



2012

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VOLUME 23

MARKETING THEORY AND APPLICATIONS

EDITORS SUNDAR BHARADWAJ + JOHN HULLAND

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Preface and Acknowledgments

Marketing has for decades promulgated the importance of a single-minded focus on the customer as key to capturing value from the marketplace. Firms have also been buffeted by calls to deliver to the triple bottom line. Firms attempting to deliver social impact through multiple stakeholders have faced numerous organizational challenges. Metrics to measure social impact have begun to emerge along with methods to capture, interpret, and understand multiple relevant stakeholder expectations. Consequently, the context in which firms must operate calls for new theory, new research, and new pedagogical methods in marketing. It is against this backdrop that the theme “Seeing Marketing Through Emerging Theoretical Lenses: A Focus on Marketing’s Organizational and Societal Roles” has guided the contributions to this 2012 AMA Winter Educators’ Conference.

We have many people to thank for their involvement in the development and implementation of the conference. We appreciate the efforts of track chairs in encouraging fine scholars to offer their intellectual contributions. The conference would not exist without their stimulating input, whether in the form of papers, competitive paper presentations, special sessions, or other contributions. The SIG members and leaders provided a terrific collection of SIG special sessions.

Without the tireless and conscientious efforts of the track chairs, this conference would not be possible. We owe a huge debt of gratitude to the following track chairs, whose work made our job so much easier:

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<i>SIGNificant Advances Among Special Interests</i>	Pam Scholder Ellen, Georgia State University

Nearly 400 reviewers gave their time and effort to evaluate the 381 competitive papers and 51 session proposals submitted to the conference. Thanks to all who were willing and able to help.

We also thank our track chairs, who had the daunting task of selecting the recipients of the best-paper award in each track from among so many excellent papers (we then selected the “Overall Conference Best Paper” award from this group of papers).

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Finally, we thank the members of the AMA Academic Council, especially the current president of the council, Tom Brown (Oklahoma State University), who has demonstrated great faith in entrusting us with this conference and who has provided sage counsel throughout the process.

Sundar Bharadwaj
University of Georgia

John Hulland
University of Georgia

Overall Best Conference Paper

“The Impact of Retailers’ Corporate Social Responsibility on Price Fairness Perceptions and Loyalty”

Kusum L. Ailawadi, Dartmouth College

Y. Jackie Luan, Dartmouth College

Scott A. Neslin, Dartmouth College

Gail A. Ayala, Dartmouth College

Best Paper: Track Award Winners

Consumer Behavior

“Prestige for Narcissists: Product Price or Store Image?”

Iman Naderi, University of North Texas

Digital and Social Media Marketing

“The Impact of Social Loyalty and Social Word-of-Mouth on Sales”

Girish Ramani, Drexel University

V. Kumar, Georgia State University

Designing Products, Services, and Solutions

“Growing with Industrial Services: A Configurational Approach”

Andreas Eggert, University of Paderborn

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Global and Cross-Cultural Marketing

“An Assessment of Global Branding Research: Co-Citation Analysis as a Tool to Evaluate a Literature Area”

Brian R. Chabowski, University of Tulsa

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Marketing Theory

“The Marketing of Information in the Information Age”

Ronald E. Goldsmith, Florida State University

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Marketing Strategy and Organization

“An Empirical Analysis of Consumer-Company Identification Measures”

Jeremy Wolter, Florida State University

Jeffrey Smith, Florida State University

J. Joseph Cronin, Florida State University

Simon Brach, University of Koblenz

Marketing Communication and Branding

“Brand Signals of Authenticity: From Conscious to Non-Conscious Effects”

Hang T. Nguyen, University of Connecticut

Kunter Gunasti, University of Connecticut

Robin Coulter, University of Connecticut

Marketing Analytics and Research

“The Dynamic Impact of Fan Sign-Ups and Word-of-Mouth on Sales: Evidence from a Social Networking Website”

Girish Ramani, Drexel University

V. Kumar, Georgia State University

Hua Chang, Drexel University

Sales and CRM

“Storytelling by the Sales Force”

David A. Gilliam, University of Arkansas at Little

Rock

Marketing Education

“Curriculum Alignment for Improved Learning Outcomes”

David Raska, Northern Kentucky University

Eileen Weisenbach-Keller, Northern Kentucky University

Doris Shaw, Northern Kentucky University

Social Responsibility, Sustainability, and Marketing

“The Impact of Retailers’ Corporate Social Responsibility on Price Fairness Perceptions and Loyalty”

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FROM ORGANIC CULTURES TO FIRM PERFORMANCE: THE ROLE OF MARKET RESPONSIVENESS AND PRODUCT STRATEGY CHANGE IN EMERGING MARKETS

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SUMMARY

Organic cultures are present in every society. The vast majority of firms in developing and emerging markets have relatively informal structures. Commonly, the organizational culture in such enterprises is organic in nature; and while organic cultures can be present or instilled in any culture, they tend to be pervasive in emerging-market firms. By nature, organic cultures place less emphasis on formality and standardization and have greater reliance on loosely-defined and ever-changing exploration as well as high levels of interaction, collaboration, and open communication (Burns and Stalker 1961; Deshpandé, Farley, and Webster 1993). Thus, organic cultures tend to promote risk-taking, but also nurture employees' aspirations and provide a collaborative environment, which can help a business grow and improve its chances for success (Choueke and Armstrong 2000). Although organic culture has been previously used in marketing to demonstrate how it contributes to firm innovativeness (e.g., Droge, Calantone, and Harmancioglu 2008), much of the research appearing in scholarly journals is from other disciplines (e.g., Keskin et al. 2005). As such, there is little understanding in the marketing literature of how organic cultures may improve marketing effectiveness and firm performance. The literature asserts that one of the key benefits of organic cultures is the ability to foster needed change in unstable or unpredictable environments (e.g., Burns and Stalker 1961; Covin and Slevin 1989), a condition idiosyncratic to emerging markets.

To remain viable in a competitive market, firms need to continually adjust their programs and plans in accordance with internal and external markets. As noted by Ye, Marinova, and Singh (2007), "Change is fundamental to a modern business organization as a means to keep up with evolving market demands and to stay competitive" (p. 156). Change is defined as the differences that may occur in one or more dimensions of an entity over time (Van de Ven and Poole 1995). In this study, we leverage off Brown and Eisenhardt (1997) and focus on change in a single critical marketing program dimension: *product strategy change*. Although all marketing strategy components are impor-

tant in meeting the firm's goals, the product component plays an instrumental role and marketing strategies are typically designed around this component. Accordingly, competitive advantage is created via differences with respect to the firm's new product development, production efficiency, production technology innovation, and product/service quality from one period to the next as the indicators of its product strategy change in a volatile environment (Brown and Eisenhardt 1997).

Drawing on the extended resource-based view, we propose that the process by which organic cultures lead to superior firm performance should include market responsiveness as a strategic action and product strategy change as a positional competitive advantage. According to White, Varadarajan, and Dacin (2003), a firm must strive to respond continuously to opportunities and threats in order to survive and prosper in a changing environment. Burns and Stalker (1961) propose that organic structures permit the firm to have a rapid market response to changing external forces (such as customer needs or competitor movements) in unpredictable environments. A firm's market responsiveness reflects its ability and tendency to act on its internal and external market information (e.g., Kohli, Jaworki, and Kumar 1993). Such responsive actions may cause the firm to adjust its offerings, including services, products, production efficiency, technology, etc. The literature argues that such adjustment or differentiation in product, process, and production represents a positional competitive advantage in the marketplace, which then leads to superior financial performance (Brown and Eisenhardt 1997; Porter 1985; Zhou, Brown, and Dev 2009). Thus, as a strategic action, market responsiveness capitalizes on the value of organic cultures to create product strategy change, which forms a competitive advantage that in turn enhances a firm's financial performance.

We have four hypotheses:

- H1a: Adhocracy cultures are positively associated with market responsiveness.
- H1b: Clan cultures are positively associated with market responsiveness.

- H1c: The relationship between adhocracy culture and market responsiveness is stronger when clan culture is low rather than high.
- H2: Market responsiveness is positively associated with product strategy change.
- H3: Market responsiveness is positively associated with firm performance.
- H4: Product strategy change is positively associated with firm performance.

We use China from an emerging economy as the study context and collect our data from a sample of manufacturing firms. We use multiple informants in each firm to heighten reliability and gather financial data for

responding firms independently of our primary data to avoid potential common methods bias. Our results demonstrate that organic cultures do matter to the effectiveness of market responsiveness, and that market responsiveness (as a strategic action) is the important missing link between organic cultures (as strategic resources) and product strategy change (as competitive advantage). Moreover, product strategy change (competitive advantage) converts both strategic resources and strategic actions into superior performance. Thus, our findings confirm the critical role of market responsiveness and product strategy change in the process of transferring organic cultures to superior firm performance. More importantly, our results uncover that although adhocracy and clan cultures individually can significantly improve market responsiveness, the presence of both organic cultures impedes market responsiveness.

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ON THE EFFECTIVENESS AND EFFICIENCY OF OPERATIONAL MARKETING PLANNING: ANTECEDENTS AND IMPLICATIONS FOR COMPANY PERFORMANCE

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SUMMARY

Year on year, companies invest large amounts of financial and human resources to develop an operational marketing plan for the upcoming year, based on their long-term strategy with the aim to develop and maintain “a viable fit between the organization’s objectives, skills, and resources and its changing market opportunities” (Kotler 2003, p. 118). However, operational marketing planning (OMP) results are not always crowned with success. According to Kaplan and Norton (2008), studies indicate that 60 to 80 percent of firms fall short of their predicted performance. Often managers lack knowledge about the essential characteristics of a “good” marketing plan, and even more often they do not know how to manage the planning process (McDonald 2011). Many executives even believe that “good” planning is automatically expensive (Lenz and Lyles 1985). This dissatisfaction in business practice is supported by various representatives of the “beyond budgeting” stream, who link company failure to the general inadequacy of operational plans and budgets in today’s dynamic market environment (e.g., Hope and Fraser 2003; Wallander 1999). As stated by Caulkin (2005, p. 46), “annual plans are a drain on resources, a pain to prepare, entirely fictional and a hostage to fortune.” Against this background, it is clear that managers face questions such as: Does OMP make sense? And if so, under which conditions will it contribute to firm performance? How should the process of OMP be conducted? And is “good” OMP automatically expensive?

Despite the apparent importance of answering these questions, the topic of OMP has been widely neglected in marketing research so far. The present study makes three important contributions by developing an integrated framework based on the resource-based view of the firm (RBV) that addresses the above questions. First, we argue that OMP must be managed both efficiently and effectively to contribute to company performance. We consider a marketing plan to be effective, when it provides the “right” information to meet customer needs and market requirements (e.g., John and Martin 1984; Piercy and Morgan 1994). Planning efficiency, in turn, refers to the economic adequacy of the OMP process, i.e., the extent to which allocated time, people, and money are brought to a mini-

um level (Menon et al. 1999). Taking into account the cost of planning, a “paralysis by analysis” (Lenz and Lyles 1985, p. 64) is reflected in our performance evaluation of OMP – a perspective, which has been neglected in the literature so far. We link the effectiveness and efficiency of OMP to a firm’s market success, in terms of superior effectiveness, and to its internal success, in terms of superior efficiency compared to competitors, which both ultimately affect company profitability. Second, we examine how key characteristics of the firm’s external environment (market complexity and dynamics) affect the OMP-company performance link, to encounter the beyond budgeting criticism and give feasible advice for firms under different market conditions. Third, we identify a set of process-related variables central to the effective and/or efficient management of a planning process: information use, formalization, monitoring, earliness of planning, cross-functional participation, and setting of incentives (e.g., John and Martin 1984; Piercy and Morgan 1994; Slotegraaf and Dickson 2004; Stasch and Lanktree 1980). The impact of these variables on the effectiveness and efficiency of OMP including potential trade-off effects are investigated, to evaluate if and how the process of OMP can be managed to be effective and efficient at the same time.

To test our theoretical model, a large-scale survey was conducted across major manufacturing and service industries that generally conduct OMP, resulting in a dyadic sample of marketing and accounting managers from 278 companies. Hypotheses are tested using structural equation modeling and moderated regression analysis.

Our results clearly show that effective and efficient OMP yields superior returns for firms by contributing to both market success and internal efficiency. Including moderating effects on the OMP-company performance link, we show that effective OMP becomes even more relevant for firms in more complex and dynamic environments (i.e., when uncertainty increases). Hence, we explain inconsistent findings in the literature about the performance impact of planning and demonstrate that assumptions of the beyond budgeting literature with respect to the inadequacy of OMP in today’s complex and dynamic market environment are not tenable.

With respect to process-related variables, various researchers and managers expect a trade-off between effective and efficient planning. The only trade-off supported by our study, however, is the positive effect of incentive setting on planning effectiveness going hand in hand with a decrease in planning efficiency. Interestingly, we find no support that substantial use of information and monitoring harm planning efficiency. Moreover, planning late in the year as well as low levels of cross-functional participation in the planning process improve planning efficiency, but have no significant negative effect on the plan's effectiveness. Formalization of the planning process and continuous monitoring are found to be the most important predictors for both, efficient and

effective OMP. Summarizing, we show that there is not necessarily a trade-off between effective and efficient OMP. Due to the performance impact of OMP, these findings imply that managerial problems with OMP should not lead to its abandonment but rather to an adequate reorganization. The process-related variables of OMP, as suggested by the present study, provide valuable guidance for managers on how to manage OMP successfully, both in terms of efficiency and effectiveness. In cases where planning efforts have failed to succeed, our results on these variables may serve as a checklist to get useful insights and explanations. References are available upon request.

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TRANSFERRING THE RETAIL FORMAT SUCCESSFULLY INTO FOREIGN COUNTRIES

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SUMMARY

Early retail internationalization activities largely involved moves into developed economies, followed by developing, more distant countries (Alexander, Rhodes, and Meyers 2007), driven by their opportunities such as high growth rates and weaknesses of local retailers (Bordier 2003). Central for the success of these international transfers is the retail format understood as the retailer's capabilities that represent the elements of a retailer's strategy abroad (Goldman 2001). Therefore, retailers determine whether to transfer formats standardized or adapted while a distinction is often drawn between the offering and know-how parts of the format (Alexander 2008). The first includes the external marketing program visible to the customer, such as store layout, location, or price, for delivering the functional, social, or psychological benefits in order to attract customers to stores. The second, the internal part, determines the retailer's operational efficiency and consists of processes containing procedures that retailers use in marketing and supply chain management and of retail culture including the repertoire of norms and coordination practices (Goldman 2001). An unbalanced choice, e.g. a standardized format transfer when the host and home countries are dissimilar, leads to a waste of resources or even market failures. Therefore, it is essential for retailers to know to which extend the transfer of external and internal elements gains performance abroad.

Many scholars analyze standardization decisions (Schmid and Kotulla 2010), but retailing firms, their performance and the relations between marketing program and process standardization have been neglected. The transfer of retail formats is conceptually addressed by Goldman (1981) and Kacker (1988), but only Goldman (2001) presents a holistic empirical study. Bianchi and Ostale (2006), Coe (2004), and Currah and Wrigley (2004) point out to differentiate between external and internal elements, but analyze only the first. Further studies address single marketing instruments and only few studies focus on retail performance abroad (Swoboda, Zentes, and Elsner 2009).

With regard to specific challenges of retailing firms and their internationalization in particular (Dawson 1994),

the transfer of marketing program, which influences the format attractiveness for consumers abroad, and of processes, which influences operational costs, are crucial as well as the relationships between both because retailers have to attract customers and have to be simultaneously efficient. Thus, they can transfer a successful format unchanged triggering efficiency within a global strategy (Zou and Cavusgil 2002). Otherwise, it can be assumed that internal processes are rather standardized in order to realize economies of scales (Griffith, Chandra, and Ryans 2003), whereas the external marketing program is rather adapted in order to fulfill local customer needs. Relevant processes are therefore related to marketing and supply chain management as the main right to exist for retailers is to distribute products to the end-customer (Dawson 1994).

However, we assume that retailers go beyond this. For instance, McDonalds uses a similar retail type and store layout worldwide, but adapts assortments, promotion and prices (Vignali 2001). Retailers ground their format transfers on certain capabilities that enable the firm to compete and are the premise for retail format transfer, but are flexible in other marketing instruments and processes. Consequently, we assume that corporate-related processes (such as logistic systems, ERP systems) as well as corporate-related marketing instruments (such as store layout, store location) serve as the core elements and instruments of a retail format. In contrast, we propose that product-related elements meaning flexibly useable peripheral processes and marketing instruments address local conditions (Oezsomer, Bodur, and Cavusgil 1991; Griffith, Chandra, and Ryans 2003). Thus, the following research questions on retail format transfer arise: Which retail processes and instruments are rather transferred unchanged or modified? How does the standardization of corporate- and product-related processes and instruments correspond? Is performance rather determined by the standardization or adaptation of corporate- and product-related retail marketing instruments and processes?

By responding to these research questions, this study responds to the calls of Goldman (2001) on format transfer strategies and Burt and Sparks (2002) for sector-specific studies on standardization. We follow the requests of Shoham (1995), Walters (1986), Quester and

Conduit (1996), and Coe and Hess (2005) to analyze the standardization of internal processes and provide insights into the relationship between the standardization of types of internal processes and external marketing instruments. Therefore, in-depth face-to-face interviews among 102 international retail chains in Germany, Switzerland and Austria have been carried out for avoiding measurement invariance problems, which conduct their sales activities abroad by a store network across at least

two countries. The results emphasize on the basis of the resource-based view that that internal processes have to correspond with the external marketing program. In turn, the external marketing program has to be employed standardized or adapted depending on corporate- or product-related marketing elements. Therefore, we contribute to the knowledge of retail managers, showing how retail format can be transferred successfully (Evans and Mavondo 2002). References are available upon request.

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THE INFLUENCE OF MARKETING IN NEW PRODUCT DEVELOPMENT TEAMS

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SUMMARY

While marketing is generally assumed to play a central role in innovation, prior research has shown that the marketing function in cross-functional interactions tends to be constrained, and may have limited influence on new product development (NPD) (e.g., Workman 1993). There has been increasing debate regarding the role of marketing in various areas within the firm (e.g., Nath and Mahajan 2011; Verhoef and Leeflang 2009). Webster, Malter, and Ganesan (2005) caution that the marketing function in many firms is in steep decline and losing influence and relevance in many areas, yet successful innovation requires strong marketing competence and guidance from market information. For example, General Motors' 2009 bankruptcy is blamed on the firm's failure to bring marketing into product decisions and to transform itself into a customer-centric organization (Bloomberg Businessweek 2011); and Nokia's losing its leading position in the mobile phone market is partly because they focused too much on own technological development but overlooked competitive behavior in the marketplace (Bloomberg Businessweek 2010). This state of affairs is deeply perplexing and disturbing to many in the marketing community.

While the influence of marketing as a function may be important, the influence tactics used by the source (of market information) when he or she supplies market information are also critical. Thus, we examine two aspects of the influence of marketing: the marketing function's influence within the firm and interpersonal influence tactics within a cross-functional NPD team. The former refers to the extent to which the marketing function is perceived to contribute to the success of the firm relative to other functions (Moorman and Rust 1999). Following the social psychology literature (e.g., Higgins, Judge, and

Ferris 2003; Kipnis, Schmidt, and Wilkinson 1980), we evaluate six types of influence tactics: ingratiation, rationality, exchange, upward appeal, coalition, and assertiveness.

Influence tactics involve a dyad (i.e., influencer and influencee). Past research nearly exclusively examines cross-functional influence and coordination. However, in this research we underline the role of leaders in the influence process – the source can influence other functions by leveraging the project leader's attention to market information. Thus, we examine the source's influence tactics toward the NPD project leader. The reason for investigating the project leader as the influencee is that leaders are central social referents within a firm (Lam, Kraus, and Ahearne 2010), and play a critical role in managing NPD activities and fostering team learning performance (Madhavan and Grover 1998). In this paper we propose that marketing may seek another route to affect NPD team performance: exerting influence on the project leader.

Furthermore, it is noteworthy that prior studies often assume that the source of market information is the marketing function. In fact, it is possible and realistic that the non-marketer in an NPD team possesses and supplies information about customers and competitors (Workman 1993). Especially in many firms, marketing competence is increasingly dispersed across the organization, and thus there seems to be a tendency that people from other functions are assuming marketing-focused responsibilities (Webster, Malter, and Ganesan 2005). Is the actual source of market information in NPD teams: marketers, non-marketers or both? Which have greater influence? These are the second objective of this research. References are available upon request.

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WHEN DO CMOs CREATE VALUE? THE ROLE OF STRATEGIC EMPHASES AND CMO COMPENSATION

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SUMMARY

The chief marketing officers (CMO) represent the top most position of leadership in the marketing function. They are primarily responsible for providing the vision and direction for the growth and success of an organization through marketing activities. Furthermore, CMOs also have an obligation to cultivate shareholder wealth because they are believed to be the most direct stewards of the firm's customers, who directly impact the financial performance of a firm (Court 2007). Therefore, theoretically, CMOs should create firm value.

Empirical research, however, reveals that only some CMOs contribute to firm value. For example, Nath and Mahajan's (2008) findings suggest that firm performance did not change significantly with or without the presence of a CMO. Weinzimmer et al. (2003) found that CMOs have a positive effect on sales growth, while Nath and Mahajan (2008) found that CMOs did not have any significant effect on sales growth. Further, Boyd et al. (2010) found that CMOs' contribution to firm value is far from uniform. These studies suggest that there is no conclusive evidence regarding CMOs' effect on firm value. That is, CMOs may decrease firm value in some circumstances, increase firm value in a few other scenarios, and not affect firm value in the remaining circumstances. In summary, there is a mismatch between theoretical and empirical evidence regarding the value creation role of CMOs.

Furthermore, previous enquiries into CMOs' role in firm value creation focused on CMO appointments. Although insightful, a major drawback of these enquiries is that they do not paint a complete picture of the value delivered by the CMOs. That is, analyses of financial returns just on the day of CMOs' appointment might not act as a good surrogate to the net value created by the CMOs during their entire stay in the firm (that is, from arrival to departure). Indeed, the market reactions to CMOs' appointments are largely based on investor perceptions of CMOs' previous marketing and sales experience, which may or may not accurately demonstrate how the CMOs perform in their new role.

Motivated by these contradictions, our study is intended to address the net firm value (i.e., the difference between the returns from CMOs arrival and CMOs departure) delivered by the CMOs. In doing so, we extend the literature by uncovering the net value, rather than just the value from CMO appointments. In addition, our theoretical framework utilizes discretionary strategic variables available to the CMOs (i.e., cost efficiency, organic growth, or dual emphasis) to explain why some CMOs deliver higher net value than other CMOs. Furthermore, we glean insights from the compensation literature to study how CMOs compensation can moderate the impact of strategic emphases on the net value delivered by the CMOs. To our knowledge, this study is the first to investigate (a) the net value created by the CMOs and (b) how strategic emphases and compensation interact to increase or decrease the net value delivered by the CMOs.

It is worthwhile to note that there is only one study, to the best of our knowledge, which examines when CMOs create firm value (Boyd et al. 2010). Our research advances this study in three key ways. First, while Boyd et al. (2010) address only appointments, we investigate both appointment and departure events. Second, Boyd et al. (2010) reveal individual-level factors (e.g., CMO experience) and firm-level factors (e.g., firm size) that facilitate the total firm value delivered by the CMOs. We uncover additional individual-level factors, such as CMO compensation, and firm-level factors, such as strategic emphases, to explain why CMOs create more value for some firms than others. Third, similar to Boyd et al. (2010), we rely on the event study methodology to tease out the reverse causality and confounding biases. In addition, to uncover more robust results, we address other methodological concerns such as sample selection bias, outlier analysis, and the endogeneity issues.

Our findings support the notion that the strategic emphases laid by the CMOs directly impacts the net value delivered by them. Furthermore, we also demonstrate that these effects are moderated by the amount of compensation CMOs receive. These findings have important implications for firms with regard to the amount of discretion firms grant their CMOs and the design of monetary incentives for CMOs. References are available upon request.

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AN EXPLORATORY INVESTIGATION OF REVERSE CAUSALITY RELATIONSHIPS AMONG BRAND EQUITY AND SPORT-RELATED SUCCESS IN SPORTS CLUBS

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SUMMARY

Worldwide, the sports industry continues to increase in importance in terms of its contribution to many countries' economies and cultures. For instance, Price Waterhouse Coopers predicts the global sports market will grow on average 3.8 percent each year and reach US\$133 billion in 2013 (Price Waterhouse Coopers 2010). However, this development has brought a dramatic shift in the role and scope of marketing for such sports clubs. In particular, the growing relevance of brands for customers and other stakeholders requires a professional brand management (Bristow and Sebastian 2001). For instance, the crucial importance of branding is reflected by the regularly published brand equity rankings for professional sports clubs that appear in Forbes Magazine.

In spite of the high practical relevance there is a lack of scientific studies on the role of marketing and brand building activities in sports clubs – especially in terms of understanding the interrelationships among brand equity and sport-related success. Few empirical studies have conceptualized the idea of customer-based brand equity for sports clubs. According to Gladden and Funk (2001) and Bauer, Sauer, and Schmitt (2005), the brand equity of sports clubs is a multidimensional concept that next to others consists of sport-related success – the product performance of sports clubs – as an indicator of product-related attributes of brand equity. However, reverse causality tests are missing for the relationship between sport-related success and brand equity. Like consumers, talented players find clubs with a positive brand more appealing. Players pursue the opportunity to play for a club with a positive reputation (Cable and Turban 2003), using the club's reputation as a cue to make inferences about job attributes and expecting to take more pride in playing for the club (Ashforth and Mael 1989). Thus, brand equity is an appropriate lever for acquiring new talent, through which brand equity directly contributes to a club's sport-related success.

The analysis of the relationship between brand equity and sport-related success is conducted along two studies.

The first study addresses the stationary perspective which previous studies have taken in identifying the relevance of sport-related success for brand equity. Using seasonal-data for more than 120 professional soccer clubs and 1,600 data points in total, this first study develops and tests a simultaneous equation model (2SLS) of reversed causality where sport-related success is formulated as a function of brand equity and vice versa (including several other drivers). The second study introduces a dynamic model that allows to simultaneously exploring the interrelationships among customer-based brand equity and sport-related success over time. Drawing on a longitudinal club-level database covering 13 sports clubs across 30 years, we develop a vector autoregressive (VARX) model that tests for the dynamic links between the focal and several other constructs.

The results of the first study show that reverse causality is present in a stationary perspective. The perspective taken in past research is present by direct effects of sport-related success on brand equity. However, customer-based brand equity has a significant direct effect on sport-related success as well. Hence, the finding of a direct impact of sport-related success on brand equity as proposed in prior research has to be treated with caution. The results of the second study are decisive in exploring the true causality between that constructs. Here, we find that brand equity is an important driver of sport-related success. As no direct effect exists vice versa, the presumed causal direction set forth in previous research needs to be revisited for that relationship. The direct effect that might be observed in a stationary analysis results from an indirect effect in a dynamic perspective. We find a significant direct effect of sport-related success on fan commitment in next period which again has a significant direct time-lagged effect on brand equity.

The results of our study are of particular relevance for clubs' managers and marketing executives. First, the findings of both studies provide evidence that marketing efforts of sports clubs really pay off in terms of boosted sport-related success. Thus, branding becomes a strategic asset for a club to differentiate from competitors. Sports

clubs cannot longer be managed as simple non-profit organizations (Chadwick 2009). Instead, they should implement professional brand management to nurture brand equity. Second, the findings demonstrate that managers should be aware of the total impact of branding over the entire life cycle, not only the near-term reaction in performance. Long-term orientation in brand management is necessary to drive sport-related success. This study highlights the cycle structure within the marketing-related perspective in a sports club over time. Managers need to keep in mind that today's actions not just have

immediate impact on direct response variables. There is also an indirect impact on other variables in the future. Finally, in addition to the results related to the specific context of professional sports, the analysis reveals insights for several established research streams in marketing. For instance, the analysis contributes to existing works that consider brand equity as a signaling mechanism (Erdem and Swait 1998). Our results give evidence for its credibility in signaling future performance of (sports) companies. References are available upon request.

