well as identify some organizational citizenship behaviors that derive from EBBE. It delivers an integrated inside-out approach of EBBE with a dual role: first, to explore how front-line employees' perceptions of organizational support, their evaluations of the company's brand, and their supervisor's brand-consistent behavior affect their EBBE levels, and additionally, to examine to what extent employees' brand equity can induce some extra-role behaviors directed either at their organization or at its customers. Hence, a more comprehensive understanding of the brand equity formation process is provided by identifying three key antecedents of EBBE: employees' perceptions of internal market orientation (IMO),

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employees' perceptions of their supervisor's brand-consistent behavior, and employees' evaluations of the company's brand as measured by perceived brand authenticity. The impact of EBBE on two employees' citizenship behaviors directed towards the organization and towards customers, namely customer orientation and brand values' dissemination to co-workers, is addressed.

Results indicate that employee perceptions of IMO, their assessment of the supervisor's brand-related behavior, and their perception of the organization's brand are associated with perceived brand equity. In addition, this study confirms perceived brand authenticity as a key determinant of EBBE. Another thought-provoking finding of this study is that EBBE accounts for front-line employee citizenship behavior, uncovering the benefits from internal branding activities for organizational effectiveness. This remains one of the few studies that link internal branding activity with customer-related consequences.