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AN EMPIRICAL ANALYSIS OF CONSUMER-COMPANY IDENTIFICATION MEASURES

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SUMMARY

Consumer-company identification (C-C ID), which represents a willful merging of a company to an individual's self-concept (Bhattacharya and Sen 2003), is a phenomenon that has garnered significant attention from marketing researchers. This is because the merged self-concept is a powerful motivational force that prompts customers to engage in loyalty behaviors (Ahearne, Bhattacharya, and Gruen 2005; Homburg, Wieseke, and Hoyer 2009; Lam, Ahearne, Hu, and Schillewaert 2010). However, nearly all of the published research utilizes the Mael and Ashforth (1992) scale (M&A) or the Bergami and Bagozzi (2000) scale (B&B) which were created and tested in an employee context. The applicability of these scales to the new consumer domain has not been verified with proper psychometric testing. Without such grounding the potential for misunderstanding due to improper measures is high, antecedent and outcome relationships may be missed, and the extent of company sourced identification may be miscalculated (Ping 2004). The current research attempts to address these concerns by comparing and contrasting the existing C-C ID measures via a series of psychometric tests.

Consumer-Company Identification Scales

The M&A scale was developed in an attempt to measure the purely cognitive component of employee identification. The emphasis of the scale is self-group merging because identified customers and employees perceive themselves as "psychologically intertwined with the fate of the group, as sharing a common destiny and experiencing its success and failures" (Mael and Ashforth, p. 105). Research utilizing the M&A scale has repeatedly reported evidence of good reliability. In addition, the scale demonstrates a strong distinctness from other constructs such as satisfaction and commitment. However, researchers have noted the scale is composed of items that seem to measure both cognitive and affective components as well as possible outcomes of identification (Bergami and Bagozzi 2000). In addition, the state of self-group merging can be viewed as a consequence of self-categorization which actually underlies identification (Ashforth, Harrison, and Corley 2008).

Bergami and Bagozzi (2000) created their scale because they note that the M&A scale is comprised of "causes, effects and correlates of identification" (p 559). While Bergami and Bagozzi note that their scale is a "simple, parsimonious scale for measuring organizational identification, particularly the cognitive state of self-categorization", no rigorous psychometric tests of the scale were undertaken beyond comparing its predictive ability to the M&A scale. Aron, Aron, and Smollan (1992) performed a number of tests on the visual scales predecessor, the Inclusion of the Other in the Self Scale (IOSS). A content analysis of the IOSS reveals that the overlapping Venn diagrams measure the connectedness, feelings of closeness, behaving close, and similarities between the respondent and chosen target. These results suggest that the B&B scale might be measuring more than identification.

Results

The scales were analyzed across four studies that assessed construct validity (predictive, discriminant, and convergent) and reliability. The data across the studies represents 965 university students and consumers. Statistical analyses include confirmatory factor analysis, correlation analyses, graded response IRT, and t-tests. A company was either picked by the participants or randomly assigned and this company became the target of the scale items.

Overall the studies undertaken in this research suggest that the B&B and M&A scales both have strengths and deficiencies when applied to the consumer domain. The M&A scale appears to measure a more complete form of identification. This conclusion stems from the fact that the M&A scale exhibited the strongest relationships with theoretically specified outcomes (e.g., importance, prominence, psychological ownership) as well as both positive and negative emotions. In addition, the M&A scale had virtually no relationship with satisfaction or attitude. However, the scale is not very sensitive to the range of identification that could be exhibited by consumers. It seems that the M&A scale correctly differentiates strong identification but has difficulty differentiating low to medium levels of identification.

In contrast, the B&B scale appears to be measuring more than identification (or the cognitive component of identification). This conclusion stems from the fact that the B&B scale exhibited significant correlations with theoretically unrelated constructs (such as satisfaction and attitude). In addition, the B&B scale has a disproportionate relationship with the positive emotions of the PANAS scale as compared to the negative emotions. Lastly, the IRT analysis also suggests that the B&B scale is not reliably measuring identification. Given that previous incarnations of this scale were designed to measure the degree of closeness and intimacy between two people, a logical conclusion is that the B&B scale measures a range of different feelings and cognitions related to closeness and intimacy. The contamination most likely stems from the visual component since this scale could be interpreted in a number of ways (Aron, Aron, and Smollan 1992). An implication of the current study is that the findings of these previous studies may not pertain to identification and social identity theory.

The M&A scale seems well suited for studying high levels of identification as might be exhibited by employ-

ees or customers who are embedded within the organization (such as in a brand community). Since the B&B scale seems to be contaminated, it may be better suited for studying consumer-company relationships at higher levels of abstraction. Thus, companies may be able to use the B&B scale as a means of assessing an overall relationship with a customer. However, if a researcher is trying to discern nuances between identification and its subcomponents, antecedents, or outcomes then the B&B scale could give misleading results. It should be especially noted that the B&B scale is not a suitable measure for the cognitive component of identification as has been done in recent research.

In conclusion, it appears that a new scale is warranted that overcomes the deficiencies of the two studied scales. Neither of the scales seem particularly well suited for measuring the range of possible identification exhibited in consumer-company relationships. Thus, future research that attempts to assess the dimensionality of the consumer-company identification construct will need to develop new measures for each dimension. References are available upon request.

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MARKETING STRATEGIC EMPHASIS: SHIFTS DUE TO INSTITUTIONAL INFLUENCE

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SUMMARY

The introduction of the Sarbanes-Oxley Act in 2002 added a significant amount of risk to the operating environment of U.S. firms; however, no studies in the marketing literature have examined the changes in firm behavior that resulted from this new environment. This study investigates whether firms have altered their strategic marketing emphases to compete, and whether firms eventually adapt to their new environment.

We take advantage of a naturally occurring quasi-experimental interrupted time series empirical design (Nunnally 1960), with the introduction of SOX serving as our “treatment,” and develop a piecewise linear growth model with time-varying covariates using a hierarchical linear modeling (HLM) approach (Raudenbush and Bryk 2002), to test our hypotheses. The model considers the strategic emphasis decision (time varying) nested within each individual firm (further levels, such as industries are considered, but removed due to lack in explanatory power beyond that offered by the firm and its characteristics).

Results confirm that U.S. firms had an immediate shift in strategic marketing emphasis toward value appropriation around the time Sarbanes-Oxley was introduced; and now, more than eight years later, firms show a continued movement toward a new market approach rather than reverting to pre-Sarbanes-Oxley strategy patterns.

Ultimately, these findings confirm that firms’ responses to Sarbanes-Oxley continue to evolve over time; and that corporate reactions to major government legislative actions are neither simple nor short-term. Yet, marketing researchers have traditionally focused primarily on industry-based competition and on how companies utilize their firm-specific resources, while largely neglecting the institutional conditions that firms face. However, our work shows that these conditions can have a profound impact on firm strategy. Furthermore, they have the potential to influence both the firm’s competitive set and the nature of the resources that provide it with advantage. Thus, more work is needed that looks at how marketing is affected by institutional constraints.

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FINANCIAL RISK OF PRODUCT ALLIANCES

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SUMMARY

The incidence of strategic alliances continues to increase by approximately 25 percent every year, accounting for as much as one-third of firms' revenue and value (Wilson and Tuttle 2008). In particular, product alliances—defined as formalized, non-equity, collaborative arrangements between firms to exchange, share, or codevelop products (Rindfleisch and Moorman 2001)—improve profits (Luo, Rindfleisch, and Tse 2007) and stock returns (Kalaiganam, Shankar, and Varadarajan 2007). Despite these benefits, the failure rate of product alliances is high (Sivadas and Dwyer 2000), as are the risks of partner opportunism and the attendant costs of coordination and monitoring (Varadarajan and Cunningham 1995). Research that examines the impact of product alliances on shareholder value mainly focuses on stock returns, with little attention paid to stock risk. The former refers to the level of cash flow while the latter entails the volatility and vulnerability of such cash flows (Srivastava, Shervani, and Fahey 1998). An examination of stock risk is important because if all else is equal, investors prefer less volatile stocks (Graham, Harvey, and Rajgopal 2005). Higher stock risk indicates increased investment risk and greater cost of capital, and damages the firm's long-term valuation (Hamilton 1994) and survival prospects (Grinblatt and Titman 1998).

This study aims to enhance understanding of the impact of product alliance activity (i.e., the degree to which firms engage in product alliances) on stock risk. Our review of prior research reveals two contradictory views on the relationship between product alliance activity and stock risk. A dominant stream of research on the benefits of alliances, based on a relational view, focuses on firms' accumulation of resources and knowledge from alliance partners (Dyer and Singh 1998). In marked contrast, agency theory-based arguments highlight the information asymmetries that underlie product alliances and threaten their stability (Reuer and Ragozzino 2006). To reconcile these opposing viewpoints, we examine the influence of product alliance activity on stock risk, an important yet under-researched area in marketing (Luo and Bhattacharya 2009). This lack of attention to risk also extends to the network of indirect ties created as a result of alliance activity. Networks are "complex, multifaceted organization structures that result from multiple strategic alliances" (Webster 1992, p. 8). Companies embedded in strategic networks enjoy significant market (Achrol and Kotler 1999) and informational (Powell, Koput, and Smith-

Doerr 1996) advantages that contribute to firm innovation (Ahuja 2000) and improve stock returns (Swaminathan and Moorman 2009). Networks enable firms to learn about emerging opportunities, lower alliance partner search costs, and alleviate the risks of partner opportunism, which affect the stability of their future firm cash flows (i.e., stock risk). However, the relationship between network characteristics and stock risk has also largely been neglected. Given this, we address three main research questions: *What is the effect of product alliance activity on firm stock risk? Do network characteristics (network centrality and network density) affect stock risk? Do network characteristics explain heterogeneity in the relationship between product alliance activity and stock risk?*

We collect product alliance formation information on publicly listed biotech and pharmaceutical firms from Recap.com and integrate accounting and stock risk data from Compustat and CRSP, respectively. Complete data on various study measures were available for 472 firms, 3,397 firm-year observations, and 1,916 product alliances formed between 1985 and 2004. As the decision to undertake product alliances is a deliberate, planned, strategic choice of the firm (Hamilton and Nickerson 2003), failure to correct for endogeneity can result in biased coefficient estimates. We thus account for the endogenous nature of product alliance activity using a cluster-robust instrumental variable generalized method of moments (IV-GMM) estimator. We find evidence of a positive effect of product alliance activity on stock risk. In addition, we find that the firm's position in the network (network centrality) reduces stock risk. Network centrality not only reduces stock risk, but also mitigates the increased risk of product alliance activity. However, we find no evidence of the effect of network density on stock risk.

Our examination addresses several notable gaps in prior literature. First, despite the potential benefits, product alliances are inherently unstable and create considerable risks, due to partner firm incompetence and opportunism. By using an appropriate analytical approach, we find evidence of a positive effect of product alliance activity on stock risk. Second, our work also contributes to extent networks research. Although significant research focuses on networks, empirical examinations of their contribution to firm financial performance are scarce (Swaminathan and Moorman 2009). We offer support for claims by scholars who have long proposed that networks offer an important firm resource (Gulati 1999). Firms can mitigate their stock risk with informational resources that do not

strictly reside within their boundaries. Third, the evolving marketing metrics literature calls for research using CEO-relevant metrics. By relating the firm's interfirm relationships to its stock risk, we extend nascent efforts to determine the effect of marketing strategy on stock risk. As Srinivasan and Hanssens (2009, p. 8) note, stock risk is "an important area for marketing researchers to address. . . because greater stock risk induces higher costs of capital

financing and damaging firm valuation in the long run." The positive effect of product alliances and negative effect of network characteristics suggest that interfirm relationships have different bearings on stock risk. In conclusion, we have sought to promote a holistic understanding of how firms' relationships with external entities using product alliances and networks affect firm stock risk. References are available upon request.

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AN EMPIRICAL EXAMINATION OF THE RELATIONSHIP BETWEEN COMPETITIVE AGGRESSIVENESS AND MARKET SHARE PERFORMANCE

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SUMMARY

The 21st century's global economy is complex, challenging, resource demanding and filled with increasing numbers of competitive opportunities and threats (Ireland and Hitt 2005). For firms to enhance global market position while competing in such turbulent and unpredictable environments, an effective competitive aggressive strategy is required (Chen and Hambrick 1995). The marketing strategy literature identifies competitive aggressive behavior as a useful strategic activity that might enable firms to improve and maintain market position in hostile competitive environments (Chen and MacMillan 1992; Hughes and Morgan 2007). Competitive aggressive behavior refers to "a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace" (Lumpkin and Dess 1996, p. 148). It enables firms to be responsive to competitive activities, and to challenge competitive moves by initiating and/or responding to head-to-head confrontations with competitors (Chen and MacMillan 1992). It also connotes a proclivity to use unconventional tactics to challenge industry rivals, a propensity to undertake an undo-the-competitor approach, and an inclination to target competitors' weaknesses (Lumpkin and Dess 1996).

The literature suggests that competitive aggressive behavior is associated with firm performance (e.g., Chen and MacMillan 1992; Lumpkin and Dess 2001). For example, Chen and MacMillan (1992) show that competitive aggressive behavior is directly related to performance, as evidenced by gains in market share. As a result, scholars argue that competitive aggressiveness typically encapsulates a sales orientation (e.g., Lumpkin and Dess 2001), and this is underscored in its emphasis on market share gains for improved performance (Chen and Hambrick 1995; Steenkamp et al. 2005). Lumpkin and Dess (2001) find that a high competitive aggressiveness levels are positively related to an improvement in market position. Building on these earlier works, Morgan and Strong (2003) and Hughes and Morgan (2007) hypothesize that competitive aggressiveness is positively associated with firm performance, but the results of their study fails to find any support for this relationship. Specifically, Hughes and Morgan report that competitive aggressiveness holds

no value for performance among firms at an early stage of development. Moreover, Pearce et al. (2010) are unable to find support for a positive association between competitive aggressiveness and performance in not-for-profit organizations. Thus, the empirical findings regarding the performance outcome of competitive aggressiveness remain equivocal. These inconsistencies suggest that the form of the relationship between competitive aggressiveness and market share performance remains uncharted, and the circumstances under which competitive aggressive strategy is most warranted is not yet fully understood.

Despite clear arguments for a positive association with firm performance, it is also reasonable to argue that firms can over invest (or under invest) in competitive aggressive activities (Steenkamp et al. 2005; Chen and Hambrick 1995; Chen and MacMillan 1992). In addition, excessive competitive aggressiveness can be damaging if it leads to stronger retaliation from competitors (Chen and Hambrick 1995; Steenkamp et al. 2005). For example, Steenkamp et al. (2005) show that offensive competitive attacks can prompt competitive retaliation and this has a potential to derail firms' market position (Covin and Covin 1990). Too much competitive aggressiveness can also draw the attention of industry regulators such as the 2008 European Union investigation of Microsoft Office's "open document format support". In this respect, the literature recommends that adopting a passive and a low-profile strategic posture can help to maintain market position, depending on the environment (Covin and Covin 1990). Similarly, a lack of competitive actions (i.e. accommodation of competitive moves) can result in sales losses (Steenkamp et al. 2005). Hence, Chen and Hambrick (1995, p. 472) propose that "[i]nstead of expecting linear relationships between [competitive behavior] and performance [...], one might more reasonably expect that firms generally strive to behave optimally." In other words, too much (as well as too little) competitive aggressive behavior can have negative effects on firms' market share position, indicating a non-linear relationship between competitive aggressiveness and market share performance (Chen and Hambrick 1995). Yet, theoretical and empirical information on this front is limited, especially in the marketing strategy literature.

Furthermore, competitive aggressiveness might not be required at all times as its benefits might depend on intra-organizational and external environment conditions (Lumpkin and Dess 1996). Covin and Covin (1990) indicate that competitive aggressiveness is resource consuming, and has the potential to restrict firms from exploring rewarding opportunities in the global marketplace. Given the complexity of global business operations (Leonidou et al. 2002) and the requirement for greater resource investments, the probability of competitive aggressiveness predicting increases in market share may depend on financial resources available to firms. Additionally, Ireland and Hitt (2005) suggest that pivotal competitive strategies are required in turbulent global environment conditions. Chen and Hambrick (1995) also assert that competitive aggressive strategies are most warranted in improving market position when the competitive environment is hostile. However, theoretical and empirical examination of these contingencies is limited. Accordingly, the purpose of this study is twofold: (1) to examine the form of the relationship between competitive aggressiveness and market share performance; and (2) to determine the intra-organizational and external environment conditions under which competitive aggressiveness is most beneficial.

Results from a survey of 212 exporting companies show that competitive aggressiveness's relationship with market share is (a) invert U-shaped, and (b) most beneficial under high financial resource availability and competitive intensity. Contradicting conventional wisdom, the study findings imply that firms must identify and seek

to obtain an optimal level of competitive aggressiveness, with the latter depending on financial resource and environmental conditions. In assessing whether a non-linear relationship exists between competitive aggressiveness and market share performance, we contribute to the resource-based view of the firm. In this respect, competitive aggressiveness is viewed as a capability that affords firms with the ability to out-smart and challenge competitors to improve market position (Hughes and Morgan 2007). Firms with high levels of competitive aggressiveness should be more capable of mobilizing resources to directly attack or overwhelm competitors to improve performance (Morgan and Strong 2003). However, as the results of our study reveals competitive aggressiveness is resource consuming (Covin and Covin 1990), it demands substantial investment (Morgan and Strong 2003), and can attract competitive retaliation and regulators' attention; hence it requires an optimal approach (Chen and Hambrick 1995). Additionally, the study adds to the contingency theory view of marketing strategy in the sense that it clarifies that the impact of optimal competitive aggressiveness levels on market share performance is dependent on financial resources that can be accessed by firms, and the competitive intensity of the environment. With this model, this study improves our understanding of the form of the relationship between competitive aggressiveness and firm performance. Second, this paper provides a new direction for managers regarding the benefits and the potential drawbacks of implementing competitive aggressive activities in firms' global business operations. References are available upon request.

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RELATIONSHIP COMPLEXITY AND UNCERTAINTY IN M&A SELECTION AND VALUE CREATION

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SUMMARY

Mergers and acquisitions (M&As) have become an important strategy for firms to acquire the needed resources for their survival and development in today's hypercompetitive business environment. In 2007 global M&As reached historical levels at \$4.83 trillion of which U.S. deals stood at \$1.6 trillion (Financier Worldwide 2008). Nonetheless, from 50 percent to almost 80 percent of M&As fail to create shareholder value (Homburg, Rost, and Osterloh 2009). Researchers have attempted to explain M&A success and failure from different perspectives. A traditional scale-based view suggests that M&As help reduce costs, improve efficiency, and thus increase profits due to economies of scale (e.g., DePamphilis 2008). A product market-based view argues that compatibility of product portfolios and target markets of merging firms enhances firm value (e.g., Datta, Pinches, and Narayanan 1992). A resource-based view puts forward the idea that M&A strategic actions facilitate firms' acquisition and reconfiguration of their resources to quickly adapt to environmental changes (e.g., Homburg and Bucerius 2005).

Complex relationships between firms are an increasingly prevalent and important trend in business practice (Ross and Robertson 2007). Partnering relationships, such as joint ventures, R&D, manufacturing and marketing alliances, may eventually lead to M&As. After firms cooperate for a period of time and get to know each other's strengths, weaknesses, and synergistic possibilities, new relationship opportunities may become apparent (Rigsbee 2007). Moreover, inter-organizational studies suggest that partner selection tends to be driven by the nature of uncertainty that firms are facing and that firms establish linkages with other firms or restructure their networks to control uncertainty (Beckman, Haunschild, and Phillips 2004). Therefore, in seeking an explanation for M&A success or failure, we might question whether prior relationships between firms increase the chances of forming an M&A between partners; if so what type of uncertainty affect this decision. How does the acquisition choice affect the M&A performance and how does uncertainty affect this relationship?

Our research attempts to address these empirical questions. Drawing upon a resource-based view (Barney 1991), the relationship marketing literature, and the political economy framework (Stern and Reve 1980), we investigate how prior strategic relationships between an acquirer and a target and the uncertainty that the acquirer faces influence the acquisition choice (i.e., whether the firm acquires its partner or a stranger) and how this decision affects the acquisition value creation. Using a sample of 218 acquirers participating in 1642 mergers and acquisitions (M&As) across 28 industries over the period from 1990–2009, our research shows that prior strategic alliances between an acquirer and a target increase the likelihood of M&A among the alliance partners and generate higher stockholder values for the merger firms. Further, acquirer uncertainty increases the chance of acquiring a stranger whereas market uncertainty increases the chance of acquiring a partner. The effect of acquisition choice on M&A value creation is stronger as market uncertainty increases, but weaker as acquirer uncertainty increases. The results are robust to alternative measures, alternative estimators, heteroskedasticity, and endogeneity concern.

Our paper contributes to the strategic management, M&A and relationship marketing literature in several important ways. Firstly, we advance the M&A research by exploring key determinants of acquisition selection and performance from a new relationship-based perspective. To our best knowledge, this is the first empirical work examining the effects of relationship complexity and uncertainty in the M&A context. Secondly, this study bridges the gap between relationship marketing and M&A research, showing the role of relational market-based assets in creating M&A value. Thirdly, we extend the research stream on inter-organizational relationships with an empirical demonstration of the impact of dyadic strategic alliances on M&A selection and performance. In addition, this research highlights the importance of considering both internal and external factors as part of the political economy of the relationships. Lastly, our research offers useful implications for firms in selecting and maintaining strategic partners in order to sustain their competitive advantages. References are available upon request.

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SALES FORCE INTEGRATION IN NEW PRODUCT DEVELOPMENT: A KEY DRIVER OF NEW PRODUCT SUCCESS?

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SUMMARY

The continuous development and successful launch of new products represents a prerequisite for the survival and growth of individual firms, as well as for long-term organizational success (e.g., Prins and Verhoef 2007). However, new product failure rates remain at consistently high levels (e.g., Wieseke, Homburg, and Lee 2008). Previous studies commonly acknowledge the effectiveness of market information processing activities for a better understanding of customer needs, the development of superior new products, and higher new product success rates (Li and Calantone 1998; Wei and Morgan 2004). Based on these findings, it is of utmost importance to integrate market information from stakeholders inside and outside the company for developing successful new products.

Recent research has advocated the integration of external stakeholders – such as customers and suppliers – into the new product development (NPD) process (e.g., Gruner and Homburg 2000; Song and Thieme 2009). With regard to company-internal information sources, the extant literature has largely concentrated on the marketing and research and development (R&D) functions (Frishammar and Hörte 2005; Griffin and Hauser 1996). However, the role of salespeople as firm-internal market information source has largely been neglected in previous research despite salespersons' unique insights on customer wants and competitive activities (Homburg and Jensen 2007; Troy, Hirunyawipada, and Paswan 2008). Therefore, this study focuses on the distinct role that sales force integration plays for improved new product performance outcomes. Drawing on the resource-based view of the firm (RBV), the conceptual framework of this study concentrates on the impact that the company-internal processing of market information provided by salespeople exerts on new product success via new product advantage and sales force new product adoption.

Data on 219 new product projects from various industries provide empirical evidence that the intensity to which sales force insights are processed in the scope of new product-related decision-making significantly affects new product success via new product advantage and new product adoption by the sales force. More precisely, we find a significant positive relationship between sales force integration and new product advantage, which

in turn, positively affects new product success. In addition, sales force integration exerts a significant positive impact on sales force new product adoption, which subsequently improves new product success. Both new product advantage and sales force new product adoption serve as full mediators of the relationship between sales force integration and new product success.

Our results also prove the existence of several contextual factors that influence our main effects. For example, the study demonstrates that information quality and timing influence the effectiveness of sales force integration for achieving superior new product offerings in the eyes of customers. Particularly, we find that higher levels of information quality strengthen the positive relationship between the company-internal processing of sales force insights and new product advantage. This result supports the assumption that the information provided by the sales force must be accurate and relevant in order to support managers in making effective decisions with regard to new product projects (Zimmer, Henry, and Butler 2007). Moreover, the effect of sales force integration on new product advantage is strongest when sales force information is accounted for in the earliest phase of the NPD process. In contrast, high intensities of sales force integration at late stages considerably weaken its positive impact on new product advantage. This result emphasizes the particular value of sales force information for the identification of market potential and the generation of superior new product ideas and concepts at the very beginning of each NPD process (Ernst, Hoyer, and Rübbsaamen 2010; Troy, Hirunyawipada, and Paswan 2008). Finally, we find that the effectiveness of salespersons' new product adoption for achieving new product success is stronger the more radical the new product is. Thus, our results support the view that the company's sales force serves as a valuable communication vehicle that translates customer risk perceptions into recognitions of superior and differential gains derived from new product adoption, thereby supporting the market acceptance of radical innovations (Ahearne et al. 2010; Lee and O'Connor 2003).

Taken together, our study provides empirical evidence that companies can considerably improve new product success by processing sales force information in the scope of NPD processes, thereby establishing sales force integration as a key driver of new product success.

Yet, in comparison to other stakeholders, salespeople still represent an underutilized resource of market intelligence in corporate practice (Liu and Comer 2007; Tanner, Jr. and Shipp 2005). It is still not very clear which factors

prevent companies from leveraging this valuable source of market information, making the identification of sales force integration barriers a fruitful area for further research projects. References are available upon request.

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THE IMPACT OF CO-CREATION ADOPTION STRATEGIES IN NPD ON THE STRATEGIC ORIENTATION-FIRM PERFORMANCE RELATIONSHIP

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SUMMARY

Co-creation in new product development (NPD), i.e., consumer's active involvement in NPD processes, has been a topic of interest in literature and in practice for many years: evidence of the implementation by companies of co-creative policies whereby consumers serve as sources of product/service innovation have emerged in several industries, including sports equipment (Fuller et al. 2007; Raasch et al. 2008), technical equipment (Lettl et al. 2006) and video games (Jeppesen and Molin 2003).

Though literature has investigated drivers and obstacles of the adoption of co-creative practices (e.g., von Hippel 2005; Schilling and Steensma 2001; Pine 1993; Vandermerwe 2000; Fuller et al. 2007; Sawhney et al. 2005), an understanding of the organizational and cultural antecedents of co-creation adoption (e.g., Seybold 2006; Tsai 2009; Broring et al. 2006; Trott and Hartmann 2009), and the possible benefits and costs of its adoption at the organizational level (e.g., Corso et al. 2001; Pittaway et al. 2004; Leonard-Barton 1992; Bond and Houston 2003; Kang and Kang 2009) is still very fragmented (Greer and Lei 2011).

Among the various gaps identified in time (e.g., Hoyer et al. 2010), the substantial dearth of comprehensive measures of the extent to which companies adopt co-creative practices along NPD processes is particularly limiting the development of theory. As Hoyer et al. (2010) note, the degree of co-creation depends on both its *intensity* (e.g., the systematic recourse to co-creation) and its *scope*, where the scope of co-creation refers to the propensity of firms to collaborate with consumers across all the stages of the NPD process (concept, development and launch stages). Past literature, so far, has fallen short from investigating comprehensively the scope of co-creation adoption, privileging studies on early stages (e.g., Gruner and Homburg's (2000) study on co-creation at the concept/development stage) and overlooking the analysis of co-creation in the commercialization and postlaunch stages, despite its importance in new product success (e.g., Crawford and Benedetto 2003) and growing diffusion in practice (e.g., Nambisan and Baron 2009).

The lack of measures of co-creation adoption along NPD process limits in several ways our extant knowledge regarding co-creation. Among the others, three limits are of primary interest in our work: (i) the current inability to uncover recursive patterns of co-creation strategies in NPD (i.e., the potential existence of clusters described by scope/intensity combinations), (ii) the existing problems in generalizing whether different co-creation strategies (rather than short-lived actions in specific phases of NPD) may lead to superior performance, and; (iii) the absence of frameworks suggesting the specific contingent variables (at a company and at an environmental level) fostering or inhibiting specific co-creation strategies. Our paper seeks to provide further insights into these topics.

To this end, we have articulated our research in two phases. First, we performed a systematic literature review to obtain a conceptual synthesis of extant knowledge on co-creation practices. We reviewed more than 130 papers published over the last 20 years in the 25 top marketing, management, strategy and innovation management journals. Through a content analysis and the use of structured data systematization and synthesis procedures (e.g., Miles and Huberman 1985; Eisenhardt 1989) we have obtained a conceptual framework including:

Co-creation strategy, i.e., the combination of scope and intensity of co-creation activities in NPD processes. Through the analysis of literature we have identified significant co-creative practices in the three main stages of NPD (concept, development and launch). Though endorsing Hoyer et al.'s (2010) approach, the refinement of the construct ensured by a systematic approach to literature review (Trandfield et al. 2003; Rashman et al. 2009) introduced a more nuanced view and made it possible to operationalize the concept in the subsequent analysis.

1. Firm-level antecedents, i.e., the internal factors favoring the adoption of a specific co-creation strategy. The literature review highlighted that a mix of strategic and cultural factors affect firm's propensity toward co-creation. Hence, a possible role of strategic orientations was hypothesized. In particular, two

strategic orientations, namely *market orientation* (MO) and *entrepreneurial orientation* (EO), emerged as pre-eminent. Indeed, MO stresses organizational commitment in market intelligence generation and learning (Narver and Slater 1995; Kohli and Jaworski 1990), two fundamental steps in developing an attitude toward co-creation (e.g., Mehlman et al. 2010); EO, emphasizing top management attitudes toward risky resource commitments (e.g., Das and Teng 1999), appears particularly consistent to face the challenges and the risks induced by co-creation, from the potential explosion of product variety to the development of ad hoc interfaces for managing co-creation (Schultze et al. 2007; Nambisan 2002). Further firm-level antecedents have been associated to *NPD process organizational complexity* (e.g., Mehlman et al. 2010) and to the *company's trust in consumers' competences* (e.g., Bettencourt et al. 2002; Brockhoff 2003; Enkel et al. 2005). Both have been investigated in this study.

2. Market and competition antecedents, i.e., the consumer, competition and supply-chain level factors potentially affecting the co-creation strategy of the firm. Literature review outlined three main variables: *market unpredictability*, i.e., consumers' attitude to switch, willingness to explore and uncertainty in consumer needs; *market differentiation*, i.e., the extent to which the alternative suppliers are normally able to provide differentiated offers; and *suppliers' responsiveness*, i.e., the ability by suppliers to provide timely responses to the company's requests for flexibility and product variety. Market unpredictability can be hypothesized as a factor encouraging the adoption of co-creation practices; consider, for instance, how co-creation may represent a lever for fostering consumer's relationship with the brand (e.g., Nambisan and Baron 2007). On the other hand, market differentiation has generally been associated to poorly co-creative strategies; this consideration stems from the fact that while co-creation has been seen as a lever for finding new competitive differentials, as soon as a company can accomplish them autonomously, previous evidence suggests that it generally avoids collaborative behaviors with consumers (Mehlman et al. 2010). Finally, suppliers' responsiveness has been argued as a necessary condition for facing the variety and customizability challenges implied by co-creation (e.g., Littler et al. 1995).
3. Firm performance. We endorsed Gatignon and Xuereb's (1997) approach to firm performance analysis, identifying three macro-performances: financial performance (e.g., ROI, market share, growth of turnover, etc.); customer performance (e.g., consumer loyalty and satisfaction); innovation performance (e.g., innovation rate of success, product/

service innovativeness, etc.). All the three areas of performance have been in time argued as (possible) consequences of co-creative behaviors, even if evidence is still largely insufficient and sometimes controversial (Hoyer et al. 2010).

Essentially, our conceptual framework hypothesizes a moderating effect of co-creation adoption on the strategic orientation-firm performance relationship, with other firm-level antecedents and market and competition antecedents (i.e., our contingent factors) acting as covariates of our co-creation adoption construct.

As a second step, we empirically tested our conceptual framework. We collected data using a survey research, whereby a questionnaire was delivered to more than 1000 Italian B2C companies; we gathered 228 usable questionnaires. In order to assess the level of co-creation adoption, we developed a scale of *co-creation adoption*, measuring the extent to which companies adopt a number of archetypal co-creation practices taken from literature and regarded as peculiar co-creative behaviors in the different phases of NPD. In particular, we developed a 5-item measure of co-creation adoption in the concept phase, and two 3-item measures of co-creation adoption in the development and launch phases. MO was measured through the MORTN scale (Deshpandé and Farley 1998); EO through Das and Teng's (1999) scale; firm performance was assessed by following Gatignon and Xuereb's (1997) approach. All the remaining measures of antecedents have been adapted from previous studies.

Measures of market and competition antecedents were analyzed using an EFA approach. As expected, the EFA yielded a two-factor solution (i.e., the three factors corresponded to: market unpredictability and market differentiation). Supplier responsiveness, NPD process organizational complexity and the company's trust in consumers' competences were measured using a single-item scale. Similarly, firm performance measures were analyzed using an EFA approach. As expected we obtained a three-factor solution, as reported above. The psychometrics properties of MORTN and EO were instead assessed using a CFA approach. The measurement model displayed satisfactory fit indexes (adjusted X^2 d.f.: 116 = 175.478, $p < .001$; CFI = .966; TLI = .960; ROSEA = .047, $p = .60$; SRMR = .043). Results from CFA also demonstrated that our measures are reliable (CR and Cronbach's alpha exceeded the .7 threshold), and valid (both discriminant and convergent validity were positively tested).

Our structural model was developed following a latent class analysis approach. We chose latent class analysis as it allows us to capture both the intensity and the scope of the adoption of co-creation practices, and thus obtain clusters that account for both dimensions simulta-

neously. Thus, we modeled the co-creation adoption level as a categorical latent variable using the 11 items of the co-creation scale as indicators.

Essentially, our overall model is composed of two parts: a latent profile analysis, which allows us to identify the different clusters of co-creation strategies and to test the effect of a set of covariates (i.e., market and competition antecedents), and a structural part, which investigates the impact of firm-level antecedents on firm performance. Additionally, we let the strategic orientation-firm performance relationship free to vary across classes. This allows us to investigate how the different co-creation strategies adopted moderate such relationship. Taken together, these two parts constitute a single structural equation mixture model.

The latent profile analysis part of our model yielded a 4-cluster solution:

1. Cluster 1: low levels of co-creation adoption in all the three NPD phases.
2. Cluster 2: high level of co-creation in concept, low level in development and launch.
3. Cluster 3: high level of co-creation in concept and launch, low level in development.
4. Cluster 4: high level of co-creation in all the phases.

As previously mentioned, we included some firm-level and market- and competition-level antecedents as covariates in our latent profile analysis part. This allows us to study how these antecedents impact on the different strategies adopted. Results from this part of the analysis show that, generally, cluster membership can be predicted on the bases of the characteristics of a firm's customers (i.e., companies belonging to cluster 4 report customers with the overall highest level of technical knowledge of

their product or services, while companies in cluster 1 have clients less motivated in participating to co-creation activities than companies belonging to cluster 2), the level of the NPD process organizational complexity (i.e., cluster 1 displays, on average, NPD processes that are less complex than those of companies belonging to cluster 2), and market unpredictability (i.e., companies belonging to cluster 4 operate, on average, in markets that are less predictable than those belonging to clusters 1 and 2). Additionally, we also find that companies belonging to cluster 4 have generally a higher level of market orientation and entrepreneurial orientation.

Regarding the effect of strategic orientations (MO and EO) on firm performance, we find that EO is always a strong driver of innovation performance across the four clusters, independently on the co-creation strategy adopted. Indeed, the EO-innovation performance relationship displayed no statistical difference across the four classes, meaning that the co-creation strategy does not moderate such relationship. Similarly to EO, MO is found to be a significant driver of customer performance across the four clusters. Conversely, we find that EO drives financial performance only in cluster 1, while MO always drives firm performance apart from the case of cluster 4, where the level of co-creation adoption is highest. While this particular result seems counterintuitive and in contrast with existing literature, we see it as a consequence of the fact that the high level of MO within the cluster saturates the MO variable, reducing its variability within the cluster. This may be considered evidence of the phenomenon of customer-orientation and market-orientation commoditization argued in literature (e.g., Parasuraman and Grewal 2000; Gummesson 2008), a key, previously untested argument at the basis of both SDL (e.g., Vargo and Lusch 2004) and customer centricity (e.g., Sheth et al. 2000; Shah et al. 2006) theory, both of them describing co-creation marketing as an unavoidable evolution of market-focused strategies. References are available upon request.

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DOES IMPROVISATION ACCELERATE NEW PRODUCT DEVELOPMENT? THE CONTINGENT ROLE OF TEAM EXPERTISE

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SUMMARY

Competing on speed is an important priority as researchers and managers focus on just-in-time, time-to-market, or timeliness for some time now (e.g., Fang 2008; Davis, Eisenhardt, and Bingham 2009). Product innovation is a key business process through which teams compete against time (Brown and Eisenhardt 1997; Griffin 1997) as firms are extolled to be flexible, agile, and adaptive. Though speed is associated with pitfalls (e.g., Chandy, Hopstaken, Narasimhan, and Prabhu 2006), fast-paced product development tends to be more productive and less costly as firms cut waste and preempt competition (Eisenhardt and Tabrizi 1995).

Earlier research has emphasized the need for stage gate or compression models (e.g., Cooper and Kleinschmidt 1994; Eisenhardt and Tabrizi 1995) to accelerate product innovation. Recently, researchers have increasingly turned to improvisation, i.e., real-time, emergent action in which planning and execution concur, as a promising way for swift adaptation in turbulent and uncertain markets (e.g., Moorman and Miner 1998a; Weick 1998).

The inherent emphasis of improvisation on the ability to “think on your feet” (Vera and Crossan 2005) has created the impression that improvisation speeds up product innovation. For example, real-time action is argued to save time and resources (Eisenhardt and Tabrizi 1995; Samra, Lynn, and Reilly 2008). Other research, however, implies that improvisation can lead to delays as firms deviate from well-exercised routines and thorough plans (e.g., Cooper and Kleinschmidt 1994); specifically, the attention-consuming nature of improvisation increases the likelihood of errors affecting the overall speed of new product development (NPD) process (Miner, Bassoff, and Moorman 2001). These conflicting claims indicate the presence of other factors (e.g., external conditions, team and firm traits) influencing whether improvisation has a positive or a negative effect on NPD speed, consistent with the view that improvisation is a conditional asset (Miner et al. 2001). Research has explored the role of memory or *expertise* (i.e., stored knowledge possessed by team members (Faraj and Sproull 2000; Kyriakopoulos and de Ruyter 2004) in shaping the value of improvisation

for various outcomes such as creativity, product quality, or team efficiency (Moorman and Miner 1998a, 1998b).

We seek to follow this contingent view and expand our understanding of how various types of team expertise shape the speed outcomes of improvisation and thereby improving our understanding of how firms deal with the challenges of fast-paced NPD. In attacking this broad research problem, our objectives are twofold. First, while research has conceptualized and tested the direct impact of expertise on NPD performance (e.g., Kyriakopoulos and de Ruyter 2004; Faraj and Sproull 2000), we, instead, explore its moderating impact on the improvisation-NPD speed relationship. Second, despite its potential, improvisation has been the focus of very few quantitative studies in marketing and organization science, examining the occurrence and value of improvisation in the area of product innovation (e.g., Moorman and Miner 1998b; Samra et al. 2008). Moreover, this prior work tends to rely on small samples limiting the robustness of their results (e.g., Moorman and Miner 1998b).

Our conceptual framework begins with improvisation, defined as the substantive merger of planning and execution *outside* the formal cycle of planning, following recent empirical research (Kyriakopoulos 2011; Miner et al. 2001; Vera and Crossan 2004). Given the crucial role of knowledge in NPD process, we offer three hypotheses to explore the moderating role of 3 facets of NPD team expertise: diversity of expertise, declarative expertise, and transactive expertise. *Expertise diversity* refers to the cross-functional diversity of teams indicated by whether personnel from specific functions is involved in the product development team. We propose that as improvisation is a fragile process in which teams are challenged to take quick decisions outside formal planning, the diversity of expertise will hurt the effect of improvisation on speed because of interpretation and integration difficulties associated with diversity.

To test our hypotheses, we collected survey data from 118 industrial Dutch firms with marketing managers as key informants focusing on a NPD project that had been completed in the last 12 months. Our key finding is that improvisation can speed up NPD *when* the product team

has strong transactive expertise *but* low levels of cross-functional diversity and declarative expertise. This is a crucial finding as firms increasingly rely on cross-functional teams and invest in knowledge systems and processes to increase access to expertise. However, without

the coordinating mechanisms of transactive expertise, teams cannot benefit from these organizational and IT investments when they need to act in real-time to cope swiftly with market surprises and unplanned contingencies.

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STRATEGIC ORIENTATION EFFECTS ON PRODUCT INNOVATION AT THE COMPONENT-LEVEL: A TALE OF TWO MODELS

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SUMMARY

Marketing scholars have extensively explored how different strategic orientations affect product innovation outcomes. Given the centrality of the market orientation, scholars have focused on the market orientation-innovation relationship, with technology, learning, and entrepreneurial orientations examined as additional explanatory variables.

This literature has evolved to suggest two distinct models, both anchored in market orientation's positive main effect on product innovation. The first model suggests that market orientation's influence on product innovation is enhanced if the firm also develops strong learning and entrepreneurial orientations. That is, learning and entrepreneurial orientations *moderate* the positive relationship between market orientation and product innovation and represent *independent conditions* under which the firm operates to extract more or less value from market orientation. The second model suggests that market orientation's positive effect on product innovation is only indirectly delivered via the presence of learning and entrepreneurial orientations. That is, learning and entrepreneurial orientations *mediate* the market orientation-product innovation relationship and represent the *mechanisms* by which market orientation enhances product innovation.

In this research, we discuss and empirically assess the two rival models. In the process, we identify and address three challenges to effective comparisons of models in the literature. First, we address the challenge of multidimensionality of most strategic orientations by taking a decompositional approach to conceptualizing and empirically testing the rival models. Second, we take into account potential differences between incremental and breakthrough innovation (i.e., type of innovation). Third, we test the generalizability of the models across product types and uncover important differences between services and manufacturing firms.

We conduct a survey of Swiss and German high-level executives in manufacturing and services companies. Two hundred twenty one responses were obtained. Using SmartPLS 2.0, we run for both the moderated and the

mediated model an overall analysis, as well as separate analyses for service (n = 78) vs. manufactured goods (n = 143) respondents.

The full sample results for the moderated model indicate that neither proactivity nor openness moderate the relationship between customer, competitor, as well as technology orientations and incremental and breakthrough innovation. In both services and manufactured goods models, this finding is largely replicated as only one interaction effect is significant. More specifically, open-mindedness positively moderates the relationship between customer orientation and incremental innovation in manufactured goods firms, but not in services firms. Based on these results, we conclude that a moderated model does not capture the behavior of the firms in our sample adequately, and on this basis rule it out as a viable model.

To assess mediation, we follow the non-parametric bootstrapping method proposed by Preacher and Hayes (2008). As expected, the mediated model reveals similar significant direct effects to those observed in the moderated model. Open-mindedness mediates the relationship between customer orientation and breakthrough innovation. The mediation through open-mindedness explains 76.7 percent of the variance in breakthrough innovation. Furthermore, open-mindedness partially mediates the relationship between technology orientation and breakthrough innovation. In addition, proactivity partially mediates the relationship between customer orientation and incremental innovation as well as the relationship between competitor orientation and incremental innovation. The results differ between the services and the manufactured goods model. Interestingly, we find only one significant mediation effect in the manufacturing sample. That is, open-mindedness completely mediates the relationship between technology orientation and breakthrough innovation. In contrast, the service sample shows similar direct and total effects to those of the overall sample, indicating that the mediated model holds in services firms. In sum, we conclude that a mediated model might capture firm behavior in our sample more adequately than a moderated model, especially for services firms.

We contribute to extant literature by assessing the rival models emerging from the literature on strategic orientation's relationship with product innovation. The basic, positive direct effect of market orientation on product innovation is postulated to be either moderated or mediated by entrepreneurial and learning orientations. We contribute to the literature by identifying and discussing these alternative models, outlining their basic assumptions, and empirically testing them. Our results indicate that a moderated model does not fit our sample, and that a mediation approach is more suitable. Furthermore, our

study adds to the marketing strategy and services marketing literature by differentiating strategic orientations' effects on innovation by product type. Importantly, we identify that the mediated model provides substantially better predictive value for services than manufactured goods companies. Moreover, we contribute to extant literature by taking a decompositional approach to the major strategic orientations examined in the innovation literature. We take a first step towards identifying the complex relationships between a subset of strategic orientation components.

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WHEN IS BEING TRANSPARENT BENEFICIAL TO A BRAND?

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SUMMARY

The structure of most if not all markets is best described as imperfect; firms hold more information and know more about the brands they sell than consumers (Erdem and Swait 1998; Mishra et al. 1998). This leaves many consumers in a situation where they need and want more information about firms and brands because it reduces perceived risks and helps them with their purchase decisions (Trifts and Häubl 2003). At the same time, the power of a growing number of social media and information sharing websites has created an environment in which brands find it increasingly difficult to hide when things go wrong (Ward and Ostrom 2006).

Prior research has primarily studied two-sided information, which covers both positive and negative information about a firm or a product, as a key factor of information sharing activity. Yet the generalization of these findings is limited due to the focus on specific attributes of product offerings, which are innumerable and vary greatly across product categories and in importance across individual consumers. Furthermore, research on sidedness of information focused primarily on information in advertising, which is just one of the many ways consumers obtain information about a brand (e.g., Golden and Alpert 1987; Kamins and Assael 1987). Moreover, previous research examined firms' information sharing activity but has rarely approached it from a consumer's perspective (Fuan et al. 2000; Howlett et al. 2009; Hung and Wong 2009). This raises the need for research that goes beyond advertising as a means of information sharing with consumers and attribute- content-related factors in delineating consumers' brand associations concerning a brand's information sharing activity.

In this research, we propose that brand transparency, conceptualized as consumers' perceived accessibility of objective information about a brand, captures a brand's information sharing activity in a more holistic manner. We discuss the conceptual properties of brand transparency and develop and validate a scale to measure this construct. Moreover, we examine the impact of brand transparency on consumer-brand relationships and seek to examine important boundary conditions for the impact of brand transparency.

We empirically demonstrate that both *information objectivity* and *information accessibility* are critical and

nonredundant indicators of brand transparency. The brand transparency scale is not only related to consumers' trust and willingness to pay a price premium for the brand, in support of its predictive validity, but also related to consumers' attachment to the brand. It is noteworthy considering that brand attachment taps into brand-self connection and the ease with which their memory of brand-related thoughts and feelings are brought to mind (Park et al. 2010), which represent a deeper and more meaningful consumer-brand relationship. Importantly, we illustrate that two corporate associations – brand ability and social responsibility – act as moderating factors in the relationships between brand transparency and consumers' responses to the brand by the varying levels of consumer involvement associated with different product categories.

Our results offer the following guidance to marketing managers. When brands provide accessible and objective information to consumers, they are more likely to be rewarded with trust, can demand a greater price premium, and manage consumer relationships based on attachment. Further, when brand ability is high, no matter whether consumers have high or low involvement with the product category the brand belongs to, brands should adopt a high transparency brand policy to positively impact consumers' responses to the brand. However, when both brand ability and consumer involvement is low, brands should not adopt brand transparency because it will negatively impact consumer trust, willingness to pay a price premium, and attachment. Interestingly, however, when consumer involvement is high, brand transparency policy still generates positive effects on consumers even when brand ability is low; possibly because highly involved consumers, despite their awareness of the low brand ability, appreciate a brand's honesty and its effort to be transparent.

When social responsibility is high, regardless of consumer involvement levels, brands can achieve stronger consumers' responses to the brand by being transparent. Even when both social responsibility and consumer involvement are low, transparency policy could also be adopted as it has no harm at least. In accordance with a brand low in ability, a brand low in social responsibility can still achieve greater consumer-brand relationship outcomes by adopting high levels of brand transparency when consumer involvement is high. Highly involved consumers seem to appreciate a brand's transparency regardless of a brand's social responsibility associations.

A worthwhile avenue for further research is to generalize our results to other stakeholders. Research has already highlighted the importance of transparency in different organizations (O'Toole and Bennis 2009). Brand ability and social responsibility are likely to play an important role as well in evaluating jobs and stocks although the role may be different from that in the context

of consumers' product evaluation (Berens, van Riel, and van Bruggen 2005). Thus, further research may examine how brand transparency impacts employees' or investors' reactions, and whether the effects and boundary conditions discovered in this research remain the same or differ for other stakeholder groups such as employees and investors.

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CONSUMERS YEARNING FOR THE AUTHENTIC: MEASUREMENT, ANTECEDENTS, AND CONSEQUENCES OF BRAND AUTHENTICITY

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SUMMARY

Nowadays, society is increasingly characterized by a growing feeling of uncertainty due to, for example, events like the global financial crisis, increasing political instability, and climate change. Consumers aim at compensating for this uncertainty by seeking reassurance in the brands they choose to buy and thus are preferring brands that are sincerely committed to delivering what they promise. Brands that are perceived to be authentic can fulfill this consumer desire, making brand authenticity one of the key values of brand image. Moreover, authenticity is described as a major success factor of brands.

Authenticity has awakened the interest of researchers in a number disciplines such as anthropology, psychology, philosophy, and sociology over the past years and is recognized as an important attribute of today's life goals. Within consumer research, a theoretical foundation for authenticity and its manifestations in the marketplace has already been laid. However, the establishment of a comprehensive concept of brand authenticity is still missing, and existing studies in the context of brand authenticity therefore lack a generalizable measurement scale. Moreover, an investigation of the variables influencing authenticity and the consequences of brand authenticity is needed to gain a deeper understanding of the meaning and the impact of the brand authenticity concept. Therefore, the main objective of the current study is to conceptualize and operationalize the construct of brand authenticity. Additionally, in order to emphasize the relevance of brand authenticity to marketers, the paper aims at identifying the key antecedents and consequences of brand authenticity.

In doing so, we conducted a literature review as well as in-depth interviews with consumers to derive a conceptualization and operationalization of brand authenticity. The analysis of previous research identifies that brand authenticity is associated with concepts of evidence, truth, and genuineness as well as with originality of a brand. Additionally, the aspect of the cultural or traditional association of a brand and its uniqueness are often mentioned as important attributes connected to authenticity. The findings of the subsequent in-depth interviews are in line with those of the literature review and lead to the

identification of four dimensions of the brand authenticity construct that subsume the different characteristics of brand authenticity. The consumer's perception of brands as being authentic can be characterized by the interplay of perceived continuity, uniqueness, reliability, and naturalness of the brand. Additionally, based on the literature review as well as the in-depth interviews, we identified antecedents and consequences of the brand authenticity construct. The dimensions of brand authenticity as well as its antecedents and consequences are analyzed on the basis of two quantitative empirical investigations based on online questionnaires. Study 1 aims at the validation of the measurement scale. The proposed relationships of brand authenticity with its determinants and consequences are investigated in Study 2.

For measuring brand continuity, brand uniqueness, brand reliability, and brand naturalness in Study 1, scales are developed by drawing on items used in scales in previous research, where possible, or, alternatively, are based on the creation of own items and by drawing on the results of qualitative in-depth-interviews with consumers. The result of the scale development allows the conclusion that consumers' brand authenticity can be conceptualized as a second-order construct. The four first-order factors brand continuity, brand uniqueness, brand reliability, and brand naturalness reflect the higher order construct brand authenticity.

In Study 2, the proposed relationships regarding the antecedents of brand authenticity – commercialization, national symbolic value, and brand heritage – as well as the positive influence of brand authenticity on key variables of consumer behavior – brand attitude, positive word of mouth, and purchase intention – are tested in a structural equation model. The results offer evidence of predictive validity, demonstrating that commercialization negatively impacts brand authenticity, whereas a brand's national symbolic value as well as a brand's heritage positively impact brand authenticity. Furthermore, the results reveal that brand authenticity has strong positive effects on consumers' brand attitude as well as an indirect effect through brand attitude on positive word of mouth and purchase intention. Thus, our findings underscore the relevance of brand authenticity even for marketers.

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BRAND SIGNALS OF AUTHENTICITY: FROM CONSCIOUS TO NON-CONSCIOUS EFFECTS

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SUMMARY

The size of global market for imitation products has reached \$600 – 650 billion annually (MEMA Brand Protection Council 2010), thus posing a tremendous challenge to manufacturers and retailers of original brands (OEMs). Imitations are abundant in luxury goods (e.g., knockoff Louis Vuitton handbags and accessories, replica Rolex watches), consumer electronics (e.g., imitation Nokia cell phones), and more dangerously, in pharmaceutical products (e.g., fake Johnson & Johnson diabetes tests). Not only do the imitation brands deteriorate consumer beliefs and favorability toward the original brands (Keller 2008), they also eat up the revenue of the original brands and take away 2.5 million jobs in G20 economies every year (U.S. Chamber of Commerce 2011).

In an attempt to communicate their product authenticity and quality to consumers and counter the claims of imitations, OEMs have used marketing mix elements, such as product images, brand names, logos, packaging and advertising messages. For example, the California Milk Advisory Board created the “Real California Milk Seal” which depicts the image of a cow, a rising sun and an authentic message, all set on a golden background, to help customers identify milk and dairy products that are made from real California milk. Unfortunately, these signals have been increasingly copied by manufacturers and retailers of imitation brands in order to lure customers. Imitation products closely mimic styles, designs, and packaging of the originals, and use trademarks that are identical or very similar to those of the original brands (World Customs Organization 2009). Therefore, under-

standing how marketing signals of product authenticity from the original and the imitation manufacturers affect consumers’ product judgments and choices has become increasingly important.

This research draws upon signaling theory and cue diagnosticity theory to consider these important issues. In three experimental studies, we investigate how brand signals of product authenticity affect consumers’ evaluations, preferences, purchase intentions, and post-consumption behaviors related to the original and the imitation products. Our results demonstrate that a variety of marketing mix elements can play a role in shaping consumers’ perceptions of authenticity. Study 1 shows that messages that specifically include terms that connote authenticity (e.g., authentic, real, genuine) can enhance consumer attitudes and increase the price that they are willing to pay. Study 2 demonstrates that using multiple signals of authenticity (product image, logo, and brand name) can spur consumer choice share for a high equity, yet objectively inferior product over a compatible counterpart of superior quality. Finally, Study 3 finds that packaging as a signal of authenticity for a low equity brand results in a placebo effect of product efficacy on post-consumption behavioral performance. Collectively, our research documents the effects of marketing mix elements (message, product image, logo, brand name, and packaging) as signals of authenticity across stages of consumption at both conscious and non-conscious levels (from attitudes to post-consumption behavioral performances), and both for high and low equity brands in diverse product categories. References are available upon request.

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DO MEN AND WOMEN LAUGH ABOUT DIFFERENT TYPES OF HUMOR? A COMPARISON STUDY IN PRINT ADS

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SUMMARY

Early research in gender-specific humor preferences suggests that men and women laugh about different jokes. They also differ in the degree they appreciate humorous advertisements. Recent meta-analytical findings, however, disproved the assumption of gender differences in humor preferences. The present paper aims to resolve these contradictory results by introducing an interaction effect. The study examines how gender moderates the influence of different humor types (satire, sentimental comedy, comic wit, and no humor) in print ads on the perceived level of humor and on attitude toward the ad.

To date, humor research has neglected that the perceived level of humor depends on the type of humor applied in an advertising message. Therefore, this paper incorporates the type of humor in the well-established attitude toward the ad-model of humor effectiveness. We apply *Speck's* (1990) humorous message taxonomy to distinguish between different humor types. We consider satire, sentimental comedy, and comic wit because all three humor types are based on the principle of incongruity-resolution.

Based on the different socialization of men and women we derive hypotheses on gender-specific effects of humor. Men have a stronger motivation to show dominating behavior than women. Thus, we assume that satire as a disparaging type of humor is evaluated more positively by men than by women. Furthermore, compared to men, women have a stronger capability to identify and understand other persons' feelings. Therefore, women should perceive sentimental comedy ads more humorous than men. They also should develop a more positive attitude toward ads that use sentimental comedy.

Finally, the gap between men's and women's humor preferences has narrowed within the past 30 years as a consequence of social changes in gender roles. This seems to be particularly true for humor types that contain neither disparaging nor sentimental elements. Therefore, we expect no gender-specific effects in the evaluation of comic wit humor.

To answer our research questions an advertising agency developed four print advertisements for a fictitious soft drink. Within an online survey 124 respondents had to evaluate the perceived level of incongruity, warmth, and disparagement of the stimulus material. Finally, an experimental study with a 4 (humor type) x 2 (gender) between-subject design was conducted. Two hundred sixty-six respondents were randomly assigned to one of the four treatment groups (satire, sentimental comedy, comic wit, no humor) and had to evaluate the perceived level of humor as well as the attitude toward the ad.

The study confirms gender-specific as well as gender-free effects of humorous print ads. While both, men and women, favor comic wit over other types of humor, male respondents evaluate satire humor more positive than female respondents. In contrast, women like sentimental comedy more than men. Thus, marketers should apply comic wit which is neither based on the process of disparagement nor on the process of arousal-safety. Satire humor should be used carefully as especially women evaluate this type of humor more negatively than the other humorous ads and the humorless ad. Finally, in advertisements that primarily address females, sentimental comedy ads might be successful while this humor type is not advisable in addressing male consumers.

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MEN MIGHT BE FROM MARS, BUT WOMEN ARE DEFINITELY FROM VENUS: INFLUENCE OF GENDER ON EFFECTIVENESS OF PROBABILITY MARKERS IN ADVERTISING

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SUMMARY

Theories like the Selectivity Model (Meyers-Levy and Sternthal 1991) and the Item-Specific vs. Relational Processing Theory (Hunt and Einstein 1981) indicate that men and women use different information processing strategies. Linguistics studies have also proven that women and men use language differently (e.g., Tannen 1991). Few studies, however, have examined possible differences in the effects of various linguistic features of an advertising claim on male or female consumers. One such study was conducted by Berney-Reddish and Areni (2006) on in advertising. Their findings on gender differences in responses to probability markers (words like “probably” and “definitely,” which signal the likelihood of the truthfulness of a claim) are re-tested for products and services, and possible moderators (brand familiarity, involvement, buying motivation) are introduced to the relationship between the use of probability markers and the effectiveness of an ad for men and women.

According to the Selectivity Model (Meyers-Levy and Sternthal 1991), women process information taking into account all available cues, and are considered systematic processors. Men use heuristic processing, relying on a highly available single cue. Since women are considered relationship-driven, they are more likely to engage in relational processing (Putrevu 2001). Men rely more on item-specific processing, focusing on the attributes that affect them directly (Putrevu 2001). Based on these theories, and the fact that language power is a heuristic cue (Sparks and Areni 2008), we predict that probability markers in advertising have a greater impact on brand attitude (Ab) and purchase intention (PI) toward advertised products for men than for women (H1). Although men generally use powerful language more frequently, while women use powerless language (Bradac and Mulac 1984), both genders are easier to persuade using content relevant to the opposite gender’s social role (Carli 1990). Men also rely on the opinions of others in making a judgment less than women (Meyers-Levy 1998), and are more risk-seeking and competitive (Areni and Kiecker 1993). Exposed to an ad containing powerful language (i.e., a pledge), men might feel the need to compete against it, as it does not give them opportunity to make up their own mind. We hypothesize that, for male customers, the

use of hedges in advertising results in the most positive Ab and PI, compared to the pledge or no probability marker conditions (H2). As previous studies show that the impact of probability markers is greater in low than in high involvement situations (Bušljeta Banks et al. 2011), the differences between men and women posited in the Selectivity Theory are expected to disappear in situations when the higher comprehensive elaboration threshold attributed to men (Meyers-Levy and Sternthal 1991) is surpassed, i.e., when men are also highly involved. Therefore, we hypothesize that probability markers in advertising copy will more strongly impact Ab and PI for men than for women, but only in low involvement situations (H3). The difference between the absolutistic pledge and a more conditional hedge corresponds to the categorization of buying motivation into utilitarian and hedonic. Previous research (Bušljeta Banks et al. 2011) shows that hedges are more effective in a hedonic service context. While both genders should prefer hedges for a hedonic product/service, for utilitarian products, women, being risk-averse, might favor pledges. Men may find hedges, offering an opportunity to take a risk and form one’s own evaluation, more effective even for utilitarian product/service ads. We hypothesize that, for women, ads for hedonic products/services with hedges will result in the most positive Ab and PI, while for utilitarian products/services pledges will be most effective (H4a). For men, advertisements with hedges will generally be the most effective, while ads with pledges will be the least effective (H4b). Awareness of existing brands leads to a greater degree of certainty regarding what to expect from the brand, while the expectations connected with new brands are far more uncertain. Since men are considered greater risk-takers than women, they should prefer incongruous ads (hedges for new, pledges for familiar brands) more. From the literature, it is hard to say, however, whether women would prefer congruent or incongruent stimuli. Hence the following research question: What influence does brand familiarity play on the interaction between consumers’ gender and the type of probability marker used in advertising claims on advertising effectiveness (RQ1)?

The aim of Study 1 was to test H 1–3 and answer RQ1 in a sample of 638 Belgians, (53.1% female). A 3 (probability marker) x 2 (brand familiarity) x 2 (involvement) x

2 (gender) full factorial between-subjects experiment was designed. Probability markers, brand familiarity and involvement were manipulated in the design, resulting in 12 different ads. Gender was measured at the end of the questionnaire. Respondents, randomly assigned to conditions, saw one of 12 ads for products, after which they rated their Ab and PI. As expected, a significant gender x probability marker interaction was found for both Ab and PI. Probability markers in ads affect men more than women; men also show a significant preference for hedges. For women, the differences between the levels of Ab and PI for the three conditions are not significant. Brand familiarity does not seem to have an impact on the effects of probability markers for either gender. While the results of Study 1 also show no significant impact of involvement, they could be confounded by the fact that only one low involvement hedonic and one high involvement utilitarian product were tested. The main goal of Study 2, a 3 (probability marker) x 2 (buying motivation) x 2 (involvement) x 2 (gender) between-subjects experiment, is to disentangle the effects of buying motivation and involvement, by manipulating all four quadrants of the Rossiter-Percy Grid (Bergkvist and Rossiter 2008) in the context of services. Three hundred thirty-three Belgian undergraduate students (51.4% female) again rated the ad they were exposed to on Ab and PI. The impact of involvement becomes significant – in conditions of low involvement, men exhibit greater variance in Ab and Pi depending on the type of probability marker used than in conditions of high involvement. The influence of buying motivation is

less clear, with only a marginally significant influence on the gender x probability marker interaction with regards to Ab. Since previous studies (e.g., Bušljeta Banks et al. 2011) show a clear impact of buying motivation on the effects of probability markers used in advertising copy on Ab and Pi, a question arises why gender seems to weaken this impact. Further research might be needed to clear up this issue.

The present study provides evidence to the claim that men, but not women, are sensitive to the use of probability markers in advertising copy. Specifically, men greatly prefer ads containing hedges to those with pledges. This difference decreases in high-involvement situations. Women are much less sensitive to probability markers and this indifference persists for different levels of involvement, brand familiarity, and buying motivation. Therefore, when targeting men, hedges are the best strategy and pledges must be avoided. When catering specifically to women, however, the focus should be on other aspects of the ad. Providing strong, objective arguments, could persuade women better than trying to bias their perception with the use of probability markers. Future research should test the conclusions of this study using different products or services per type, as well as compare the reactions of men and women to different formulations of hedges and pledges. Study 2 relies on a sample of undergraduate students. Further research should strengthen the validity of the above reported results for other population contexts. References are available upon request.

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DO HUMOR AND THREAT WORK WELL TOGETHER? THE MODERATING EFFECT OF NEED FOR COGNITION IN HUMOROUS THREAT PERSUASION ADVERTISEMENTS

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SUMMARY

Using humor to communicate threatening information in advertising has often been observed in practice, but seldom been tested in research. Integrating the humor and threat persuasion literature, this research set out to test the humorous threat persuasion effects and the boundary condition of need for cognition (NFC) in which the effect may be contingent upon.

The theory of optimal stimulation level (OSL) suggests that depending on whether the threat information is perceived as below optimal, optimal, or above optimal, the interaction between threat and humor is likely to vary. In the current research, we propose that need for cognition (NFC), an individual's tendency to engage in effortful information processing, will likely govern how the threat information is perceived and thus, will influence how humor interacts with the threat information. Lower-NFC individuals, having less motivation and elaboration tendency, would likely have less interest in processing messages that are complex and that require higher levels of cognitive elaboration. Given that mildly negative stimuli require less cognitive resources for processing than strongly negative stimuli (Schimmack 2005), the lower threat level will provide a more optimal level of threat stimulation for the low-NFC individuals. With information adequate for processing in the low threat ad, the introduction of a humorous element will likely be a distracting factor that takes away from the central argument of the ad (e.g., Smith 1993). When the threat intensity becomes severe, which requires greater levels of elaboration and processing capacity, the presence of humor will create a cognitive and emotional buffer, which alleviates the negativity, hence increasing its approachability. However, higher-NFC individuals, having greater message involvement and motivation, would likely welcome information that requires effortful cognitive processing. Lower threat levels, with less critical and relatively normative information, would require lower levels of elaboration, making it less challenging to process. In this case, the presence of humor, as an additional cognitive puzzle to solve (e.g., Schmidt 2002), may be an intriguing factor that adds onto the ultimate satisfaction of the experience. Higher intensity threat provides critical

and substantive information, provoking higher cognitive elaboration. In this case, the presence of humor will lower the negativity and take away the substantive value of the central arguments.

Through a 2 (humor: yes vs. no) x 2 (threat intensity: low vs. high) x 2 (NFC: low vs. high) between-subjects factorial design, results were found as hypothesized. Individuals of differing motivation to undertake cognitive tasks (NFC) responded differently to the interaction of threat and humor in the advertisement meant to spur concern for dental issues. Individuals with lower NFC responded more positively to a low-threat message (toothaches and swollen gums) without the distraction of humor, but when the advertisement contained extremely threatening information (seizures and death), the message produced superior attitudinal results with humor alleviating fear. Conversely, for individuals with higher NFC who fundamentally have greater motivation to think and greater elaboration capacity, when the less substantive threat information was given in the low threat condition, the presence of humor significantly increased positive attitudes toward the ad. But when the more non-normative, highly intense threat information was given in the high threat condition, the no humor condition that preserved the negativity of the message resulted in more positive outcomes than with the distraction of humor, which they likely deemed extraneous and perhaps inappropriate to the advertisement. These overall results were found at least directionally in terms of behavioral intent, and given that behavioral intention asks for responses that are more convictional in nature, this should be considered a more conservative measure of effectiveness, for which even directional findings could be perceived as meaningful. Importantly, processing motivation was identified as the mechanism through which humor and threat interaction influenced persuasion for high NFC individuals and, as predicted, for low NFC individuals, processing motivation was inconsequential.

There are several theoretical contributions of this study. There exists a rich volume of literature exploring threat effects and humor effects in advertising. The current study integrated theories that were drawn from both fields to explore how threat and humor may interact. The

current study gave insight to the fact that when the threat persuasion message serves as the central argument and tangential humor is present, how humor interacts with the threat information would likely be contingent on the individual's threat perception. As past studies document, humor may serve primarily different functions (i.e., distraction, cognitive intrigue, threat buffer) depending on how the threat present in the ad is perceived. And as many advertising and marketing studies have demonstrated, NFC was recognized as a significant moderator in predicting the effects of threat and humor interaction. This attests to the fact that similar to both humor and threat effects studies, individual tendencies are also important considerations in humorous threat persuasion. Any inconsistent findings in future studies on this topic may be attributable to moderating variables such as NFC.

This study also gives practical implications as to the designing and targeting of humorous threat ads. The

results show that there are no universal humor effects in threat ads and that the outcome will vary depending on how the advertisement will be processed. It is certain that measuring and predicting a target's NFC level will be a difficult task for advertisers and marketers. But with NFC levels conceptually linked to one's processing motivation and involvement of the message, the implications of the findings can be expanded into other pertinent realms. After conducting research, it may be found that an organization's audience inherently has low or high interest and involvement with a given issue. Also, choice of media vehicles can have implications to an individual's motivation and involvement level; certain technical publications or issue-focused vehicles may be attracting higher NFC and higher involved audiences than general interest outlets. With such information, campaign planners can extrapolate the combination of humor and threat intensity that would result in the most positive outcome. References are available upon request.

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EMPLOYER BRANDING: WINNING THE WAR FOR TALENT

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SUMMARY

In the state of the economic environment, attracting high quality applicants is critical to organizational performance (Barber 1998; Rynes 1991). Demographic trends such as a smaller supply of younger workers, an aging workforce and retirements among the baby boomer generation will make it difficult to fill openings in the years to come (Dohm 2000). In fact, based on a survey of over four hundred human resource professionals in the United States, nearly three-quarters cited talent as their top concern (Josey and Van Alstyne 2008). As a result of such intense competition for high quality employees and its impact on organizational success, companies are devoting more resources to recruitment efforts (Leonard 1999).

How a company is perceived by high quality talent is proving to be just as important as how its products are perceived by its customers. A major determinant of an organization's ability to recruit new talent is organizational reputation, the status of a firm's name relative to competing firms (Gatewood, Gowan, and Lautenschlager 1993; Rynes 1991). Perception of a firm's reputation is important because it provides vital information to a firm's stakeholders including consumers, investors and potential applicants (Fombrun 1996). As a result, companies are being forced to examine the image that they portray as an employer and apply branding strategies that they use for their products to their organizations, a relatively new concept known as employer branding. Little is known about the concept of employer branding and the relationship between a company's brand image as an employer and an individual's intention to apply for a position. Therefore, the purpose of this study is to explore the relationship between employer brand image and job seekers attraction to a firm.

Results

To assess our hypotheses, we conducted a multivariate analysis of covariance with company as the independent variable; functional attributes, symbolic attributes and employer attraction as the dependent variable; and respondents' familiarity with the company as the covariate.

With respect to the first hypothesis, a significant multivariate effect for the covariate (i.e., familiarity) emerged, $F(3, 290) = 7.41, p < .01$; partial $\eta^2 = .07$. As predicted, familiarity with the company was associated with respondents' attraction to the company, $F(1, 296) =$

$3.87, p < .05$, partial $\eta^2 = .01$. Familiarity was also associated with perceptions of symbolic, $F(1, 296) = 8.17, p < .01$, partial $\eta^2 = .03$) but not functional attributes.

With respect to our second hypothesis, a significant multivariate effect for company emerged, $F(9, 706) = 29.00, p < .01$; partial $\eta^2 = .23$). Following Baron and Kenny's (1986) criterion for mediation, it is necessary to establish that [a] the independent variable is related to both the dependent variable and the hypothesized mediators and [b] the relationship between the independent variable and the dependent variable is non-significant in the presence of the mediators. Controlling for the effect of familiarity, company was significantly associated with company attraction, $F(3, 292) = 32.50, p < .01$; partial $\eta^2 = .25$), functional attributes, $F(3, 292) = 64.47, p < .01$; partial $\eta^2 = .40$) and symbolic attributes, $F(3, 292) = 4.69, p < .01$; partial $\eta^2 = .05$), thereby satisfying the first criterion for mediation. To assess the second criterion, we conducted a Roy-Bargman stepdown analysis of the univariate effects. Essentially a series of analyses of covariance, a stepdown analysis allowed us to control for the effect of the mediators (functional and symbolic attributes) when assessing the relationship between company and company attraction. After implementing this control, there was a significant, albeit reduced, effect of the independent variable on company attraction, $F(3, 290) = 13.13, p < .01$ suggesting that the effect of company on company attraction was only partially mediated by functional and symbolic attributes.

Discussion

The purpose of this study was to explore the relationship between employer brand image and job seekers attraction to a firm. Quality employees within an organization are essential as they form the basis of firm knowledge and can be considered the foundation in the creation of a sustainable competitive advantage. Resource theory is useful when considering the importance of human resources in creating strong brand assets as reputational capital is vital for acquiring quality employees. The perceived reputation of a firm can influence its ability to recruit top talent (Gatewood et al. 1993; Rynes 1991), but it is how these reputational assets are communicated that will make the difference. The results of this study support the notion that knowledge of a firm does affect an individual's intent to apply to the organization. Therefore, employer branding, the application of branding principles to human resource management, will help increase brand

awareness in order to strengthen the firm's position, as the turbulent nature of the current competitive employment situation necessitates employers to consider the impact that job applicants' perceptions have on recruitment efforts.

As suggested by signaling theory, this study provides evidence that potential applicants use information about the various dimensions of an employer's brand image to draw conclusions about employers. The theory suggests that because, in most cases, applicants do not have complete information about an organization, they interpret available information as "signals" about the firm (Rynes 1991). In this study, only 10.5 percent of people strongly agreed that they were familiar with the firm that they chose from an "employment" context. Therefore, for those that were not familiar, it is highly possible that they were drawing some of their conclusions (i.e., signals) about the firm's image based on perceptions in contexts other than employment.

This study intentionally used firms that were relevant and well known to most respondents (in an employment context or otherwise). It is important to note that job seekers may have to stretch even further to draw these conclusions about less-known employers. It is vital that employers market their companies as accurately as possible, or they will find themselves to be at a disadvantage when trying to recruit "the best."

Consumers will form opinions about a company and its products, with or without the help of the company, which also holds true in the employment context. External marketing of the employer brand is vital for good companies as it plays a pivotal role in the establishment of a firm's reputation as a quality employer, which enables the firm to attract the most appropriate people for their positions, now or in the future. Employer brand image has been shown to influence a potential job applicant's intentions to apply to a firm (Fombrun and Shanley 1990; Rynes 1991). It is not enough to possess the best functional and symbolic attributes in the industry; however, if job seekers are not aware of them, or perceive them

inaccurately, the company may be faced with an applicant pool that is either smaller or at the very least, less rich. Therefore, the development of an accurate employer brand image through an effective employer branding strategy is critical for recruiting purposes. The findings of this study further support this claim and suggest that the management of a firm's employer brand is vital within such a competitive environment.

Employer brand image is based on more than just the functional aspects of employment such as wage level and a benefits package. Images are also constructed from the symbolic attributes that a job affords. More specifically, these attributes are more intangible in nature and speak to aspects such as the prestige of the firm, its leadership and culture within the organization. This is even truer in industries where functional attributes within comparable job titles are similar. In these cases, symbolic attributes play a more significant role. Using employer branding to convey the symbolic benefits of working with the company can prove vital for not only developing a positive employer brand image, but also as a means of differentiating one firm from another. This provides support for the idea that developing employer brand equity through a company's brand image is vital in an environment where talent is scarce. This study found that both types of attributes play a key role in an individual's intention to pursue an organization for employment. Good applicants are looking beyond what they will be paid or the benefits they receive. It is important for companies to communicate both types when developing an effective employer brand.

Recruiting top talent does not ensure a firm's success. However, it forms the basis of the development of a potential competitive advantage inasmuch as such developments are predicated on the availability of employee skills and abilities. The development of a successful employer brand is a valuable means of enhancing recruitment efforts as shown in this paper. Once recruited, a firm must consider the steps it is required to take in order to properly deploy its human resources to ensure the success of its firm. References are available upon request.

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THE EFFECT OF COMMUNICATIONS ON EMPLOYER REPUTATION

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SUMMARY

Corporate reputation is one of the key metrics in marketing. One facet of the reputation construct is employer reputation, which is the general public's evaluation of the company as an employer. While numerous studies have researched the effects of employer reputation, such as attractiveness to job seekers or general outcomes such as customer satisfaction and trust, its formation remains understudied.

A company's reputation, which is based on its past actions and develops over a long period of time, is understood to be stable, lasting, and cumulative, rather than fluctuating on a daily basis. However, this does not imply that a company's reputation is static; it can change abruptly as a result of, for example, scandalous events. In addition to the direct experience with a company, information can be gathered through two indirect sources: interpersonal word-of-mouth (WOM) communication and media coverage. Both sources are assumed to be drivers in reputation formation. Some researchers even talk about "word-of-mouth reputation" and "media reputation." However, these assumptions lack empirical evidence, particularly with regards to the effect of WOM.

To fill this research gap, I include WOM as an independent variable to prove its effect on employer reputation. I further explore in detail the effects of media coverage by differentiating it by a topic (i.e., social/functional) and a tonality variable (i.e., positive/negative valence).

I had panel data available for seven different companies in three major industries in Germany: the automotive, financial, and insurance sectors. The sample covers the period from calendar week 2 to 48 in 2008. Thus, on a weekly level, I had available 47 observations for each of the seven firms which equals a total of 329 (firm-week) observations. To estimate the effects of WOM communication and functional and social media

coverage on employer reputation, I specified a two-way error component regression model.

The results of this model show that both media and WOM communication are significantly associated with employer reputation. In line with theory on the significance of interpersonal communication for attitude formation, WOM has the strongest effect on employer reputation. This impact is not limited to the week when the information is received. In fact, it increases in the week after the recipients first heard the news.

The need for a more extensive evaluative period also applies to media coverage. With the exception of negative functional coverage, which has an immediate effect, the different types of media coverage have lagged effects on employer reputation only, meaning that the effect of media coverage is only measurable in the week after the news is first released. Even though negative news in the media has a stronger effect than positive news for all types of coverage, no significant negativity effects were detected.

Based on the insights generated from this research, communications and PR managers should keep in mind that both unfavorable WOM and unfavorable media coverage have a negative impact on employer reputation. Regarding the different types of media coverage, functional news has the most immediate effect. If firms face negative news, they should try to counterbalance it by publishing any available reputation-fostering favorable news from the functional or social fields (e.g., via press releases or press conferences). If cost-efficient, programs to develop positive WOM among consumers (e.g., via referral programs) make absolute sense from this study's point of view. With respect to the harmful effect of negative WOM, marketers should track online WOM, which can more easily spread than classical "offline" personal communications. It is essential to closely monitor all kinds of communication and, ideally, to be able to react promptly to avoid negative effects for the company's employer reputation. References are available upon request.

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ARE YOU SAYING WHAT I WANT TO HEAR? A CONSISTENCY TEST BETWEEN WHAT POTENTIAL EMPLOYEES WANT AND WHAT COMPANIES OFFER

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ABSTRACT

One challenge companies have to face is the recruitment and retention of talents. To defy this competition, a unique employer value proposition has to be defined and promoted. The present research investigates how this value proposition is communicated in job advertisements and whether it is consistent with the preferences of young employees.

INTRODUCTION

In Germany, Austria, and Switzerland, qualified employees are becoming an increasingly scarce resource in the light of altered economic, competitive, and social settings (Berthon, Ewing, and Hah 2005; Michaels, Handfield-Jones, and Axelrod 2001). The change from industrial to knowledge-based economies started in the 1980s and continues with a shift in importance from tangible to intangible assets such as brands, knowledge, and talent (Srivastava, Fahey, and Christensen 2001). Coming along with this shift, the competition in the business surroundings has increased severely. Globalization (Sassen 1998), deregulation (Blanchard and Giavazzi 2001), and rapid advances in technology with shorter product life cycles make it more difficult to succeed in the marketplace (Ali, Krapfel, and LaBahn 1995; Teece 1992). Thus, the challenges with which managers have to cope are more and more difficult, demanding elaborate abilities (Michaels, Handfield-Jones, and Axelrod 2001).

However, especially in German-speaking countries, the recruitment of such abilities has, despite persistent unemployment, likewise become a challenge. The labor market power structure has been altered by changes in social settings that encompass a range of aspects: First, the overall supply of employees diminishes in several European countries due to demographical changes, the shrinking and de-youthing of populations (Anslinger and Dickel 2008). Second, there are shortages of well-educated and managerial talent as well as a lack of skill in specific vocational fields, such as mathematics, nature sciences, engineering, and techniques (Kirchgeorg and Lorbeer 2002). Third, the mobility of the work force has increased during globalization, leading to a higher propensity to

change employers. Also, the decrease in levels of loyalty and commitment impairs the service performance of employees with customer contact (Berry 1980).

The dilemma companies face is therefore threefold: customer's expectations toward products and services are rising and it becomes more and more difficult to please them. Differentiation from competitors in international business surroundings relies increasingly on intangible assets such as managerial talent and services provided by employees. However, in Germany, Austria, and Switzerland, the employees needed to meet these challenges are increasingly difficult to find.

There has thus been a call for help in the matter of strengthening labor market competitiveness. As a response, employer branding, the application of branding techniques in human resources, has been put forth (Ambler and Barrow 1996). Amongst other things, the preferences of potential employees should be considered when determining the employer value proposition. As attraction relies to a big extent on perceived similarities, the expectations toward an employer and the contents communicated by the potential employer should be consistent (Backhaus 2004).

Since "*the literature on employment branding is in its relative infancy*" (Edwards 2010, p. 19), the goal of the present research is to address the question of how good employers address the preferences of potential employees in job advertisements (job ads) to establish attraction based on perceived similarities. To do so, first, we extract the expectations of young professionals toward employers from the literature. Second, we execute a content analysis of 1,318 job ads from companies of different sizes and five different industries. In addition, we analyze differences in company size and industry.

Altogether, this study contributes to employer branding and advertising research by analyzing the "fit" between the content of job ads with young professionals' expectations. Also, we derive research and managerial implications based on the findings. The subsequent approach is as follows: First, we introduce the relevant fields of research in a literature review. Second, we

investigate the preferences of young professionals toward employers and develop the research questions. Third, we explain the research design and the results of the empirical analysis. And fourth, we discuss implications and limitations.

LITERATURE REVIEW

Skilled employees know their value. It is therefore important for companies to position themselves as attractive, beneficial employers on the labor market. Ambler and Barrow (1996) put forth the concept of employer branding as a response to the above mentioned challenges. They introduced the idea of applying the well-established marketing technique of branding to strengthen performance in recruitment and retention of employees.

Employer Branding

Ambler and Barrow (1996, p. 187) define the employer brand as *“the package of functional, economic and psychological benefits provided by employment, and identified with the employing company.”* Employer branding is therefore the establishment of a distinguished employer identity that is consistent with the organization’s values and culture, providing differentiation from labor market competitors and effectiveness in attracting, engaging, and retaining potential and actual employees (Dell and Ainspan 2001).

The determination of the employer value proposition is the core element of employer branding and captures what makes working for a specific company a unique and desirable experience. It is the first step in the employer branding process (Backhaus and Tikoo 2004). The value proposition is defined upon consideration of the organization’s values, competitor’s labor market positioning, and the target audience’s preferences. It incorporates two kinds of attributes: instrumental attributes, such as monetary benefits and development opportunities, as well as symbolic attributes, such as innovativeness and prestige (Lievens and Highouse 2003). Furthermore, aspects such as the location, the image of the affiliated industry, the company size (SME versus corporations), or the customers (B2C versus B2B) and their favorable or unfavorable effects have also to be considered (Burmman and Schaefer 2007; Simon 2007).

In a second step, the value proposition is communicated to potential employees, and in a third step, the value proposition is communicated toward current employees in order to incorporate the values into the culture of the organization (Backhaus and Tikoo 2004). While the employer branding communication targets both internal and external audiences, the present research focuses on job ads as one form of external communication.

Communication to Potential Employees

Communication is the voice of brands (Köhler 2001) and encompasses all informational exchanges between a company and its stakeholders (Homburg and Krohmer 2006). Even though other types of instruments are available, the consideration of job ads in the context of employer branding is relevant as *“job seekers often use [them] [. . .] during the early stages of recruitment to gather important information about potential employers,”* (Walker et al. 2008, p. 619). The study presented by Kienbaum Consultancy supports this statement. When asked about the most important communication tools for the employer brand communication, 72 percent of the surveyed managers state that print and digital job ads are used *“often”* or *“sometimes”* (Kienbaum 2010).

Formerly, job ads mostly served as announcements of vacancies and to communicate the employer’s expectations toward new employees’ competencies (Kennan et al. 2006). Today, job ads have adopted an image-building function in line with the employment branding efforts of companies (Widmer 2006). Job ads therefore oftentimes constitute the first touch point between a potential employee and an employer that determines whether further information is sought and intentions to apply are emanated. As attracting the right talent is the first step in establishing a strong human capital pool, job ads are an important instrument to investigate (Backhaus 2004).

While *“applicant attraction is an inexact science”* (Backhaus 2004, p. 115), it is a given fact that the perception of similarity is an important aspect of attraction (Byrne 1971). Attraction rises in line with the range of similarities (Byrne and Neumann 1992). Accordingly, it is reasonable to compare job seekers’ preferences with the offers made by employers in job ads, which has not been investigated previously. The literature on person-organization fit, that is introduced subsequently, emphasizes this point further.

Person-Organization Fit

The research on person-organization fit grounds on Schneider’s Attraction-Selection-Attrition framework. Applied to organizations, it states that individuals select organizations to which they are attracted and therefore choose to become members of. If the fit is good, they remain with the organization or leave if it is not (Schneider 1987; Sekiguchi 2004). Person-organization fit is defined as *“the compatibility between people and organizations”* (Kristof 1996, p. 4). A good level of fit promotes retention and commitment of talents which leads to increased competitiveness and higher levels of individual satisfaction (Chatman 1991). When focusing external audiences, research shows that job attraction rises with the consis-

tency between job content value and an individual's values. Potential employees therefore choose such employers whose value system is closest to their own (Judge and Bretz 1992). Since the decision about a possible match or mismatch is, in many cases, first made through the reviewed job ads, contents have to be selected with care (Smidts, Pruyn, and van Riel 2001). For this reason, it is also beneficial to consider the target group's preferences in the employer branding process. Since the perception of similarities of values is positive, the contents can be selected with regard to them. The analysis at hand will investigate, whether this is the case in practice. However, one should bear in mind that consistency between promises and the realities of the organization is mandatory. The psychological contract theory implies that in exchange situations, contents exceeding terms formally put down are negotiated. Such may be the belief that the promises made about, e.g., international development opportunities, are being held (Rousseau 1989). If this is not the case, the post-hiring evaluation of the person-organization fit will be negative, leading to lower levels of commitment and weaker chances of retaining the employee.

RESEARCH QUESTIONS

In Germany, Austria, and Switzerland, the increasing labor market competition calls for academic and consultancy competences to help battle the challenges (Anslinger Dickel 2008). As attractiveness is an important aspect in the acquisition of talent, evaluations have been put forth that rank companies according to their attractiveness as employers. For example, the results of Universum's global talent attraction index show companies with great corporate brands, such as Google, in the *Top 10 Business* (Universum 2010). At the same time,

more knowledge about the preferences of potential employees is in demand. Surveys investigating these preferences are regularly performed by consultancies, market research institutes, and scientific researchers. Oftentimes, the surveys distinguish between graduates, young professionals, and members of Generation Y. In the present work we regard the preferences of potential employees with a limited number of years of work experience and subsume them and their preferences under the term young employees (see Table 1). When looking at young employee's preferences, interesting tasks and developmental opportunities constitute central aspects. Furthermore, culture, mentoring, and team spirit are important, while benefits generally rank a bit lower compared to those other aspects.

As mentioned above, companies have to consider the needs of existing and potential employees when determining their value proposition (Berthon, Ewing, and Hah 2005). As the perception of similarities is important for initial attraction (Backhaus 2004), to look at the contents companies communicate to potential employees in job ads is reasonable. Also, prior job advertising research shows that contents play an important role on how offers are processed and evaluated (Jones, Shultz, and Chapman 2006). Therefore, chances of arousing interest are higher when the contents of job ads are consistent with the preferences of the target group. The research question is hence:

RQ1: Are the contents of job ads consistent with the preferences of young employees?

Some companies are more attractive employers than others. This can partly be due to the industry as there is a relationship between industry and company image

TABLE 1
Preferences Rankings of Young Employees

Author (Date)	Identified Contents	Research Design
Access (2002)	Interesting Tasks, Team Spirit, Taking Responsibility, Benefits, Development Opportunities	College Graduates with 3 to 4 years of work experience (n = 3,708)
Becker et al. (2010)	Culture and Mentoring, Career Prospects, Monetary Benefits, Methodological Aspects, Type and Location of the Company	Social and business science students (n = 219)
Kienbaum (2009/2010)	Challenging Tasks, Benefits, Team Spirit, Location, Career Prospects	Employees, students, and job searchers (n = not given)
Ng, Schweitzer, and Lyons (2010)	Career Prospects, Team Spirit, Good people to report to, Good training opportunities, Work-Life-Benefits	Canadian college graduates (n = 23,413)
Universum (2010)	Development Opportunities, Team Spirit, Work-Life-Balance, Benefits, Location	Business students (n = 219)

(Burmam and Schaefer 2007). However, it is unknown whether differences are also displayed in the contents of job ads between different industries and also with regard to company sizes:

RQ2: Do the contents of job ads from varying industries and company sizes differ?

EMPIRICAL ANALYSIS

We investigated 1,318 German-language job ads from German, Austrian, and Swiss companies from the industries of fast-moving consumer goods (FMCG, $n = 230$), utility goods ($n = 272$), industrial goods ($n = 293$), pharmaceutical goods ($n = 201$), and banks, insurances and consultancies (BIC, $n = 322$). In addition to some of the most important internet job search platforms Stepstone, Monster, Jobpilot, and Jobscout24 (Schreyer and McCarter 1998), companies' vacancy postings as published on the websites (in .pdf format) constituted one source of job ads. We only analyzed the texts provided in job ads excluding additional information provided on the companies' regular or recruiting websites. In doing so, web page based distractions like photos, videos, and others did not have an impact on the evaluation (Dholakia and Rego 1998). In each case the investigated job ads were published by the institution and not altered by any other external source. The selected job ads addressed high school graduates and employees with three to five years of working experience.

To rate the identified job ads we investigated 12 categories. First of all, based on Ambler and Barrow's (1996) definition of the three benefits offered to employees, we rated *challenging tasks*, *diverse tasks*, *mentoring/development* and *advanced training* for functional benefits, *monetary* and *non-monetary* rewards for economic benefits, and *recognition* and *team spirit* for psychological benefits (Ambler and Barrow 1996). Additionally, we considered firm attributes as the *product quality* and *brand strength* as well as *social commitment* and *ecological commitment*.

Educated researchers evaluated the twelve criteria for each job advertisement on a 4-point-scale (0 = not communicated, . . . , 3 = strongly communicated). To account for the danger of subjectivity of this evaluation, we executed ex-post reliability checks with a random subsample. Furthermore, to investigate RQ2, we collected descriptive variables such as the corresponding industry or the company size.

Results

In a first step, we factor analyzed the 12 variables using principal components analysis with Varimax rotation (Bartlett: $\text{Chi}^2 = 4427.3$; $p < .001$; KMO = .694). A five factor solution resulted based on the Kaiser criterion

and a significant dip in the Scree-plot. The 5-factor solution explained 72.9 percent of the variance.

We denominated the resulting factors as *Culture and Development* (C&D), *Quality and Reputation* (Q&R), *Social and Ecological Engagement* (SEE), *Tasks*, and *Benefits* (see Table 2). All factors showed acceptable Alpha-Coefficients (Bagozzi and Yi 1988). We calculated the means of the corresponding variables for every factor. Additionally, we computed a binary variable for every factor to show whether a factor was communicated or not. The mean of communicated aspects was 2.95 ($SD = 1.19$).

Consistency of Job Advertisements with Job Expectations

To answer RQ1, we conducted T-Tests to check if the means of the factors were greater than zero. The results showed that all factors satisfied this condition (all T-Values >14.9 ; all p-values $< .001$). Thus, all analyzed criteria were generally found in the job ads. However, the various content dimensions had different relevance levels. We found aspects about Tasks in 86.8 percent of the job ads which was the highest value in all dimensions. The mean score of 1.61 also showed that task-related contents play an important role for practitioners. Similar to that, we found C&D-related content in 83.4 percent of the ads. But strikingly, despite the high relevance for young employees, on average, those values were communicated less than the task-related contents (1.61 to .93; paired T-Test: $t = 23.7$; $p < .001$).

The amount of job ads which included information about Q&R-related aspects was smaller (72.6%). However, the relatively high mean (1.40) indicated the relevance for some companies as a tool for differentiation. SEE as well as Benefits played a less important role. Those aspects were communicated in fewer than half of the job ads (33.5% and 19%). This finding was also reflected in the lower means (.483 and .289). As employment situations show company- and industry-related differences, the company- or industry-related factors in terms of RQ2 were investigated subsequently.

Effects of Industry and Company Size

To investigate the effect of the corresponding industry and company size we conducted MANOVA and several ANOVAs using the factor-means of the content-dimensions as dependent variables (see Table 3). We used the binary variables to show whether a factor was communicated in a job ad or not. As results from MANOVA displayed, all main and interaction effects were significant (all $p < .001$).

TABLE 2
Factor Analysis and Descriptive Content Statistics

	Factors					Alpha	Mean (SD)	T-value (p) (H0: mean = 0)	Percent*
	1	2	3	4	5				
Advanced Training	.827	.054	.051	.020	.194				
Mentoring / Development	.812	-.018	.059	-.008	.154		.931 (.760)	44.6 (<.001)	83.4
Recognition	.539	.448	.221	.172	-.039	.685			
Team Spirit	.488	.123	.127	.398	-.039				
Brand Strength	.018	.882	.008	.096	.070		1.401 (1.100)	46.4 (<.001)	72.6
Product Quality	.110	.875	.169	.059	.026	.777			
Social Commitment	.118	.095	.884	.042	.137		.483 (.839)	21.0 (<.001)	33.5
Ecological Commitment	.102	.111	.879	.032	.135	.793			
Diverse Tasks	.090	.051	.047	.861	.057		1.613 (.950)	61.9 (<.001)	86.8
Challenging Tasks	.024	.101	-.004	.859	.070	.724			
Monetary Benefits	.085	.012	.085	.073	.883		.289 (.709)	14.9 (<.001)	19.0
Non-Monetary Benefits	.189	.075	.189	.042	.838	.743			

*Ads where at least one criterion of each dimension was found.

For a detailed interpretation, results from the ANOVAs were considered. The main effects of the company-size were insignificant for contents related to SEE ($F = .076$; $p = .783$) and to Benefits ($F = .010$; $p = .921$) (see Table 3). However, all main effects of the industry were significant. Also, all five interaction effects showed significant results (all $F > 4.705$; $p < .001$). To test for significant differences in industry-size-constellations, we conducted separate F-Tests between the company sizes within every industry. For reasons of clarity and comprehensibility, we present only selected F- and p-Values.

For *Culture and Development* several main and interaction effects were significant. Except for BCIs and industrial companies, corporations generally emphasized

these contents more than SME. For industrial companies, differences between SME and corporations were not significant ($F = 2.96$; $p = .086$). Strongest differences were found between SME and corporations in FMCG (.47 for SME versus 1.23 for corporations; $F = 60.17$; $p < .001$). This is not surprising as FMCG corporations such as Unilever emphasize their outstanding development opportunities, e.g., job rotation throughout the brand portfolio (Unilever 2011). Differences within utility ($F = 3.968$; $p = .047$) and pharmaceutical industries ($F = 11.0$; $p = .001$) were also significant, but smaller. Another interesting finding was that SMEs in the BCI focused more on C&D-related aspects than corporations ($F = 36.61$; $p < .001$). This finding was not surprising. First, smaller BCI offer quicker development opportunities due to less rigid

TABLE 3
Results from MANOVA and ANOVAs

	Culture & Development (C&D)		Quality & Reputation (R&R)		Social & Ecological Engagement (SEE)		Tasks		Benefits		
	F	p	F	p	F	p	F	p	F	p	
ANOVAs:											
Size	11,129	.001	32,880	.000	.076	.783	81,793	.000	.010	.921	
Industry	5,913	.000	9,778	.000	14,540	.000	26,681	.000	14,488	.000	
Size x Industry	24,811	.000	4,705	.001	19,552	.000	14,169	.000	25,195	.000	
MANOVA:	Wilks' Lambda										
Size	F=13.011; p<.001										
Industry	F=22.021; p<.001										
Size x Industry	F=12.728; p<.001										

hierarchical structures. Second, compared to “faceless” corporations, the closeness to the company’s founder can imply an appealing, stronger culture (Simon 2007).

Corporations in nearly all branches focused more on *Quality and Reputation* than SME. All main- and interaction-effects were significant. Strongest differences were found within FMCG ($F = 20.10$; $p < .001$), pharmaceutical ($F = 6.46$; $p = .012$), and BCI companies ($F = 20.83$; $p < .001$). In these industries, Q&R-related aspects were most widely neglected in SMEs’ job ads whereas corporations from the consumer goods and utility industry focused more on those aspects. The differences between utilitarian SMEs and corporations were smaller and not significant at a 5 percent level ($F = 3.353$; $p = .068$). An additional finding was that only 75.8 percent of the SMEs within the utility-goods industry communicated Q&R while the amount of corporations doing so was higher (80%). This is interesting as the mean strength of the SME communicating Q&R was lower than in corporations. This finding suggests that while the majority of SMEs neglects aspects of Q&R, some of them strongly focus on such contents. Apparently, some of the SMEs are more aware of the value Q&R has for their company and thus emphasize these contents stronger.

Social and Ecological Engagement was less communicated in most of the analyzed industries than other content criteria (see Table 3). Results from ANOVA indicate that the strength of the communicated SEE-aspects was influenced by the corresponding industry ($F = 14.540$; $p < .001$), but not by the company size ($F = .076$; $p < .001$). Additionally, the interaction effect showed a significant impact ($F = 10.552$; $p < .001$). SME within the industrial sector communicated SEE-related contents significantly more intense than corporations ($F = 39.97$; $p < .001$). The results of the pharmaceutical industry were similar but inverse. SME communicated SEE aspects significantly more than corporations ($F = 13.25$; $p < .001$). This finding is striking, as one would assume that SEE-campaigns are more sophisticated in corporations and thus would more often be cited in job ads. No significant differences were found within FMCG ($F = 3.63$; $p = .058$), utility ($F = 2.79$; $p = .096$), and BCI ($F = .746$; $p = .388$).

Contents related to *Tasks* were communicated generally stronger and on a higher level than other aspects. Main and interaction effects showed significant results (see Table 3). An interesting finding of the more detailed analysis was that both SME and corporations from the industrial sector communicated task-related aspects less in their job ads than other industries ($F = .055$; $p = .815$). However, compared to SEE or C&D, these aspects were still communicated on a higher level. Strong and significant differences were found within the FMCG ($F = 84.20$; $p < .001$) and utility industry ($F = 53.96$; $p < .001$). Here, corporations focused much more on task-related contents

than SME. Especially within the consumer goods industry, only 66.3 percent of the SMEs communicated task-related contents (mean = 1.11) whereas nearly all (98.6%) of the corporations did so (mean = 2.17). The differences between the job ads of pharmaceutical ($F = 7.97$; $p = .005$) and BCI industries ($F = 4.84$; $p = .029$) were also significant. Again, this finding is striking as SME could offer more multifaceted tasks due to less rigid structures that require more flexibility in overtaking tasks from others and thus provide challenges in executing these new tasks (Simon 2007).

Consistent with the results of young employees’ preferences, *Benefits* played a minor role in the investigated job ads. As the results from the ANOVA showed (see Table 3), the main effect of the company size was not significant ($F = .010$; $p = .921$), but the industry ($F = 14.488$; $p < .001$) and the interaction effect ($F = 25.195$; $p < .001$) were. Regarding the differences within the industrial goods industry interesting observations were made: SME communicated benefits about four times stronger than corporations ($F = 43.18$; $p < .001$). However, those aspects were communicated on a lower level compared to other content criteria. Another important finding was that SME within the FMCG mostly neglected benefits whereas corporations focused significantly more on rewards ($F = 14.70$; $p < .001$). Within the job ads of pharmaceutical ($F = 13.56$; $p < .001$) and BCI industries ($F = 5.69$; $p < .001$) the findings were similar.

GENERAL DISCUSSION

As prior research suggests and practitioners from German, Austrian, and Swiss companies demand, knowledge about how to position employers on labor markets is needed (Edwards 2010). Numerous studies investigated the preferences young employees raise towards their employers. However, the “state of the art,” namely if companies build upon that knowledge and communicate what this target group expects, has been widely unexplored in the academic research. The aim of our study was to fill this research gap by exploring the German-speaking job market targeted at young employees with up to 5 years of work experience. Our research found numerous interesting results. First, all contents important to potential employees were communicated. However, consistent with the preferences of young employees, contents related to *Quality & Reputation* as well as aspects related to *Tasks* were emphasized stronger. *Benefits* were only communicated weakly by a minority of the analyzed job ads. This is consistent with the minor role *Benefits* play in comparison to other aspects.

Between the five industries and the company size several differences were found. For example, job ads from SMEs in the industrial sector differed strongly from those of other industries. These companies focused more on

Benefits and on SEE than most of the other companies did. For example, most of the SMEs in FMCG or BCI industry widely neglected communicating Benefits. The inability to compete with corporations' pay levels might be a reason for this. However, as other aspects related to Tasks or development opportunities matter to young employees, SMEs should emphasize these contents in their job ads.

In general, most of the SMEs communicated fewer aspects in their job ads than corporations. Especially the comparison within the FMCG industry showed significant gaps. For example, while task-related content was one of the main aspects communicated by corporations, only a minority of the SME job ads contained comparable contents. This is surprising, as SME could improve their competitiveness by emphasizing their less hierarchical segregation and herein resulting higher diversity of tasks. Similar results were found for Culture and Development.

Implications

Our research leads to several implications for researchers and for practitioners. As several e.g., market research institutes investigate the expectations young employees have toward employers, managers should focus more on using them. In this sense, the findings can be regarded as opportunities for an effective recruiting strategy. At an industry level, our findings provide the groundwork for the design of strategies to distinguish ones' own value proposition from that of competitors. For example, a SME employer within the FMCG-industry can eventually not afford to pay high benefits. However, due to the small company size cultural and developmental advantages can arise due to a closer distance to the management and less rigid hierarchical structures.

Research from traditional B2C-ads shows several design features which affect the processing and evaluation of print ads. For example, that a high amount of text has a negative and pictures have a positive effect (Pieters, Wedel, and Batra 2010; Rossiter and Percy 1998). That means, including too many propositions in advertising might have a negative effect on the likability, credibility, and overall evaluation of job ads. Thus, job ads must be designed effectively and therefore, in addition to

content-related research, further knowledge in terms of text-image ratios is needed to supplement the knowledge about which contents matter.

Limitations and Future Research Directions

This study has a few limitations. Only a limited amount of variables was investigated. Considering the complexity of the employment experience a more detailed content analysis could be used. Factors like work-life-balance should be included in follow-up-studies. We handled the scale-level of our analysis as metric. This might be criticized. However, 4-point scales are often used for questionnaires in academic research. In addition, we used robust measures (means and frequencies) for the main analysis and a big sample size, so that this limitation as well as the subjective evaluations, reasoned by the central limit theorem, can be viewed relatively uncritical. Even though job ads were evaluated by educated personnel, these evaluations are subjective and might differ from the evaluations of potential employees. Further studies could include such judgments. The effects of those evaluations on dependent variables such as job attraction could lead to important implications for managers to design their job ads. The corresponding industry and the company size could be included as moderators. Another approach might be a field experiment with job ads with various contents as treatments and the intentions to pursue a job in each case as dependent variable (Kaplan, Aamodt, and Wilk 1991). Another limitation of this study is that we focused on online job ads only. We did not consider additional information provided on the companies' career websites (Braddy et al. 2003). Neither were career websites in social media platforms such as LinkedIn or Facebook considered. Especially for corporations, this should be done in future research as a large number of younger people first seek information about possible employers over these networks (Ambuzzador 2010).

Altogether, to answer the question whether companies communicate in their job ads what young employees "want to hear", we conclude that while some aspects are met, some potential to increase attraction based on perceived and true similarities remains.

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HOW TO MEASURE EMPLOYER BRANDS? THE DEVELOPMENT OF A COMPREHENSIVE MEASUREMENT SCALE

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ABSTRACT

This research contributes to the scarce theory on employer branding by developing a comprehensible measurement scale. Data is collected from an employee sample and the employer brand dimensionality is derived through exploratory factor analysis. The scale provides the groundwork for investigating relationships between employer brand dimensions and performance indicators.

INTRODUCTION

Academic Marketing Issue. The competition for recruiting and retaining talented employees has increased greatly since the turn of the 21st century. The *War for Talent* (Michaels, Handfield-Jones, and Axelrod 2001) has become the synonym for this competition that companies in knowledge economies face toward labor markets. A tool that has been put forward to tackle this competition is employer branding. Employer branding is the application of the long-term strategy of branding to the human resource tasks of recruiting and retention. Its ultimate goal is to establish a strengthened recruiting position and to ensure differentiation from competitors. In order to do so, a unique employer value proposition, which reflects the employment situation in a given company, is established. Subsequently, this employer value proposition is communicated to potential employees who intend to gain a clear picture of what benefits arise for them when working for a specific organization (Ambler and Barrow 1996).

The determination of an employer value proposition is the first and most important step in the employer branding process (Sullivan 2004). For the specification of such a proposition it is essential to know the common dimensions of employer brands. In the academic world, a few initial proposals regarding the measurement of employer brands as well as dimensionalities emanating from these proposals have been suggested (Ambler and Barrow 1996; Berthon, Ewing, and Hah 2005; Srivastava and Bhatnagar 2010). However, all proposals have limitations, leaving demand for a valid and reliable measurement scale that ensures comprehensiveness and robustness (Edwards 2010). Thus, academic research still lacks the essential groundwork upon which the impact of employer brand dimensions on performance indicators, such as employer attractiveness or work satisfaction, can be investigated.

Managerial Marketing Issue. In the light of labor market changes and an increased shortage of skilled workers in the new economy – presently and even more so in the years to come –, the role of attracting and retaining talented employees has become an issue of managerial concern (Ewing et al. 2002). Regarding demographic data, the number of 35 to 44-year-old US employees will shrink by 14 percent between the year 2000 and 2020. In Europe, the trend is even more severe. In Germany, a decline of 27 percent of this age group of the workforce is forecasted, followed by Italy with a decline of 24 percent, and the UK with a decline of 21 percent (McKinsey & Company 2001; U.S. Bureau of the Census 2001; Zahn 2009). Other Western countries face similar changes, causing leading researchers to forewarn that the workforce growth will be at its lowest level since World War II (Highhouse, Lievens, and Sinar 2003). As a consequence, in the search for highly skilled managerial talent and especially in specific vocational fields, companies face severe competition (Michaels, Handfield-Jones, and Axelrod 2001). The workforce has become more flexible and mobile than only a few years/decades ago, and a high propensity of individuals to change employers is nowadays a given fact (Ewing et al. 2002). This willingness to resign bears the threat of lower levels of commitment. As De Chernatony (1999) points out, the lack of commitment can be especially harmful in service driven industries because employees have a strong brand building function (de Chernatony 1999). While strong consumer brands, such as Procter & Gamble, Siemens, or Lufthansa, benefit from their popularity, the situation is more difficult for *Hidden Champions* (Simon 2007). These small and medium sized companies, which are oftentimes global market leaders in their segments but fairly unknown by the public, most strongly face the challenges of the War for Talent (de Chernatony 1999).

Essentially, human resources managers have to meet the new expectations of employees, who seek continuous challenges and appreciation in order to remain committed to a company (Backhaus and Tikoo 2004).

A focus on communication with potential and actual employees and a consideration of both target groups' expectations is incorporated in the practice of employer branding. By establishing a precise picture of what makes a company a desirable place to work, attraction of new employees and retention of skilled actual employees is

promoted. Through employer branding, differentiation from competitors can be enhanced as well (Backhaus and Tikoo 2004). Due to its potential, management has thus embraced employer branding as a useful tool to strengthen retention and commitment of human resources. However, “given the embryonic state of employer branding theory” (Moroko and Uncles 2008, p. 161), managers face a shortage of knowledge on how to build an employer brand and on the contents that constitute an employer value proposition, just as researchers do.

The goal of the present work is to address both academical and managerial demands on the extension of employer branding theory. We employ qualitative and quantitative empirical analyses to put forth a valid and reliable full-content measurement scale of the construct of employer branding and to reveal the fundamental dimensions underlying employer brands.

LITERATURE REVIEW

Business reports oftentimes state that people are a company’s most valuable resource and that its brands are its greatest assets (Berthon, Ewing, and Hah 2005). The research on both topics is well established (Huselid 1995; Srivastava, Fahey, and Christensen 2001). However, employer branding, the union of both disciplines, has just recently been introduced (Backhaus 2004). The concept grounds on the work of Ambler and Barrow (1996). The employer brand is closely related to the corporate brand and must thus be defined in consistency with the corporate brand values (Meffert and Bierwirth 2001). For this reason, we present the corporate brand literature first. Then, we present the employer branding literature and explain our research contribution based on an investigation of existing employer brand measurements.

Corporate Brand Identity and Corporate Brand Reputation

The importance of intangible assets such as brands that address functional as well as emotional needs and provide orientation is rising in developed economies (Zeithaml, Bitner, and Gremler 2006). While there is vast research about the impact of brands on the consumer (Cowley 1996; Keller 1998), much less is known about the interaction between corporate brands and current or potential employees (Aaker 1996; de Chernatony 1999; Kapferer 2008). Corporate branding is defined as the “[. . .] systematically planned and implemented process of creating and maintaining a favorable reputation of the company with its constituent elements, by sending signals to stakeholders using the corporate brand,” (van Riel 2001, p. 12). The identity of the corporate brand is first defined internally based on the values and culture of the organization. This self-perception is subsequently com-

municated to relevant stakeholder groups, such as employees (Freeman 2010). The corporate identity establishes personality characteristics with the help of corporate design – the visual appearance –, corporate communication, and corporate behavior (Kapferer 2008; Rode 2004).

Corporate behavior is displayed through the actions of the employees that bring the brands alive (de Chernatony 2001), and whose identification and commitment determine to what extent the brand promise is delivered and customers’ service satisfaction is accomplished (Vallaster and de Chernatony 2005). Through the interaction with customers and other channels of communication, the corporate reputation—the outside perception of the brand’s personality—is established. De Chernatony (1999) points out that corporate reputation captures the long-term manifestation of numerous images of a brand. It is therefore a more stable construct to regard than the continuously changing corporate image (Fombrun and van Riel 1997). Altogether, a high congruence between the corporate identity and the corporate reputation is the desired outcome of corporate branding (Hatch and Schultz 2003).

The corporate brand is translated to meet the informational demands of different stakeholder groups. Toward employee markets, the employer brand is constructed and positioned in consistency with the corporate brand to ensure authenticity. The employer brand is therefore the derivative of the corporate values onto the employment situation. The corporate brand, which has a strong positive impact on the initial attraction of employees, and the employer brand are therefore closely intertwined concepts (Meffert and Bierwirth 2001).

Employer Branding

Employer branding targets external and internal audiences, namely potential and current employees, with an “identifiable and unique employer identity [...] that differentiates it from its competitors” (Backhaus and Tikoo 2004, p. 502). The goal is to create an authentic picture of why the company is a *Great Place to Work* (Great Place to Work 2011). In addition to the previously introduced literature on corporate branding, Edwards (2010) emphasizes that employer branding can gain theoretical foundation from psychological contract and organizational personality theory.

The formulation of the employer value proposition implies defining a range of benefits that distinguish the employment situation in a given company from that of competitors. As, for example, developmental opportunities within the organization are seldom explicitly put down in a written contract, the exchange agreement met

upon hiring further comprises such unwritten aspects. In the psychological contract theory, these unwritten aspects are defined as “an individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another part” (Rousseau 1989, p. 123). The psychological contract distinguishes between relational aspects such as trust and fairness, transactional aspects such as economic exchanges, and ideological aspects such as chances to pursue a valued cause (Rousseau 1990).

While personality characteristics have long been applied to product brands (Aaker 1997), researchers have also pointed out that organizations have personality characteristics (Lievens and Highhouse 2003). Lievens and Highhouse distinguish between two types of personality characteristics that influence a company’s employer attractiveness: First, symbolic characteristics that are “subjective, abstract and intangible attributes” such as reputations and second, instrumental characteristics that are “objective, physical and tangible attributes” such as rewards and location (Lievens, van Hove, and Anseel 2007, p. 48). For example, the transactional aspects of psychological contract theory and the instrumental characteristics of organization’s characteristics show parallels with the economic dimension of employer value propositions. As such, both areas of research provide orientation regarding what contents an employer brand should encompass (Edwards 2010; Lievens, van Hove, and Anseel 2007).

Existing Employer Brand Measurement Scales

The majority of the extant literature on employer branding is directed at practitioners. The limited amount of academic publications however originates to a big extent from marketing scholars which proves the relevance of this multidisciplinary issue for marketing research (Edwards 2010). Therefore, as employer branding lacks the basic conceptual groundwork, a fundamental understanding on the dimensionality of employer brands has to be established (Edwards 2010; Highhouse, Lievens, and Sinar 2003).

When regarding previous propositions of the dimensionality of employer brands, it is apparent that there is no consent about the contents employees should be able to derive from the employer brand. Ambler and Barrow (1996) conclude that the three basic benefits are developmental and/or useful activities (*functional*), material or monetary rewards (*economic*), and feelings such as belonging, direction, and purpose (*psychological*). Ambler and Barrow deduct this three-way conceptualization from two main sources: First, San Bernardino of Siena’s (c. 1420) thoughts on the consumers benefits to purchase goods and services: *virtuositas (functional)*, *raritas (economic)*, *complacibilitas (psychological)* (San Bernardino

of Siena (c. 1420) 1991). And second, Foreman, and Money’s (1995) identification of the three types of internal marketing benefits: development (*functional*), rewards (*economic*) and vision/something to believe in (*psychological*) (Foreman and Money 1995). In addition to this conceptual work, the semi-structured in-depth interviews with executives of 27 companies based in the United Kingdom support the idea that the application of marketing techniques can be useful for addressing human resources problems (Ambler and Barrow 1996).

Other propositions suggesting a more profound multi-dimensional construct have been put forth since this initial work. However, as the analysis of adjacent publications reveals, several limitations underlying these studies call for a more profound exploration of the dimensionality of employer brands. We introduce different approaches for the measurement of employer brands and their limitations subsequently (see Table 1).

Berthon, Ewing, and Hah (2005) develop a 25-item scale to assess employer attractiveness. They base their initial 32 items on Ambler and Barrow’s three employer brand dimensions and additional information gained from interviews with six focus groups of students at an Australian university. They use a sample of 683 students for their exploratory factor analysis and find a five dimensional solution: *development, application of previous knowledge, economic, social, and interest* (Berthon, Ewing, and Hah 2005). The authors point out that the study has two major limitations: First, “undergraduate students are likely to have limited relevant employment experience compared to ‘typical’ job seekers with a lack of expertise in job search activities” (Berthon, Ewing, and Hah 2005, p. 168). As Wells (1993) explains, the external validity and generalizability of findings based on student samples is threatened due to the non-representativeness and special characteristics of the population (Wells 1993). This concern is especially relevant in the context of employment as students lack labor market experience. Hence, the application of a scale based on student interviews likely neglects aspects that are relevant for actual employees and thus calls for further investigations. Second, as employment is subject to cultural differences, results based on an Australian sample are not transferrable to other populations.

Srivastava and Bhatnagar (2010) build upon previous and additional qualitative research to develop a 20-item scale that is reduced from 72 initial items in the research process. An eight-factor solution results based on an exploratory factor analysis with 105 student and working manager respondents. This so far most detailed solution seems to suit the complexity underlying employment situations and aspects influencing employment decisions very well. However, the major limitation of this

TABLE 1
Limitations of Previous Approaches to the Measurement of Employer Brands

Author (Date)	Identified Dimensionality	Research Design	Limitation
Employer Branding			
Ambler and Barrow (1996)	3 Dimensional Solution: <i>Functional, Economic, Psychological</i>	Exploratory, Qualitative, British Managers (n=27)	“This paper is exploratory but we believe there is sufficient underlying strength in the Employer Brand concept to warrant further investigation.” (Ambler and Barrow 1996, p. 202)
Berthon, Ewing and Hah (2005)	5 Dimensional Solution: <i>Development, Application, Economic, Social, Interest</i>	Quantitative, Australian Student Sample, 25-item Scale (n=683)	“Undergraduate students are likely to have limited relevant employment experience compared to ‘typical’ job seekers with a lack of expertise in job search activities” (Berthon, Ewing and Hah 2005, p. 168)
Srivastava and Bhatnagar (2010)	8 Dimensional Solution: <i>Caring, Enabling, Career Growth, Credible and Fair, Flexible and Ethical, Product and Service Brand Image, Positive Employer Image, Global Exposure</i>	Quantitative, Indian Student and Managers Sample, 20-item Scale (n=105)	“Since employer brand is a multidimensional construct it was not possible to study each and every aspect of it” (Srivastava and Bhatnagar 2010, p. 28)
Organizational Attractiveness			
Highhouse, Lievens and Sinar (2003)	3 Dimensional Solution: <i>Company Attractiveness, Intentions to Pursue, Prestige</i>	Quantitative, American Undergraduate Student Sample, 15-item Scale (n=305)	“The primary implication of this finding is that the generic ‘organizational attraction’ concept in recruitment research may need to be supplanted with a more multivariate conception of dependent variables.” (Highhouse, Lievens and Sinar 2003, p. 998)

study is that it does not ground on a full-content measurement scale: “Since employer brand is a multidimensional construct it was not possible to study each and every aspect of it” (Srivastava and Bhatnagar 2010, p. 28). Consequently, the use of a full-content measurement scale may lead to an even more elaborate factor solution.

Highhouse, Lievens, and Sinar (2003) establish a 15-item scale to measure organizational attractiveness. Employer branding and organizational attractiveness are closely related concepts. An employer value proposition is perceived and evaluated based on the attractiveness of an organization, and vice versa. Therefore, the dimensionality of both concepts should be consistent (Edwards 2010). This is not the case, as the three factor solution based on the 305 American student respondents reveals: *company attractiveness, intentions to pursue, and prestige*. As this conceptualization misses several relevant contents, the authors point out that “[...] the generic

“organizational attraction” concept in recruitment research may need to be supplanted with a more multivariate conception of dependent variables,” (Highhouse, Lievens, and Sinar 2003, p. 998).

The previous descriptions show that “the literature on employment branding is in its relative infancy” (Edwards 2010, p. 19). The scholarly research lacks a valid and reliable full-content measurement scale for the construct of employer branding. For this reason, the research at hand addresses this issue and overcomes previous limitations with respect to the several aspects:

- ◆ We conduct an extensive review both of academic as well as practitioner’s literature and qualitative interviews in the item generation process.
- ◆ We develop a full-content measurement scale based on the elaborate item generation.

- ◆ We survey an all-employee sample with sufficient labor market experience.
- ◆ Our survey grounds on a European sample that allows us to control for cultural differences in comparison with previous analyses.

DEVELOPING AN EMPLOYER BRAND MEASUREMENT SCALE

Subsequently, we describe the research process executed to derive the employer brand measurement scale, the research design, and major results.

Item Generation

Following the previous specification of the construct domain, the process of developing measures of marketing constructs calls for the generation of a comprehensive and representative set of items (Churchill 1979). To do so, we generated a set of relevant items in a first step, translated and categorized the items in a second step, and eliminated redundancies in a third step.

First Step. For the measurement of the employer brand construct we accumulated items from three sources: Academic literature, practitioner's literature, and qualitative interviews. We gathered items from 24 scales related to employment from the academic fields of employer branding, organizational attractiveness, psychology, human resources, vocational behavior, organizational behavior, and general management. To overcome previous limitations of only considering student's perspectives, we monitored that a sufficient number of the investigated scales relied on employee perspectives. Furthermore, we employed items from 10 scales developed by practitioners such as consultancies and market research institutes. Finally, we conducted semi-structured in-depth interviews with marketing and human resources managers to capture the employer perspective. A pool of more than 500 items emanated from this approach.

Second Step. If required, the items were translated to German in a double-blind review process and discussed for their clarity by the research team. Then, in order to handle the large number of items, we assigned each trait to one category according to its content. For example, we allocated the two items referring to rewards, "*annual cash compensation is high*" and "*rewarded for my individual contribution,*" to the two categories *rewards* and *performance-based rewards* (Michaels, Handfield-Jones and Axelrod 2001). Again, we conducted this procedure in a double-blind process and assessed the results for their consistency afterwards. By using this approach we ensured reaching our primary objective to develop a full-content measurement scale.

Third Step. Based on the developed categorization, four academic experts identified redundancies within the categories in a double-round approach. Simultaneously, the research team discussed the content and face validity of the items. To purify the measure (Churchill, Jr. 1979), we executed a pretest (n=90) and assessed the item correlations (Nunnally and Bernstein 2008). At the end of this process, an 85-item non-redundant scale remained.

Research Design

To collect the data, we designed a self-administered online questionnaire. We used a 7-point Likert scale to enable sufficient levels of variance (Backhaus 2008). As previous research suggests, "[. . .] familiarity with the organization [is] [. . .] a relevant condition to assess the perception about the employer brand in the questionnaire [. . .]" (Srivastava and Bhatnagar 2010, p. 29). For this reason, we asked the respondents to evaluate their current employer based on the presented 85 items. Additionally, we inquired standard demographical data as well as the company's affiliated industry, the employee's length of affiliation with the company, and the employee's employment status. We distributed the online questionnaire through the social business network *Xing*, the German equivalent of *LinkedIn*, where we posted the link in different forums. As an incentive to participate, we offered the possibility to sign up for a lottery of 40 gift vouchers.

From initially 491 individuals accessing our online survey, 229 finished the online questionnaire. This corresponds to an effective response rate of about 45 percent. After cleaning, a sample of 223 employees remained. To ensure sufficient homogeneity of the sample, we targeted employees with a college education (Hair et al. 2010).

Data Analysis

As an initial step in the analysis process we evaluated the correlation matrix to test for internal consistency and to assess the quality of the data, which we found suitable in terms of item-to-total correlation, variance, and item means (DeVellis 2009). We then used a principle components factor analysis with varimax rotation. We deleted items that loaded on two factors and those that did not reach a minimum factor loading of .5. In doing so, we reduced the initial 85 items by 33 items, which left a 52-item scale for the analysis. The resulting 12-factor solution (see Table 2) is based on the following criteria: all 12 factors had eigenvalues greater than one, the Scree plot showed a significant dip following the 12th factor, the 12-factor solution explained a high level of variance (73 %), and the factors had the highest informative value and meaning. Cronbach's alpha was .944 for the 12-factor solution which satisfied the above 0.70 criterion (Nunnally and Bernstein 2008). Also, we calculated Cronbach's alphas for all factors that were derived from the 52-item

TABLE 2
Factor Loadings and Reliability Analysis

	1	2	3	4	5	6	7	8	9	10	11	12	Alpha	
EB_75	.748					Factor 1: Culture & Communication							.928	
EB_58	.727													
EB_59	.707													
EB_77	.698													
EB_63	.688													
EB_64	.664													
EB_76	.617													
EB_18	.611													
EB_74	.610													
EB_19	.601													
EB_29	.513													
EB_49		.736				Factor 2: Team Spirit							.904	
EB_52		.734												
EB_51		.709												
EB_50		.681												
EB_62		.676												
EB_53		.671												
EB_60		.620												
EB_12			.750			Factor 3: Tasks							.862	
EB_14			.740											
EB_16			.704											
EB_15			.690											
EB_13			.675											
EB_11			.526											
EB_35				.893		Factor 4: International Career & Environment							.923	
EB_32				.866										
EB_34				.863										
EB_33				.823										
EB_71					.847			Factor 5: Benefits					.807	
EB_70					.822									
EB_68					.656									
EB_69					.598									
EB_47						.806		Factor 6: Reputation					.867	
EB_46						.780								
EB_48						.730								
EB_45						.721								
EB_83							.901	Factor 7: Work-Life-Balance					.742	
EB_82							.866							
EB_84							.551							
EB_78		Factor 8: Training & Development						.811						.724
EB_79							.747							
EB_80							.736							
EB_25		Factor 9: Diversity							.754					.701
EB_26								.749						
EB_27								.681						
EB_56		Factor 10: Customers								.817				.711
EB_57									.804					
EB_65		Factor 11: Autonomy									.722			.703
EB_66										.694				
EB_23		Factor 12: Corporate Social Responsibility (CSR)										.574		.830
EB_22												.537		

* Principal Component Analysis with Varimax Rotation and Kaiser Normalization. Rotation converged in 9

In order to increase readability, items with factor loadings <.5 are not shown in the chart above.

TABLE 3
Factors and Item Examples

Factor	Item Example
1. Culture & Communication	“a clear organizational culture” (EB_58) “communication with the employees is important” (EB_74)
2. Team Spirit	“strong team spirit among coworkers” (EB_49) “a fun working environment” (EB_50)
3. Tasks	“diverse tasks” (EB_16) “diverse skills are needed to fulfill the tasks” (EB_13)
4. International Career & Environment	“international career opportunities” (EB_33) “international work environment” (EB_35)
5. Benefits	“adequate basic salary” (EB_68) “good additional benefits” (EB_71)
6. Reputation	“good public reputation of the company” (EB_45) “it is good to have the company on your résumé” (EB_47)
7. Work-Life-Balance	“good work-life-balance” (EB_83) “possibility to comply with personal and family matters” (EB_82)
8. Training & Development	“diverse training offers” (EB_78) “skill development is a continuous process” (EB_80)
9. Diversity	“diversity within the team” (EB_26) “equal rights for men and women” (EB_25)
10. Customers	“interesting customers” (EB_56) “intense customer contact” (EB_57)
11. Autonomy	“employees have a lot of autonomy” (EB_65) “new employees quickly take responsibility for their work” (EB_66)
12. Corporate Social Responsibility	“social commitment” (EB_22) “dedication to the environment” (EB_23)

scale. All alphas were greater than .7 and all items attributed to the different factors had high item-to-total correlations.

The 12-factor solution (see Table 3) emphasized that drawing upon psychological contract and personality theory is appropriate. Relational aspects were represented by the factors *team spirit* and *diversity*. The factor *benefits* related both to transactional aspects of the psychological contract theory as well as to instrumental characteristics of the personality theory. Here, *reputation* represented symbolic characteristics.

The resulting factors accounted for the fact that employment situations encompass diverse aspects that were mapped in the multidimensional solution. Also, the analysis resulted with a detailed and meaningful array of components which can be used to draw managerial implications for the definition of the employer value proposition and to distinguish the employment situation in a given company.

DISCUSSION

In the present research we developed a comprehensive measurement scale for the employer brand construct.

The identified 12-factor solution was a refinement and extension of previously derived factor solutions and showed a high informative value. With our research, we contributed to the knowledge on employer branding in a twofold way: First, we helped to add more substance to the academic theory on employer branding. By overcoming limitations of previous proposals for the measurement of the employer brand construct we provided substantial groundwork for future investigations in the academic research on employer branding. We conducted an extensive item generation process in order to ensure capturing all aspects relevant for the employer brand construct and collected data from an employee sample with the crucial labor market experience. Therefore, we established a solid conceptualization upon which researchers in a variety of disciplines, e.g., marketing, human resources, management, advertising, or organizational behavior, can ground further investigations. Second, by advancing the knowledge in this fairly new field of research, we provided valuable insights for practitioners. Companies have to market toward employees, one important stakeholder group, what makes working for their company a desirable experience. As our factor solution showed the scope of relevant content dimensions, management can consider these in the pursuit of employer branding objectives. Thus, a professional and successful design of employer brands can emanate.

Limitations

The scope of our research has a few limitations. As we regarded one sample of employees only, the robustness of the 12-factor solution remains to be established by surveying another independent set. Moreover, while the sample size of 223 was sufficient for our present purpose, a bigger sample would be desirable for further generalization and validation.

With respect to statistical methods, we did not yet apply structural equation modeling to confirm our factor solution (Aaker and Bagozzi 1979). Also, our first factor encompasses both items referring to *communication* as well as to *culture*. We did not test if the 11 items would load first on two first-order factors “nested” within the second-order *culture & communication* factor. We would also need to reassess this solution through confirmatory factor analysis (Brakus, Schmitt, and Zarantonello 2009). Furthermore, our analysis did not encompass an assessment of convergent and discriminant validity. To evaluate whether the construct behaves as expected, an integration into a nomological net, to see to what extent the construct differs from other related constructs, is needed in subsequent steps (Cronbach and Meehl 1955). The nationality of our respondents was almost exclusively German. For this reason, we were not able to control for cultural differences. However, as employment situations are subject to cultural differences, the factor structure would also have to be reassessed in different national settings. In this first research stage, we did also refrain from checking for

possible differences between varying segments, e.g., men and women or age groups. This differentiation could yield useful managerial implications for the targeting of different segments of employees.

Future Research

To cope with the challenges of today’s turbulent business surroundings, companies need to be able to recruit and retain qualified employees that find ways to tackle these challenges. Therefore, additional knowledge about the impacts of the established employer brand dimensions is in demand. Based on our multidimensional solution, testing hypotheses about links between the 12 factors and several outcome variables, either from the perspectives of employees or employers, will be valuable. For example, relations between the different dimensions and variables such as the overall organizational attractiveness, the organization’s reputation, candidate’s intentions to apply at a certain organization, job satisfaction, pride taken in working for an organization, or the attitude toward an organization can be derived from surveying potential or current employees. Variables such as the number of applications, the quality of applications, the extent of successful hiring, employee commitment, or the number of referrals and their dependency on the different dimensions can be investigated based on data gathered from employers. The latter variables serve as key performance indicators for companies to assess the effectiveness and efficiency of their employer branding efforts. Finally, the investigation of antecedents of employer brand value is in demand.

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TO RESPOND OR NOT TO RESPOND: THE EFFECTIVENESS OF ORGANIZATIONAL RESPONSES TO NEGATIVE ONLINE REVIEWS

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SUMMARY

Research on complaint management has emphasized the importance of service recovery. A well-executed recovery effort is not only capable of influencing customer satisfaction positively, but can also convert dissatisfied customers into satisfied and loyal ones (Sparks and McColl-Kennedy 2001; Tax et al. 1998). Customer satisfaction after a service recovery depends on their *fairness perception* (i.e., the extent they perceive themselves being treated fairly compared to other customers, the extent they perceive that the output is in balance with the input) and *attribution of accountability* (i.e., the perceived causes of success or failure, who is to blame) (Ostrom and Iacobucci 1995; Swanson and Kelley 2001). Research on recovery management has usually measured satisfaction after service failure of the duped customer itself in a one-to-one relationship. With the growing use of the Internet, everybody can post a negative comment online, for everyone with an Internet connection to read. Negative online WOM by a dissatisfied customer due to a service failure, can have serious negative consequences (Wirtz and Mattila 2004), as this can harm brand image, companies' reputations and consumers' attitudes and purchase intentions (e.g., Lee and Youn 2009; Sen and Lerman 2007). Thus, it is one of the major challenges for companies to develop appropriate response strategies to negative eWOM (Hennig-Thurau et al. 2010). Little research exists, however, on how online service recovery actions are perceived by potential customers. When online reviews are read by so many potential customers, it is critical to not only satisfy the initial client, but also to remove barriers with the readers of these online reviews. People who have the intention to buy a service are likely to reconsider their decision after reading negative reviews, especially when these potential customers realize that the organization does not respond properly to these negative comments.

This study provides a better understanding of prospective customers' perceived trust, attitudes and intentions following organizational responses to consumer review sets varying in their degree of negativity. Using a 3 (positive, neutral, negative online review set) x 6 (online managerial response to reviews: no reaction, refutation, apology, apology and promise that it won't happen again,

apology and compensation, apology and promise and compensation) full factorial between-subjects design, the study investigates how a company (in this case, a restaurant) should react to counter different degrees of negative online word-of-mouth, and what kind of response is advisable to regain the trust and business of prospective customers. We argue that the organizational response to word-of-mouth should be stronger when the relative amount of negative reviews is higher, because this may affect the reader's attribution of accountability and influence his or her perception of fairness of the recovery response.

When the number of positive reviews outweighs the number of negative reviews, we hypothesize that no reaction from the organization is necessary. Based on the social validation theory (Cialdini 1993), the reader may attribute the accountability to the complaining customers, instead of the service provider: "some people are just niggers." Our results showed that there are no significant differences in terms of perceived trust, attitude and purchase intention between the different response strategies ($p > .999$). Due to the fact that the negative word-of-mouth is outnumbered by positive comments, the readers believe that the service failure would not reoccur, thus offering an apology or even a compensation to the dissatisfied customer (e.g., Smith et al. 1999), would not enhance the purchase intention of the reader.

When the number of positive and negative reviews are equal, it is more difficult to assign accountability and thus to evaluate whether justice is served. Our results revealed that both the apology and promise strategy ($p < .001$) and the apology, promise and compensation response ($p = .002$) result in a significantly higher perception of trust than refutation. The combination of an apology and a promise also results in the most positive attitude and purchase intention score, which differs significantly from refutation ($p_{ATT} = .023$, $p_{INT} = .013$). These results indicate that the apology-promise response significantly enhances trust, attitude and purchase intention. However, offering compensation on top of an apology and a promise does not significantly improve attitude and purchase intention scores. According to the justice theory, perceived distributional justice will be optimal when there is a balance between the input and the output. When the

outcome of the recovery is more substantial than the damage experienced, people may feel guilty and less comfortable to accept the compensation (Spreng et al. 1995). As the opinion of the customers is divided, it is possible that the reader is in doubt of who is accountable and perceives the failure as less severe. Assurance of a fair service in the future is enough to enhance the perceived trust, attitude and purchase intention of the prospective customer.

When the number of dissatisfied customers is higher than the number of satisfied ones, it is easy to blame the service provider for the failure. Our findings showed that compared to the refutation strategy, the apology and compensation strategy ($p = .045$) and the apology, promise and compensation strategy ($p = .002$) significantly enhance the perceived trust in the manager. The apology, promise and compensation strategy results in significantly more positive attitude scores than no reaction ($p = .049$), refutation ($p = .034$) and even apology ($p = .002$) responses. In terms of purchase intention, also the apology, promise and compensation response results in the highest scores, but only significantly different from refutation ($p = .011$) and apology ($p = .006$) responses.

In conclusion, our findings suggest that different response strategies are needed depending on the ratio of the positive and negative reviews, to increase the perceived

trust, attitude and purchase intention of readers of online reviews. When the reviews are mostly positive, no reaction is needed to counter the few negative comments. When the balance is neutral, an apology combined with a promise that the failure will not happen again appears to be the appropriate thing to do. Offering compensation in this situation is found to be unnecessary (from the bystander's perspective). Finally, when the majority of reviews are negative, not only an apology, but also a promise and compensation is desirable to convince the readers that the service is actually worth considering. One of the **limitations** of this study is that we use evaluation scores without any text as a review to ensure the internal validity of the study as it standardizes the service evaluation (Wirtz and Mattila 2004). This may make it more difficult to understand the context of the problem and to form judgment only based on the evaluation scores. Further research can include both scores and review text to investigate what the most appropriate response is. Another limitation of this study is that we used four reviews to represent the concept of balance. It is possible that the results will alter with altering numbers of reviews (Chevalier and Mayzlin 2006). Further research could investigate to what extent the number of reviews affects readers' perception of justice and how the organization needs to respond. References are available upon request.

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ONLINE AND TRADITIONAL USER-CENTERED PRODUCTION IN NEW PRODUCT DEVELOPMENT: THE IMPACT OF TIMING AND MARKET CONDITION

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SUMMARY

For over fifty years, the legitimacy of marketing in the world of business has been grounded in its capacity to orientate production toward consumer desires. Central to this quest is an understanding of customers' needs and wants in relation to new products. This understanding can be generated through user-centered production (UCP) which captures consumers' involvement in the production of a firm's offering.

Yet research has not, to our knowledge, addressed the effects of different types of UCP on new product success. Particularly, the effect of online UCP on new product success has been neglected despite more and more companies replacing traditional UCP with online UCP. Online UCP is typically aimed at facilitating direct conversations with customers to obtain their feedback and improve and develop new products. Microsoft, for example, used to regularly fly industry experts and customers to its campus in Washington to discuss new product ideas. Managers regarded this as the most effective way to directly hear from customers what they thought about a new product. More recently, companies have discovered that online UCP can be more effective and efficient in increasing new product success. But under what circumstances should firms engage in online UCP rather than in its more traditional counterpart?

The objective of this study is to answer this question and thereby explore the trade-offs associated with online and traditional UCP under different boundary conditions. We specifically hypothesize that online and traditional UCP differ in their effects on new product success

depending on whether they are employed in the invention or innovation phase of the NPD process. We further predict that the effect of UCP on new product success varies according to the market condition under which this marketing strategy is used (stable or dynamic markets).

Matched data from 128 marketing managers (reporting on UCP strategies) and 128 financial managers (reporting on the new product performance measures), analysed through a moderated multiple regression, indicate that there are circumstances under which both online and traditional UCP have detrimental effects on new product success. The results suggest that depending on when UCP is employed and under what market conditions, it can undermine new product success. Specifically, a negative effect of UCP on new product success emerges if it is used in the innovation phase of the NPD process as well as under dynamic market conditions. In contrast, UCP can improve new product success if employed in the invention phase of NPD. This is the case for both online and traditional UCP, except under stable market conditions. Under stable market conditions, UCP is detrimental if employed in the invention phase, but beneficial if employed in the innovation phase.

Thus, the study shows that both online and traditional UCP have, under different circumstances, the potential to adversely affect new product success. Simply replacing traditional UCP with online methods seems not to be the answer. Rather, managers should employ the right type of UCP under the right circumstances. Our findings provide suggestions on how managers can use UCP to generate consumer insight and increase new product success.

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SENDING THE RIGHT SIGNALS? IMPACT OF TRUST AND INTERACTIONS WITH BRAND SIGNALS ON PURCHASE INTENTION

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SUMMARY

After the financial crisis of 2007 and 2008 Europe's economy faced a sharp downturn. In those times, and empirical studies provide some proof for that, consumers seem to change their consumption behavior due to a decline of trust. Consumers will be more prudent regarding their spending and will make purchase-adjustment decisions (Lamey et al. 2007). Additionally, research shows that most of consumer behavior is goal-directed and brands can serve as a means to an end (Bagozzi and Dholakia 1999; Baumgartner and Pieters 2008). Consumers evaluate the suitability of a brand and hence make their brand choice by assessing the contribution of the brand to achieve their goal. In line with information economics, consumers will not always be able to complete this assessment process (Kirmani and Rao 2000) due to asymmetric information situations. Thus brand managers are faced with the challenge to build and maintain trust. Since the emergence of relationship marketing in the 1980s the concept of trust has experienced considerable interest in marketing literature and empirical research (Sirdeshmukh, Singh, and Sabol 2002). According to Moorman, Zaltman, and Desphandé (1993) the concept of trust comprises trusting beliefs as well as trusting intentions. Researchers therefore imply that measuring trusting beliefs is sufficient (Morgan and Hunt 1994). Current research points out that a more differentiated view on trusting beliefs and trusting intentions is advisable (Schlosser, White and Lloyd 2006).

This paper picks up this conclusion. We provide a framework to examine trusting beliefs and intentions. Further we investigate how trust may work in concert with the signaling variables reputation and open communication. This paper is divided into three studies. First we develop our basic model taking trusting beliefs with respective dimensions of trust into consideration. We embrace the brand choice situation as consumers have to trust that one brand will outperform others and therefore chose four respective trust dimensions and measure the impact on purchase intentions (*Study 1*). Trust will lead to a positive brand behavior (Luk and Yip 2008) as the dimensions of trust, all of which are positive stimuli, will cause the customer to show a positive trusting intention. Second, we integrate two marketing signals, namely open

communication and reputation, as variables into our model (*Study 2*). For well-known brands the consumer has an established perception of trust. Therefore it is likely that ongoing signals will interact with trust dimensions. Furthermore, as Schlosser, White, and Lloyd (2006) conclude, it is important to separate signals from their interpretations. Consumers will interpret signals in their own way. Therefore, we add signaling variables as perceived by the customer to our model. Firms need to know which signals work most efficiently to deploy the benefits of trust. Drawing back to the goal-directed nature of consumer behavior (Bagozzi and Dholakia 1999), consumers will differ regarding the extent of goal desirability and importance. Thus, we apply group comparison in *Study 3*. Trust will be more vital in situations of high goal desirability as the consumer is more vulnerable. Following Baumgartner's and Pieters' (2008) argumentation purchasing a certain brand is usually not a goal, but it becomes a goal when the consumers tries to adhere to his principles and desires an outcome that can be realized by buying the brand.

An empirical Study among 356 participants, ranging from the age of under 20 and over 61, serves as a basis for our research. The survey was provided as an online questionnaire in Germany from June to August 2009, a period coined by the financial crisis in 2008. The questionnaire focused on functional food. The brand *Becel* serves as unit of analysis as it promotes heart-healthy products and therefore is applicable to a goal directed consumer behavior context. This investigation applies partial least squares (PLS) analysis with SmartPLS 2.0.M3 (Ringle, Wende, and Will 2005). Our survey design leads to smaller groups, thus the usage of PLS is appropriate (Reinartz et al. 2009). We assessed the adequacy of the reflective measurement model by examining individual item reliabilities, convergent validity of the measures, and the discriminant validity and predictive relevance, as well as the unidimensionality of the measures (Sarkar et al. 2001). The structural model shows adequate levels of explained variance and demonstrates sufficient predictive validity (Gefen, Straub, and Boudreau 2000; Fornell and Bookstein 1982). Estimations of the Variance Inflation Factor demonstrate the absence of multi-collinearity.

Results of *Study 1* reveal that trust dimensions, expect benevolence, significantly predict purchase intentions. Results of *Study 2* show that both signaling variables have a significant impact on purchase intention. Before examining interaction effects in *Study 2* we standardized indicators (Chin, Marcolin, and Newsted 2003). We found credibility and integrity interacting significantly with both signaling variables. If the brand communicates openly with clients, the effectiveness of credibility as a dimension of trust can be intensified. The interaction term of integrity and communication leads to a negative path coefficient, indicating that the more open the brand communicates, the role of integrity diminishes. Further, benevolence can only be confirmed by other consumers in the market as we found a positive interacting effect with reputation. In *Study 3* we subdivided survey participants into two groups depending on their age. Chambers et al. (2008) demonstrate that age is a significant variable in

food choice behavior. We chose the average of 40 years as appropriate dividing criterion. This approach resulted in a group of 120 subjects older or equal 40 (M_1) and a group of 238 subjects younger than 40 (M_2). We find significant differences in terms of hypotheses testing and strength of path coefficients. Mainly credibility emerged as key dimension in the elder subsample M_1 . When adding communication and reputation in *Study 2* only reputation has a significant effect on trusting intentions in M_1 . For M_2 the integrity relation turns out to be insignificant and communication has a direct and interacting effect with credibility on purchase intentions. In conclusion, our findings imply that trusting beliefs do not necessarily lead to higher trusting intentions. Trust works in more complex ways, such as signaling variables can strengthen or bring trust into effect. After controlling for vulnerability we find differences in the mechanisms of trust. References are available upon request.

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EXTENDING SERVICE BRANDS: DOES THE EXTENSION CATEGORY MATTER?

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SUMMARY

Brand extensions, that is the “use of established brand names to launch new products” (Völckner and Sattler 2006, p. 18), where a service brand is extended into manufactured products (service-to-product extensions) are well established in managerial practice. For example, the software company Microsoft extended into game pads, the coffeehouse chain Starbucks now sells instant coffee, and Weight Watchers, known as providing weight management services introduced a food line. The Viennese hotel Sacher, originally operating in the hotel and catering business, makes over 30 per cent of its turnover with the sales of cakes and sweets all over the world. These examples show that service brands that extend into manufactured product are not a marginal phenomenon but can have a major financial impact for service providers.

Despite their high managerial relevance, scholarly research on extensions of service parent brands has largely ignored effects of the extension category (being product- or service-dominant) on determinants of brand extension success. While a number of studies analyze extensions from service brands into other services (e.g., de Ruyter and Wetzels 2000; van Riel, Lemmink, and Ouwersloot 2001; Völckner et al. 2010), there is a lack of research on extensions of service brands into manufactured products. Against this background, this study focuses on the key success drivers of service brand extensions; in particular, it investigates if an extension into products or into other services influences consumers’ extension evaluations and the kind and relevance of various success drivers.

The conceptual framework includes three groups of potential drivers of success: extension-, parent brand-, and consumer-level characteristics. The extension level refers to consumers’ perceptions of the link between the parent brand and the extension. The model thus includes the perceived fit between the parent brand and the extension (e.g., de Ruyter and Wetzels 2000; Hem, de Chernatony, and Iversen 2003; Martínez and Pina 2005; van Riel, Lemmink, and Ouwersloot 2001; Völckner et al. 2010). Drivers of success on the parent brand level refer to consumers’ perception of and relationship with the parent brand; in the framework, this level includes the

impact of the perceived quality of the parent brand (e.g., Erdem and Swait 1998; Montgomery and Wernerfelt 1992) and parent brand conviction (e.g., Hem and Iversen 2003; Völckner et al. 2010). Finally, success factors on the consumer level refer to consumer characteristics independent of the parent brand, such as consumers’ innovativeness (e.g., Hem, de Chernatony, and Iversen 2003; Klink and Smith 2001) and general brand reliance (e.g., DelVecchio and Smith 2005; Shachar et al. 2011; Völckner and Sattler 2006). Furthermore, the framework explicitly considers extension category, whether a service or a product, as a potential driver of service brand extension success and moderator of the relationship between brand-/consumer-level drivers of success and perceived extension quality.

The conceptual differences between service brand extensions into services and manufactured products are explained by their different share of search, experience, and credence properties (Darby and Karni 1973; Nelson 1970). Based on signaling theory, it is hypothesized that both, parent brand level characteristics and consumer characteristics are more important when service brands extend into services.

The results show that the extension category has a direct influence on consumers’ quality evaluations; all other factors being equal, extensions from service brands to products prompt better evaluations than extensions to services. In addition, the success drivers of service brand extensions differ in kind and degree with regard to products versus services. For extensions to products, a basic model featuring fit and parent brand quality applies; for services though, brand reliance also has a positive and parent brand conviction has a negative influence.

The results of the study complement and clarify undifferentiated notions about drivers of brand extension success from previous research that has considered service-to-service brand extensions. The findings strongly encourage researchers to consider systematically whether a service brand extension entails products or services when they develop their frameworks. References are available upon request.

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RECIPROCAL EFFECTS OF RETAILERS' CORPORATE REPUTATION AND STORE EQUITY

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SUMMARY

In recent years, retailers have been focusing increasingly on their reputation as well as on their positioning as a brand (Ailawadi and Keller 2004; Grewal, Levy, and Lehmann 2004). Starbucks, for example, invests in corporate reputation (e.g., ethics, responsibility) and in their global brand. While it is commonly agreed in literature that corporate reputation addresses several stakeholder groups, we focus on customers' associations of a corporation according to Walsh and Beatty (2007, p. 129), and on retail store equity as the consumer's awareness and image of the store (Verhoef, Langerak, and Donkers 2007, p. 100). Corporate Reputation and retail store equity are located at different organizational levels and are important intangible assets (Jinfeng and Zhilong 2009). Retailers try to attract consumers at different organizational levels, thus the focus of this study is on the interaction effects between two levels: consumer-based retail corporate reputation and retail store equity.

In detail, we investigate three **research questions**: (1) Do corporate reputation and retail store equity have a reciprocal relationship? (2) Does corporate reputation draw more strongly on favorable retail store equity or vice versa? (3) Does corporate reputation or retail store equity make a greater contribution toward consumer behavior? The answers to these questions contribute to retailing research on the relationship between consumers' associations regarding entities both at a corporate and at a store level. This study, therefore, goes beyond the scope of studies examining the relationship between entities at one level, e.g., corporate reputation and corporate image (Nguyen and Leblanc 2001). Second, we pick up a crucial statement by Stanley and Sewall (1976), who suggested that consumers' perceptions of a retail chain may be a function of the perceptions of a retail store and vice versa. Thus, we enhance the existing knowledge of studies that consider unidirectional impacts in retailing (e.g., Helgesen, Ivar Håvold, and Nettet 2010). Third, we provide insights into possible methods for analyzing bidirectional relationships with a cross-sectional, a longitudinal, and an experimental design. For managers, this study is of interest because they act at both a corporate and a store level. Hence, managers should know how the two levels are interrelated and how they affect consumers' behavior.

We use schema **theory** to hypothesize (1) the reciprocity between corporate reputation and retail store equity and (2) the effect of corporate reputation and retail store equity on store loyalty, whereas we suppose that the effect of retail store equity on store loyalty will be stronger than that of corporate reputation on store loyalty.

Study 1 (cross-sectional design) is based on a consumer survey with evaluations of one DIY retailer in 30 cities (via quota sampling acc. to gender and age, $N = 5,626$). All scales in the consumer survey are based on previous studies (rated on seven point Likert-type scales) and have been tested on reliability and validity. Corporate reputation is measured according to Walsh, Beatty, and Shiu (2009), retail store equity according to Verhoef, Langerak, and Donkers (2007; see also Keller 1993), and store loyalty according to Sirohi, McLaughlin, and Wittink (1998). We included several antecedents of corporate reputation and retail store equity as instrumental variables. This is a methodological requirement in nonrecursive models analyzing a reciprocal relationship (Kline 2010, p. 156). The fit values of the confirmatory model and the structural models using Mplus are satisfactory. Possible rival models are worse with regards to model fit and thereby support the proposed model. Regarding the assumption of reciprocity, the effect of corporate reputation on retail store equity is positively significant, as is the effect of retail store equity on corporate reputation. The results also support the assumption that retail store equity has a stronger positive impact on store loyalty than corporate reputation.

Study 2 (longitudinal design) is based on a consumer survey with evaluations of grocery retailers in one city (via quota sampling acc. to gender and age, $N = 627$). Two hundred nine respondents have been interviewed during three waves over a period of 12 months. We used the same operationalization as in Study 1 to measure corporate reputation, retail store equity, and store loyalty. Measurements were tested for reliability and validity. The fit values of the confirmatory model and the cross-lagged design (following Finkel 1995) of the structural equation model are satisfactory. The assumption of reciprocity between corporate reputation and retail store equity is supported as both affect each other positively over time. The results also support the assumption that retail store

equity has a stronger positive impact on store loyalty than corporate reputation, because corporate reputation has no significant effect on store loyalty, whereas the effect of retail store equity on store loyalty are significant.

Study 3 (experimental design) is based on a 2 (fictional and real retailer; to exclude possible effects that may result from shopping experience and brand knowledge and to provide internal validity) x 3 (control, corporate and store message) design (via quota sampling acc. to gender and age, N = 165 fictional retailer setting, N = 167 real retailer setting, same operationalizations as in studies 1 and 2). The cover stories (neutral, corporate and store message) were structured identically and contained

information on the retailer while providing a corporate and a store message. With the exception of the control group (neutral message), we included positive manipulations for the corporation (corporate message manipulated) and the store (store message manipulated). Manipulation checks showed that the manipulations worked well. The results based on regression analysis for both the fictional and the real retailer setting finally revealed the reciprocity between corporate reputation and retail store equity.

Summing up, consumers' perceptions of a retail company are a function of the perceptions of retail stores and vice versa. References are available upon request.

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THE ROLE OF LOCAL COMPETITION ON RETAIL BRAND EQUITY AND STORE ACCESSIBILITY EFFECTS

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SUMMARY

Since local competition strongly determines not only customers store choice, but also patronage and success of a store, this study examines the effects of retail brand equity and consumers perception of a store's location on store loyalty, while taking local competition into account (consumer perceptions and objective data). Retailers know that customers' store loyalty depends on the strength of the retail brand (Ailawadi and Keller 2004) as well as on attractive, convenient, accessible store locations (Pan and Zinkhan 2006). However, some retailers see store location as the most important driver of long-term success (Ghosh and Craig 1983), while others, like IKEA, built up a strong retail brand which attracts customers to drive far to reach their stores. Thus, for chain store retailers, especially those located in suburban areas, it is necessary to understand how their brand equity and accessibility interact in influencing consumer behavior. In particular, retailers need to know how these effects are affected by local competition.

In detail, we analyze the following **questions**: (1) How do consumers perception of retail brand equity and store accessibility determine store loyalty? (2) Can store accessibility positively draw from strong retail brand equity? (3) How are the effects of consumers' perceptions regarding a focal retailer affected due to changing objective local competition? Answering these questions, these study follows the calls of Grewal, Levy, and Lehmann (2004) for more research on retail branding, the call of Grewal, Levy, and Kumar (2009) for more recent studies addressing location issues, and the call of Peterson and Balasubramanian (2002) to research determinants of consumers' store loyalty.

We draw from three **theoretical** streams, in particular those that are concerned with how perceptions of retailers as a brand and perceptions of store accessibilities affect consumer behavior under certain competitive circumstances. We refer to schema theory (Bartlett 1932) in order to explain antecedents of store loyalty (consumers' perceptions of retail brand equity, store accessibility, competitors' retail brand equity, and competitors' store accessibility). We use the theory of allocation of time (Becker 1965) in order to explain the changing effects of

store accessibility on store loyalty due to different local competitive characteristics (competitive intensity and distance to the next competitor). We use the law of retail gravitation (Reilly 1931) in order to explain the changing effects of retail brand equity on store accessibility and store loyalty due to different local competitive characteristics.

The **analysis** is based on a consumer survey with evaluations of a focal DIY retailer and its competitors in 30 cities (via quota sampling acc. to gender and age, N = 4,151) and objective data on competitive intensity and distance to next relevant competitor (information provided by the focal retailer). All scales in the consumer survey are based on previous studies (rated on seven point Likert-type scales) and have been tested on reliability and validity. The fit values of the confirmatory model and structural models using Mplus are satisfactory. Possible rival models fit worse and support the proposed model.

The **results** reveal that retail brand equity and store accessibility have significant positive effects on store loyalty. Accordingly, competitors' retail brand equity and competitors' store accessibility have significant negative effects on store loyalty toward the focal retailer. Furthermore, the focal retailer's retail brand equity has a significant positive effect on store accessibility and has a stronger positive direct effect on store loyalty than store accessibility. The significant effect of retail brand equity on store accessibility empirically supports the conceptualization of Grewal, Levy, and Lehmann (2004). Accordingly, competitors' retail brand equity has a significant positive effect on competitors' store accessibility (.268) and competitors' retail brand equity (-.226) has a stronger negative direct effect on store loyalty toward the focal retailer than competitors' store accessibility. Multiple group structural equation models were applied to test the moderating effects, showing that high *competitive intensity* significantly decreases the effect of store accessibility on store loyalty. Thus, store accessibility of the focal retailer is less important for consumers' store loyalty if there are more shopping alternatives in the area. A high *distance to the next competitor* significantly increases the effect of store accessibility and significantly decreases the effect of retail brand equity on store loyalty (H6 is partly supported). Thus, the larger the distance of the next shopping alternative for a specific good, the more important

store accessibility is and the less important is retail brand equity for consumers' store loyalty toward the focal retailer. However, the fact of competitors being far away may hinder retailers to invest in own stores. But the competitive advantage, based on favorable store accessibility, may disappear if a competitor builds a new store close by. Then the relevance of a strong retail brand image increases with the growing competitive intensity.

Summing up, an attractive store location is still an important driver of long-term success (Gosh and Craig 1983), but a strong retail brand is more important for store loyalty and, in turn, success. Thus, chain store retailers will profit most from a strong retail brand. Thus, retail brand equity can be a source of competitive advantage in light of growing competition (James, Durand, and Dreves 1976). References are available upon request.

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RESEARCH METHOD AND BRAND PERSONALITY SCALE DEVELOPMENT: A RETROSPECTIVE

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SUMMARY

Focus on brand intangibles is an important and relatively unique aspect of branding research (Keller and Lehmann 2005). In recent years, marketing researchers have shifted their interest toward the symbolic meaning consumer attributes to brands (Austin, Siguaw, and Mattila 2003). One important symbolic brand association is brand personality. Brand personality is defined as “a set of human characteristics associated with a brand” (Aaker 1997). The present study undertakes an extensive review of the current state of knowledge regarding brand personality construct. In doing so, we review the literature on brand personality construct studies with a view to (i) analyzing the key methodological issues involved in the development of such scales (ii) discussing dimensional structure of brand personality scales.

Methodological Issues in Developing Brand Personality Scales

Studies of brand personality construct development used both qualitative and quantitative research approaches (e.g., Aaker 1997; d’Astous and Levesque 2004; Helgeson and Supphellen 2004; Sung and Tinkham 2005). The brand personality scale development studies initially started with qualitative approach (like, item generation, and reduction stages) and later on adopted quantitative approach (like, dimensions assessment, reliability, and validity checking). Previous studies generated personality traits using inductive method such as literature review and/or deductive method such as individual interviews, focus group interview. However, we suggest the use of both inductive and deductive approaches generating personality traits as brand personality scale is influenced by context like culture and brand category. Generally, a large number of personality traits were generated in this stage. However, from operational point of view, this large number has to be reduced into manageable number. Previous studies reduced the traits through customer survey and/or expert judgment. Questionnaire based on these reduced personality traits were administered to customers/respondents through random/convenience sampling

procedure. Some studies used student sample to develop the scale (e.g., Sung and Tinkham 2005). However, we suggest diversification of sample for better representativeness, as “the external validity and generalizability of the brand personality scale depended on the subjects on which the scale was measured” (Aaker 1997). Generally, the scale dimensions were assessed by exploratory factor analysis (EFA) and/or confirmatory factor analysis (CFA). However, given the several limitations of factor EFA (for details, see, Ladahari 2010), we recommend the use of both EFA and CFA. Psychometric evaluation of scale dimensions was done through reliability and validity checking. None of the reviewed studies simultaneously examined all three types of validity (i.e., convergent, discriminant, and predictive). However, given the fact that proper validation checking helps to identify a precise and suitable scale, we recommend the use of all three validations; convergent, discriminant, and predictive.

Dimensional Structure of Brand Personality Scale

Aaker (1997) proposed the first brand personality scale of five dimensions, of which three dimensions relate to the Big Five human personality scale dimensions. Her scale dimensions, “sincerity” relates to human personality dimensions “agreeableness” and “conscientiousness,” “excitement” relates to “extraversion,” “competence” captures traits found in “conscientiousness” and “extraversion.” Rest two dimensions, “sophistication” and “ruggedness” do not relate to any of the Big Five human personality dimensions. Aaker, Benet-Martinez, and Garolera (2001) more or less replicate Aaker’s brand personality structure. Several other studies came up with rather different variations (e.g., d’Astous and Lévesque 2003; Sung and Tinkham 2005; Helgeson and Supphellen 2004), but none of them replicated the Big Five structure. The factors responsible to infer the perception of human personality and of brand personality are different. So, in line with the past results, we also do not suggest the resemblance of brand personality scale dimensions with established human personality scale dimensions. References are available upon request.

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REPETITION EFFECTS OF PRODUCT PLACEMENT

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SUMMARY

A predictable effect of the increasing interest in product placement has been the corresponding increase in clutter. Product placement tends to be popular with certain brands that tend to use them consistently and extensively; hence much of the clutter in placements is likely a result of the same brand appearing multiple times within a single movie, television program, or other entertainment vehicle. However, little has been done to understand whether increasing the frequency of placements is actually an effective technique from the perspective of marketing practice. In sharp contrast is the fact that product placement's more mainstream counterpart – advertising – has actually seen substantial research in this area.

This paper addresses the issue of the effect of product placement repetition, specifically that of repeated brand appearances within the same television program. While advertising is similar to product placement as it is a marketing communication message embedded within entertainment, the “within-vehicle” nature of the latter makes it more covert. Product placement can also embody characteristics of celebrity or character-related endorsement, depending on the nature of the placement. Another important difference is that advertising typically provides information, while product placement typically does not have overt informational content. As a result, although there is considerable extant research in the domain of advertising repetition, results from these studies cannot be extended to the domain of product placement without further testing.

The effect of repeated exposures to a stimulus on attitude can be examined from two perspectives – the two-factor theory, also referred to as the habituation-tedium theory (Berlyne 1970; Tellis 1997), and the mere exposure effect (Zajonc 1968). These theories have received considerable attention in advertising research in attempting to explain the effects of ad repetition.

According to the two-factor theory, initial exposure increases familiarity and prompts positive habituation toward the stimulus. However, with increasing number of exposures, tedium (the second factor) comes into play, which has a negative effect. This leads to an inverted-U shaped relationship between the frequency of exposure and attitude. On the other hand, mere-exposure theory claims that individuals can perceive a stimulus as favor-

able solely because they have been exposed to it, regardless of the nature of the stimulus. Moreland and Zajonc's (1977) study revealed that repeated exposure led to a significant increase in both recognition and affect, but the effect on affect was independent of recognition. It has also been observed that stimulus recognition may actually inhibit mere exposure effect; thus this effect is more robust for extremely short exposure times (Bornstein and D'Agostino 1992). Overall, as the frequency of the stimulus increases, so does liking for it, and at extremely high frequencies, this effect flattens. Thus the effect is a function of frequency rather than the stimulus itself. This study tests these theories in order to determine their applicability in the case of product placement repetition.

The sample consisted of two hundred respondents and comprised undergraduate students and members of an online panel. The subjects were randomly assigned to one of ten conditions in a 2 (modality: audio or visual) X 5 (number of exposures: 0, 1, 2, 3, or 4) between-subjects design. The placement vehicle was an episode of a popular television sitcom, which was edited to manipulate the frequency of placement. Pre and post-stimulus measures of attitude toward the brand revealed that a higher frequency of exposure to the brand within the same program significantly and positively increased the magnitude of the viewer's change in attitude toward the brand in the case of a visual placement. However, this was not the case for the audio placement. In addition, mediation analysis revealed that for the visual placement, neither recall nor recognition of the brand placement served as intervening variables between the frequency of placement and the post-stimulus attitude toward the brand placed.

The results support the hypothesis that the mere-exposure effect, wherein a stimulus – regardless of its content – is sufficient to evoke a positive attitude, is a better explanation of the repetition effect of visual product placements than the two-factor theory. However, the repetition effect of audio placements remains unexplained. From the perspective of marketing practice, the concept of effective frequency and the effects of repetition in terms of wear-out are fairly well understood in the case of advertising. In spite of the increasing use of product placement and the prevalence of multiple placements within the same vehicle, the issue of the effectiveness of this strategy has not received much attention. For academic researchers, the results of this study contribute to understanding how consumers respond to repeated expo-

sure of brand messages through a non-traditional communication tactic. The paper discusses limitations of this

study and avenues for future research. References are available upon request.

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IS BRAND EXPERIENCE SIMPLE TO DEFINE? AN INVESTIGATION ON DIMENSIONS OF BRAND EXPERIENCE

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SUMMARY

Firms are increasingly recognizing that brands are most valuable assets (Madden et al. 2006) and the role of brands in everyday consumption is pervasive. Given the considerable research on the various forms of relationships between brands and consumers (Spratt et al. 2009), marketing practice suggests that branding is an effective differentiation strategy enabling a statement of identification for the product, the firm, and the consumer (Schembri 2009). In addition, branding is evolving away from a functional focus and toward recognition of the relationships that consumers have with specific brands. This experiential view of branding is emerging in the brand and marketing literature as an effective and comprehensive way of understanding brand-consumer relationship (Schembri 2009).

According to Chattopadhyay and Laborie (2005), 90 percent of the marketing budget is spent on the brand contact where the brand and consumer come in contact with each other for relationship. New trends in media, technology and society seem to be driving a move toward marketing experiences and not just the functional aspects of their products and services (Schmitt 2009). Recent research on the relationship between a firm and its consumers emphasizes the role of the relationship between the brand and the consumer and its impact on consumers' purchase intentions (Huber et al. 2009)

Brand experience is defined as subjective, internal consumer responses including sensations, feelings, and cognitions as well as behavioral responses evoked by brand stimuli which are part of a brand's design and identity, packaging, communications, and environment (Brakus et al. 2009). This new brand logic is emerging as an experiential branding and acknowledges that brand value can be co-created between the firm and the consumer (Merz et al. 2009). Although numerous researches have been conducted on various branding components, only little research has paid attention to the brand experience which is new concept of branding (Brakus et al. 2009; Zarantonello and Schmitt 2010). Thus, the objectives of this study are: (1) to identify underlying dimensions of brand experiences and (2) to investigate the hypothesized relationships between brand experiences and behavioral intention such as brand loyalty and repatronage intention.

A series of factor analyses and multiple regression analysis were conducted to identify the underlying dimensions of each construct and to test proposed hypotheses. A total of 304 student sample completed self-administered questionnaires to measure their brand experiences.

This study proposed that brand experience is a multi-dimensional construct by finding four more dimensions including communication, brand community, co-creation, and engagement along with existing brand experience scale (sensory, affective, behavioral, and intellectual) proposed by Brakus et al. (2009). The findings confirm that consumers place stronger emphasis on brand engagement, intellectual experience, brand communication, sensory experience, and brand community when they make relationship with brand in behavioral context such as brand loyalty and re-patronage. In addition, it was predicted that consumers involved in co-creating value with a firm are likely to be loyal and re-patronage to the brand. However, in this study, co-creation was not a significant determinant of consumer's behavioral intention. There would be some possible explanation for this finding. First, consumers do not view co-creation as a critical or necessary part of purchasing process since they are not very familiar with this emerging marketing concept. Second, benefits of brand co-creation are not very visible to consumers compared to firms. By interacting with consumers through co-creation process, firms are able to tap into innovative design concepts, accelerate product development, and also create long-term value and brand equity. However, this value seems to be created entirely by the firm rather than being co-created by the firm and its consumers.

Given the significant growth and importance of branding, comprehending the dynamics of brand experiences affecting consumer's behavior can empower marketing practitioners and researchers to enhance the understanding of unique and distinctive consumer behavior and devise effective marketing strategies including relevant positioning and specific marketing direction. As experiential branding is more popular, understanding what makes consumers become loyal to the brand by doing repeated purchases is a challenging task for firms to make more profits in today's competitive marketplaces. In order to build a strong brand, marketers should ensure that consumers have the right type of experiences with brands. Reference are available upon request.

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THE PATH FROM SOUND TO BRAND ON CUSTOMER INTENTION

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ABSTRACT

This paper investigates how consumers perceive corporate brand image via non-musical sound and the influence of behavior intention. This research also separates customers into three categories: norm, autonomy, and medium. The results reveal that customer autonomy and norm have higher value of behavior intention than medium.

INTRODUCTION

Jacques Derrida, a French philosopher, specified that sound is the soul of language and sense. A sound signal not only has physiological effect, but also subconsciously affects human perception and behavior. Fraedrich and King (1998) indicated that the effect of sound for perception includes calling attention, connecting emotion, stimulating needs, and strengthening connection between sound and reaction. The lack of sound is similar to the lack of dialogue and music in a movie, which may result in conveying ambiguous messages and lacking emotion. In contrast, more sounds may confuse the sense of hearing and influence communication.

Sound has become a vital role in marketing communication in the late 19th century due to the emergence of radio and television. North (1999) indicated that consumers remember 95 percent of advertising when the music conforms to corporate image; otherwise, only 47 percent of advertising is remembered. North demonstrated that sounds enter the brain through the ears and stimulate behavioral reactions. The experiment was conducted in a supermarket. The results revealed twice the sale number of sales of German alcoholic drinks compared to French alcoholic drinks when German songs were played in the supermarket. Conversely, sales of French alcoholic drinks were five times that of German alcoholic drinks when French music was played. In addition to music, non-musical sound also affects consumer emotion. In 1970, IBM produced a typewriter that eliminated the typing sound. However, users thought the typewriter lacked personality and disliked the change. Hence, IBM used an electronic sound to rebuild the typewriter sound. In the automobile industry, sound can convey corporate image. For example, the sound of a Mercedes-Benz is low and that of the Fiat is relaxed.

Should the development of a brand consider sound? Hein (2006) indicated that brand image is everything and most brands have specific trademarks, styles, fonts, icons,

and colors. Thus, sound should be considered in brand development. In 1991, Intel conducted a program called Intel inside, which cooperated with OEM manufacturers to put an Intel inside logo and three seconds of sound in an advertisement. Today, 56 percent of people worldwide can recognize the sound of Intel inside, which creates high consumer recognition. The other example is Nokia, in which 41 percent of people can recognize the brand based on the Nokia Tune (Lindstrom 2005). Strong brands should have full and clear brand recognition. Brand recognition represents the attempt of an organization to present an external image of the brand (Aaker 2000). Hatch and Schultz (2001) indicated the significance of minimizing between corporate image and vision of an enterprise. Jackson and Fulberg (2003) specified the goal of sonic branding to build the consistency of all contact points (stakeholders) and to understand how sound contributes to a corporate brand.

Sound consciously and subconsciously affects consumers. People can close their eyes but they cannot close their ears. Milliman (1982) discovered that tempo speed influences the consumed amount in a store; for example, fast tempo for consumed amount is over 39.2 percent than the average. North (1999) investigated the immediate conscious and subconscious effect of music on consumer behavior. Lindstrom (2005) also indicated the startling effect of five senses branding. Existing literature merely investigates the effect of music or music products on consumers. However, utilizing non-musical sound to verify the consistency of brand image still lacks further investigation. The effect of non-musical sound to consumer intention and behavior is also significant for examination.

This research discusses the topic of non-musical sound, verifies the consistency between corporate image and delivered corporate mission, and the affect on consumer intention. The research goals are: (1) validating the consistency between perceived brand image and the mission the company attempts to convey, (2) verifying the appropriateness of a non-musical sound for a brand, and (3) discussing the affect of non-musical sound on customer intention based on the theory of reasoned action. This study used six non-musical sounds with patents in the U.S. to survey the memory, association, reaction, and intention of consumers based on these sounds.

RESEARCH METHOD

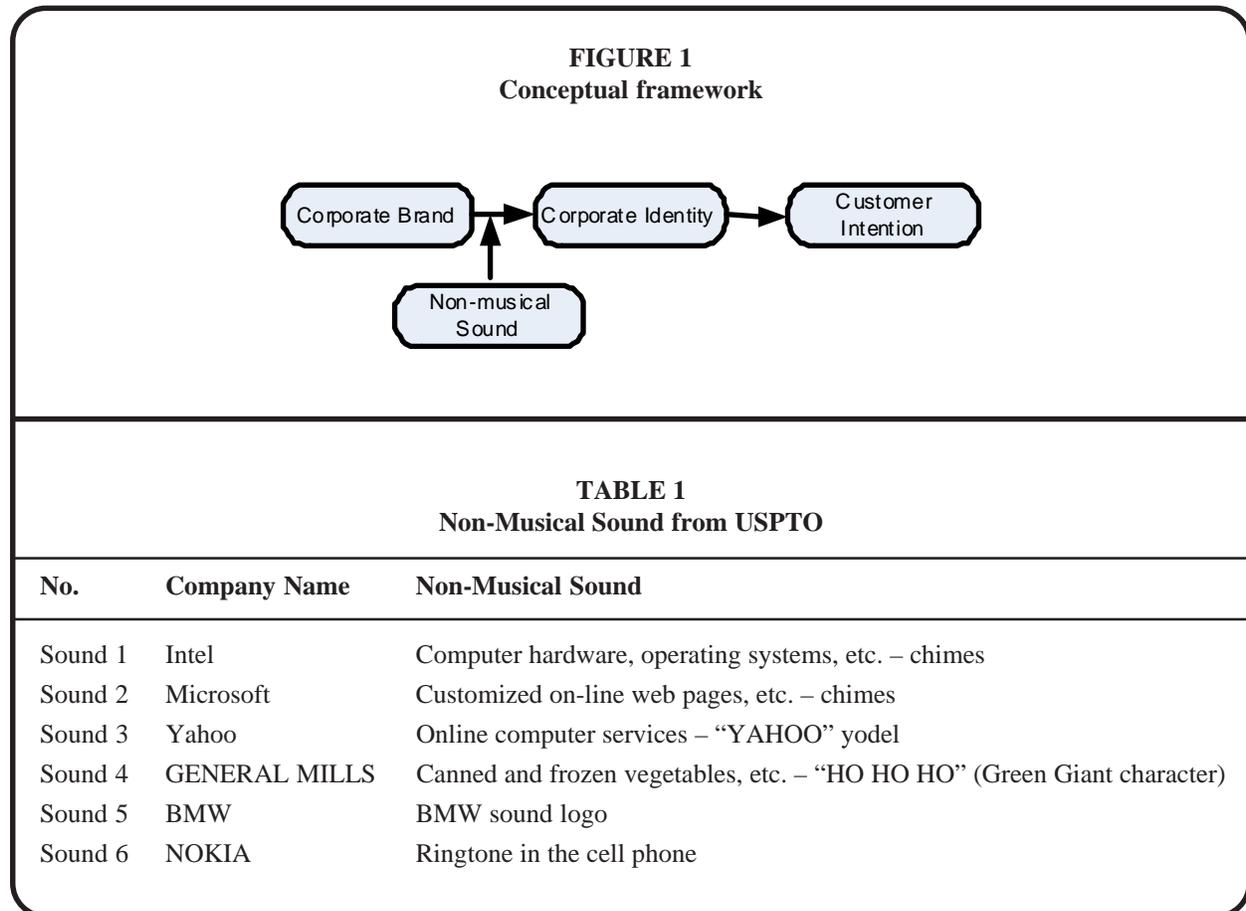
This research proposes a conceptual framework (Figure 1) to investigate the appropriateness of using a non-

musical sound of a brand, and how it conveys mission to consumers through corporate identity. The current study examined the effect of customer intention using quantified TRA, and applied the concept of operations research to model a problem and transform it into numbers. The advantage is to deal with uncertainty by the mathematic model and transform this abstract concept into useful information. Hence, this research deployed TRA as the comprehensive base used in psychology, sociology, and marketing fields to predict behavior patterns. We also differentiated three types of customers based on various customer intentions. The following subsections explain the details.

ing to the sounds. Finally, this research synthesized the collected adjectives based on consistency for each brand.

Modeling Customer Intention

The second part of the questionnaire focused on the effect of non-musical sound on customer intention. This research selected five non-musical sounds with six brands. This work used the TRA concept from Hale et al. (2003), and applied the questionnaire from Ramayah et al. (2009) to estimate a score of behavior intention (Table 5). Certain researches have proven that TRA can predict and explain customer intention, such as weight-losing behavior



Corporate Brand Identity And Non-Musical Sound

To select representative non-musical sound for the experiment, this research chose six non-musical sounds (Table 1) with sound trademarks from the USPTO (United States Patent and Trademark Office). Taiwan requires exposure of advertisements for each brand. The questionnaire was separated into two parts. In the first part, this research utilized the dimensions of brand personality from Aaker (1997) to assist participants in selecting appropriate adjectives for each sound. We also requested participants to provide senses or suggestions after listen-

(Fishbein and Ajzen 1980), condom usage behavior (Greene et al. 2003), and online stock trade behavior (Ramayah 2009). The first variable of TEA is attitude (A_B). This research revised the questionnaire items based on the researches of Tayler and Todd (1995) as well as Ramayah et al. (2009). The Likert five-point scale was used to measure attitude and the range of transformed value was between -2 (e.g., dislike) and 2 (e.g., like or prefer). The average number of attitude was estimated as the final score for a customer. Five questions were designed to measure attitude as follows.

1. I think this company has good brand image.
2. I think sound enhances my preference for this brand.
3. I prefer products of this brand.
4. I think the quality of this brand is better.
5. I like to purchase products if this brand.

The second variable of TRA is subjective norm (SN). Subjective norm indicates that social environment such as family, friends, or peers may affect human behavior. This research revised the items from the research of Fishbein and Ajzen (1975) and the range of transformed value between -2 (e.g., disagree) and 2 (e.g., agree). Four questions were designed for measuring subjective norm as follows.

1. My friends and family believe that the sound of this brand enhances our preference for this brand.
2. My friends and family prefer this brand.
3. My friends and family think the quality of this brand is better.
4. My friends and family have a good image of this brand.

TABLE 2 Concept of TRA	
$BI = (A_B * W_1) + (SN * W_2)$	
BI	Behavior intention
A_B	Attitude
SN	Subjective norm
W_1, W_2	Weight

The third variable of TRA is weight of attitude and subjective norm (W_1 and W_2). The weight varies according to the diverse backgrounds of participants. Hence, this research used the 7-point Likert scale to request the reference source of the participant when making deci-

sions (1) for non-self and 7 for all self. The range of scores was transformed into 0 to 6 from 1 to 7. That is, if the participant selected 7, the combination of weight (W_1, W_2) would be (6, 0).

Customer Segmentation

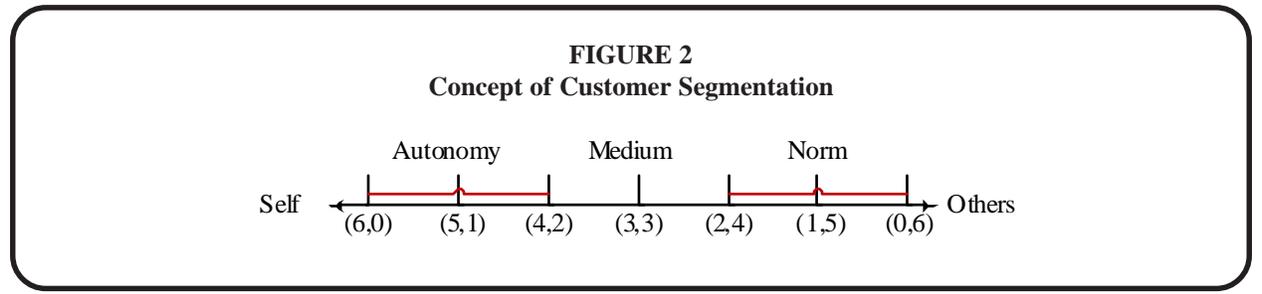
This research also classified customers into three segments: norm, medium, and autonomy (Figure 2). The norm type customer may consider mostly social impression and refer to suggestions from friends or family when making decisions. Advertisement and media are the channels to influence this type of customer. The autonomy type of customer may make an independent decision rather than refer to other suggestions. Thus, companies can use non-musical sounds to deliver brand image and enhance customer loyalty for this type of customer. The medium customer is in between the norm and autonomy and may synthesize self-impressions and suggestions from others before making decisions. Consequently, this research compared differences among the three types of customers in terms of behavior intention.

DATA ANALYSIS

This research surveyed 20 to 40-year-old customers and recruited volunteers on the Internet for which to send non-musical sounds and questionnaires. A reward was provided for valid questionnaires. This work collected 154 data, including 64 percent students and 36 percent workers. The percentage of the age range is as follows: 20–22 (47%), 23–30 (45%) and 31–40 (8%). The distribution of worker occupation is as follows: service (4%), hi-tech (16%), public servants (9%), financial (5%), and Internet (2%). This research also verified the reliability of the revised questionnaire. The Cronbach’s alpha was 0.903, which is considered sufficiently high (normally higher than 0.7) and reliable (Nunnally 1978).

Non-Musical Sound Recognition

Students had higher non-musical sound recognition than workers (Table 3), with an 8 percent difference between them. The most recognized corporate brand is Yahoo because the sound is inside the brand name. Intel is the second highest recognized (95%); particularly, the company is an ingredient brand for many computers.



Nokia has 79 percent recognition, which is much higher than global customers are (41%) (Lindstrom 2005). This is because the Nokia tune is built into the cell phone and used in many movies, such as Love Actually and Kill Bill. BMW also has 74 percent recognition, which is used at the end of advertisements and movies (007 series). General Mills (56%) and Microsoft (49%) both have low recognition from our survey. This is because of few General Mills advertisements and too many sounds for Microsoft products such as MSN, and the opening/closing sound of Windows to confuse customers.

The Segments of Customer

The result of customer segmentation reveals 15 percent medium, 21 percent norm, and 64 percent autonomy, which is in accordance with the research of Helm and Jones (2010) (Table 7). The difference of norm is apparent. Workers are higher than students by approximately 5 percent, which shows that current consumers are more autonomous and seek for self value by reflecting on behavior. This research also found the percentage rankings for the three categories of autonomy > norm > medium for both students (65% >19% >16%) and workers (64% > 21% >15%). The difference of each category between students and workers is approximately 5 percent. This is because the average for students is 20 and 30 for workers, which may change little before marriage. The consumption pattern is already formed in student life and varies little with different occupations. We presumed the consumption pattern might change in the long run, such as in middle or old stage.

Customer Intention

Norm. Figure 3 reveals the attitude value for workers of 0.7846, which means workers mostly agree on the effect of non-musical sound on corporate brand. Workers have higher value than students for attitude ($ATT_{workers} = 0.7846$ $ATT_{students} = 0.5368$) and subjective norm ($SN_{workers} = 0.6538$ $SN_{students} = 0.5526$). The results also show that workers accept non-musical sound more than students and workers have more social experience that results in a higher value of subjective norm. The value of behavior intention for workers is also higher than students is ($BI_{workers} = 0.6994$ $BI_{students} = 0.5539$). This is because workers are familiar with selected brands in this research and have an existing image, which may result in higher behavior intention. The result confirms the apparent effect of long-term non-musical sound for customers.

Medium. Figure 4 reveals that workers have a low value of attitude (0.2) toward non-musical sound and subjective norm (0.3571) that results in a low value of behavior intention (0.2922). Workers and students have significant difference in attitude. Students have a superior attitude toward non-musical sound ($ATT_{workers} = 0.2000$ $ATT_{students} = 0.4125$). However, the result shows subjective norm in a reverse way ($SN_{workers} = 0.3571$ $SN_{students} = 0.1719$). The value of behavior intention is low but close ($BI_{workers} = 0.2786$ $BI_{students} = 0.2922$). This is because these types of customers mostly refer to friends or family opinions when making decisions. Only the stimulus of non-musical sound without sufficient information may not generate positive effect.

TABLE 3
Percentage of Non-Musical Sound Recognition

Occupation	Intel	Microsoft	Yahoo	General Mill	BMW	Nokia
Students	96%	52%	98%	59%	74%	81%
Workers	93%	44%	96%	52%	74%	76%
Overall	95%	49%	97%	56%	74%	79%

TABLE 4
Percentage of Customer Segmentation

	Students	Workers	Overall
Norm	19%	24%	21%
Medium	16%	13%	15%
Autonomy	65%	63%	64%

FIGURE 3
Value of Behavior Intention for Norm

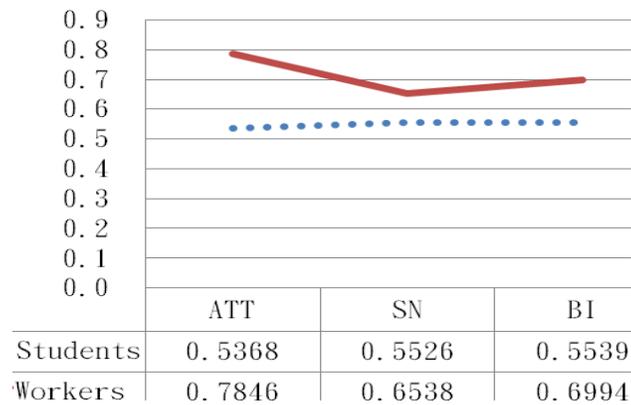
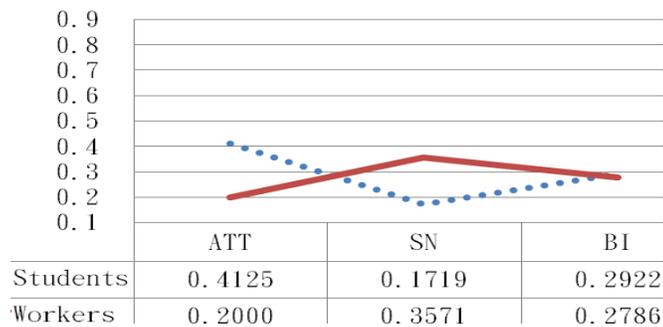


FIGURE 4
Value of Behavior Intention for Medium



Autonomy. Figure 5 reveals that workers have insignificant difference among attitude (0.68), subjective norm (0.6714), and behavior intention (0.6617). Students have higher value of attitude (0.5875) than subjective norm (0.4531) and the value of behavior intention is still high (0.5616) due to the features of these types of customers. Workers have higher value of attitude ($ATT_{workers} = 0.6800$ $ATT_{students} = 0.5875$) and subjective norm ($SN_{workers} = 0.6714$ $SN_{students} = 0.4531$) than students. This indicates that workers have more social experience and are more economically independent. Meanwhile, we inferred that personal values need to be accumulated for a long time. Experience gives workers a higher positive behavior intention than students.

Summary. Figure 6 demonstrates that the value of behavior intention for norm and autonomy are both higher than 0.55; in particular, worker value is higher than students. We inferred that social experience gives workers a positive attitude and intention toward non-musical sound. The value of behavior intention for medium is lower than 0.3 for both workers and students. The result

reveals that medium workers highly rely on information and cannot be influenced merely by non-musical sound on corporate brand to make decisions. The results among the three categories show that the consumption habit will change only in middle or old age. The consumption pattern is also established at a young age and does not differ with various occupations. The results of the questionnaire also show that all participants have similar attitudes and subjective norms toward non-musical sound. Although the value of behavior intention is positive, the value is still low because non-musical sound is only the starting stimulus for decisions. Hence, this research concludes that non-musical sound needs to be used for a long time to generate positive long-term brand image in the minds of customers.

CROSS ANALYSIS

Analysis of Customer Segments and Behavior Intention

Attitude toward non-musical sound for three categories is all positive. The value of attitude for norm and

FIGURE 5
Value of Behavior Intention for Autonomy

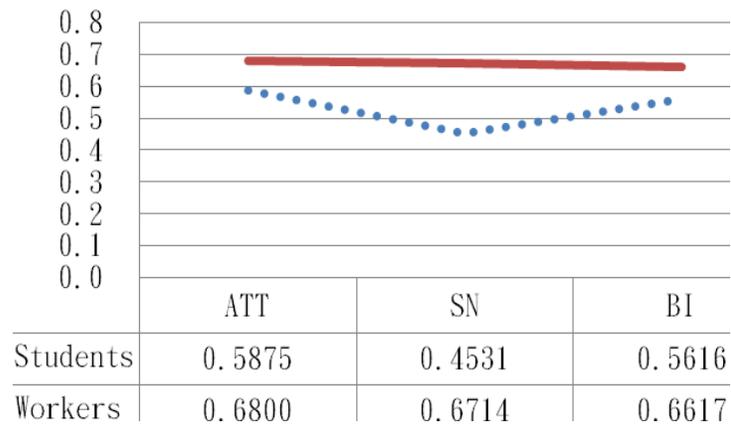
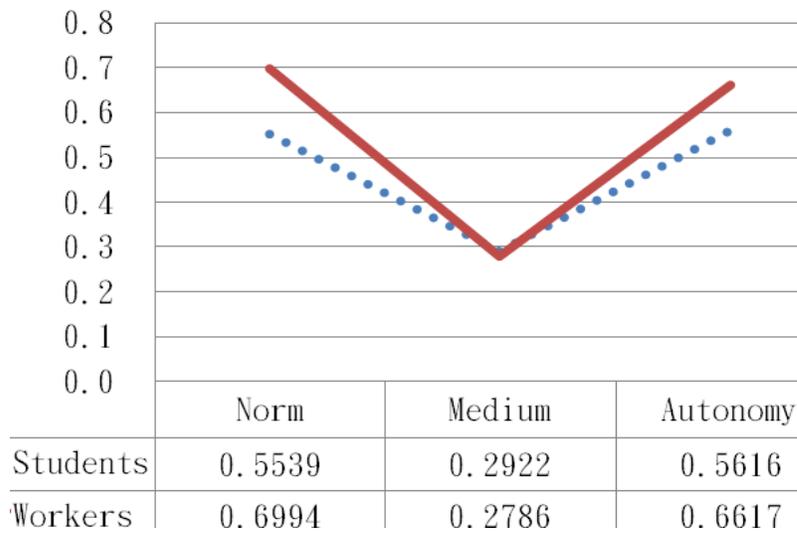


FIGURE 6
Value of Behavior Intention for Three Categories



autonomy is apparently higher than medium. This is because medium customers need sufficient and diverse information to make decisions. Table 5 shows that norm has the highest value of attitude (0.6375), followed by autonomy (0.6375), and medium (0.3478). The opinions of other people may easily affect the attitude of norm customers. This research selected international brands with positive brand image and many people may have existing image in mind to affect others. Autonomy customers emphasize personal opinion and trust themselves. Medium customers are not influenced by non-musical sound to the point of changing attitude or brand image.

The subjective norm toward non-musical sound of norm is the highest (0.5938), followed by autonomy (0.5303), and medium (0.2283). The behavior intention for norm is 0.6130, followed by autonomy (0.5970), and medium (0.2880). The weight of attitude and subjective norm for medium is nearly half-and-half. Hence, the value of behavior intention is not far from attitude and subjective norm. Particularly, the value of attitude is higher than subjective norm for all three categories. This is because participants may fill out the subjective norm based on previous image. Norm customers rely on other suggestions and may be influenced by friends or family who have

TABLE 5
Attitude, Subjective Norm, and Behavior Intention for Three Categories

	ATT	SN	BI
Norm	0.6375	0.5938	0.6130
Medium	0.3478	0.2283	0.2880
Autonomy	0.6202	0.5303	0.5970

a good brand image in place. Medium customers have low value of attitude in subjective norm and behavior intention. These types of customers are rational and need more information and time to make decisions when they have insufficient brand knowledge. Hence, non-musical sound does not have apparent effect in this category. Autonomy customers have lower value of attitude and subjective norm than norm customers. These customers seek product value by themselves and are willing to accept new stimulus (e.g., non-musical sound). The results also reveal that norm and autonomy are close in terms of behavior intention. This is because these two categories are more emotional and willing to accept the stimulus of non-musical sound on brand compared to medium customers. We inferred that medium customers are more rational and refer to other suggestions when making decisions. That is, the stimulus of non-musical sound has low impact on this category.

Analysis of Customer Segment, Behavior Intention, and Occupation

Table 6 reveals that the value of attitude for students is 0.5495, which is lower than the subjective norm (0.4268). The value of attitude for workers is 0.6436, which is higher than students are. The first reason is that workers have more social experience and independence, and accumulate more knowledge regarding the brands. The second reason is that the selected brand products may be too expensive for students, resulting in low value of attitude. The third reason is that selected brands are not typically as popular.

The result also shows that the difference of subjective norm between students and workers is significant (near

0.2). This is because non-musical sound merely stimulates and creates brand image, but cannot represent product quality, resulting in low value of subjective norm. The other reason is that students mostly rely on parents for financial support and refer to their suggestions. Workers may refer to friends or peers, but still have independent financial ability to make their own decisions. Thus, the value of behavior intention for workers is higher than that of students (near 0.1) when workers have higher value of attitude and subjective norm than students have.

The results present that norm workers have higher value of attitude ($ATT_{workers} 0.7846$ $ATT_{students} 0.5368$), subjective norm ($SN_{workers} 0.6538$ $SN_{students} 0.5526$), and behavior intention ($BI_{workers} 0.6994$ $BI_{students} 0.5539$) than students have. Autonomy workers also have higher value of attitude ($ATT_{workers} 0.6800$ $ATT_{students} 0.5875$), subjective norm ($SN_{workers} 0.6714$ $SN_{students} 0.4531$), and behavior intention ($BI_{workers} 0.6617$ $BI_{students} 0.5616$) than students have. Either norm or autonomy workers have similar patterns, in that the value of three variables are all higher than students are. However, students have higher value of attitude than workers ($ATT_{workers} 0.2$ $ATT_{students} 0.4125$) have, but the value of subjective norm is lower than that of workers is ($SN_{workers} 0.3571$ $SN_{students} 0.1719$). Hence, the value of behavior intention for students (0.2922) and workers (0.2786) is insignificant. The result also shows that the stimulus of non-musical sound is significant for norm and autonomy but insignificant for medium (near 0). This indicates that non-musical sound is only a piece of information for medium customers.

Table 7 presents the relationships among customer segment, age, and behavior intention. The value of behav-

TABLE 6
Relationship Between Behavior Intention and Occupation

	ATT	SN	BI
Students	0.5495	0.4268	0.5166
Workers	0.6436	0.6273	0.6218

TABLE 7
Customer Segment, Age, and Behavior Intention

	Medium	Autonomy	Norm
18–25	0.2367	0.5902	<u>0.6133</u>
26–30	0.3964	<u>0.7288</u>	0.6233
31–40	0.3000	0.3259	<u>0.5833</u>

ior intention between 26 to 30 is the highest for all three categories (0.3964 for Medium, 0.7288 for Autonomy and 0.6233 for Norm), which is also higher than the overall average value ($BI_{norm} = 0.6130$, $BI_{medium} = 0.2880$ and $BI_{autonomy} = 0.5970$). We inferred that the range between 26 to 30 constitutes rookie workers who are financially independent, and may be stimulated by non-musical sound. Hence, autonomy has highest value of behavior intention in the range of age, which means most customers are emotional. The range between 18 to 25 is mostly students who may be affected by their parents when making decisions. Hence, norm has the highest value of behavior intention in this range of age, which means most customers are rational. The range between 31 to 40 has low value of behavior intention; in particular, they have more social experience and knowledge. Thus, norm has the highest value of behavior intention in this range of age, which means most customers are rational.

CONCLUSION

This research first validated the consistency between perceived brand image and the mission that a company attempts to convey. Participants in this research matched the identified top two features of a non-musical sound with selected features from the research of Romaniuk and Sharp (2000). Two matches were completely consistent, one match was partially consistent, and two mismatches were inconsistent. The results reveal that Intel, Yahoo, and BMW can consistently deliver corporate brand value and corporate mission. Conversely, Microsoft, General Mills, and Nokia cannot completely deliver corporate brand value. The identified features for Microsoft are imaginative and charming. However, charming is not clearly revealed in the mission of Microsoft. The mission for General Mills is to provide a healthy, convenient, and fulfilling life by innovation. However, daring and touch do not match the mission. The feature of humanity from Nokia also cannot be delivered via sound although it is embedded in the cell phone. Fortunately, participants still can identify the corporate brand from the sound. The goal

of corporate identity is to communicate and convey messages (Balmer 2007, 2008, 2009). This research proves that non-musical sound has significant effect on corporate identity by superior design.

This research also verified the appropriateness of a non-musical sound for a brand. The results reveal that a good design of non-musical sound does deliver correct brand personalities. The channel for non-musical sound is also important to help associate corporate brand with the sound. Four successful factors were identified for non-musical sound: (1) non-musical sound should be unique, (2) non-musical sound should deliver brand image, (3) non-musical sound should be used for a long time and (4) non-musical should be applied in different media, locations, or products. Good design for non-musical sound enhances brand recognition. Our results also confirm the factors of successful brand sound from Brand Strategy (2006), which indicates brand sound should be used frequently and with long-term consistency.

The third goal is to examine the effect of non-musical sound for customer intention based on the theory of reasoned action. The results reveal that non-musical sound has low impact on medium customers. The effect of stimulus by non-musical sound for autonomy customers is significant. Customers in this category are independent and willing to accept the sound stimulus to change behavior. Norm customers are influenced by previous brand image and have the highest value of behavior intention. In sum, the role of non-musical sound is to build brand image and recognition. Non-musical sound can potentially and subconsciously deliver messages to the human brain. Enterprises can use low frequency sound (e.g., 5 seconds) for long periods. Low frequency can reduce unpleasant sound repetition. Long time usage can enhance brand image subconsciously and tighten the association between sound and brand. This research also separated customers into three segments to help managers identify customer characteristics and provide appropriate and efficient branding strategies.

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CONSUMERS' EMOTIONAL AND COGNITIVE CONNECTIONS TO BRANDS: HOW THEY CAN BE STRENGTHENED AND HOW THEY AFFECT BRAND PERFORMANCE

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SUMMARY

In today's highly competitive business environment, strong and long-lasting consumer-brand relations are a key element of a brand's sustainable competitive advantage (Srivastava, Fahey, and Christensen 2001). Thus, researchers and practitioners alike have been highly interested in understanding how to develop and maintain consumer-brand relationships. Most of the branding research in recent years has tended to focus on building strong emotional bonds with consumers. However, it has been recognized by various scholars that cognitive aspects play a key role in relationships as well. In studies on brand relationship quality (BRQ) researchers have identified facets such as satisfaction and trust which are often viewed as rather cognitive in nature, as well as facets such as love and passion, which can be seen as mostly emotional (Fournier 1994; Smit, Bronner, and Tolboom 2007). However, these studies have not made a clear distinction between a cognitive and emotional component of BRQ. Such a distinction has also not been examined empirically (e.g., in terms of different outcomes and antecedents of these two distinct components). Rather, prior studies have treated BRQ as a multidimensional construct consisting of various facets such as commitment, trust, love, or passion (e.g., Aaker, Fournier, and Brasel 2004; Fournier 1998).

Based on this perspective and in line with literature on interpersonal relationships that identifies cognitive and emotional relationship components (Foa and Foa 1974; Gabriel and Gardner 2004), the authors conceptualize BRQ along these two different lines. The first component of BRQ results from the cognitive evaluation of a brand and its performance. The authors base this *cognitive* component of BRQ on the conceptualization of relationship quality in the relationship marketing field, where satisfaction and trust are often considered as the main dimensions of relationship quality (e.g., Crosby, Evans, and Cowles 1990). Satisfaction and trust each require an overall evaluation about a relationship partner (Selnes 1998). Taken together, they form a relationship quality component characterized by high confidence in the quality and reliability of the brand. The *emotional*

component of BRQ reflects the emotional connection and the "love-like" feelings consumers develop for brands (see also Carroll and Ahuvia 2006). Based on the triangular theory of love (Sternberg 1986; for an adoption to consumer-object relations see Shimp and Madden 1988), the authors examine three facets that constitute emotional BRQ: passion, intimacy, and commitment.

In light of these considerations, the current study has three main goals. The first objective is to increase the understanding regarding the conceptual and empirical distinction between cognitive and emotional BRQ. The authors argue that it is important to consider BRQ as a two-dimensional construct with two components that are at least partially independent of each other. Second, the authors investigate whether emotional and cognitive BRQ develop in different ways. They examine two antecedents that have been identified as key drivers of BRQ to determine whether they differ in terms of their impact on cognitive versus emotional BRQ, including self-congruence (Huber et al. 2010; Kressmann et al. 2006) and partner quality (Aaker, Fournier, and Brasel 2004; Huber et al. 2010). In this context, the authors also examine how the impact of these drivers on emotional versus cognitive BRQ differs depending on the length of a consumer-brand relationship. Third, the authors determine the relative impact of emotional versus cognitive BRQ on key performance variables which have had considerable importance and relevance in marketing contexts: willingness to pay a price premium, size of the consideration set, and degree of WOM communication.

Results and Implications

The findings of an empirical study among customers of a major airline support the view that BRQ involves both a cognitive and an emotional component. More importantly, the authors found that the two BRQ components have different implications for brand performance. Emotional BRQ has a greater influence on willingness to pay a price premium and consideration set size, while cognitive BRQ has a greater relevance for WOM communication. Further, these two components are at least partially driven by different antecedents. Cognitive

BRQ is more strongly driven by partner quality than by self-congruence and this effect even strengthens over the length of a consumer-brand relationship. Emotional BRQ, on the other hand, is driven equally by partner quality and self-congruence. However, when taking the length of the relationship into consideration, the authors found that in the early stages of a relationship, emotional BRQ is more strongly driven by self-congruence compared to partner quality, while the impact of partner quality becomes relatively stronger in an established relationship.

The primary focus of this study was to develop a better understanding of the nature of BRQ, its antecedents, and outcomes. Fournier (2009, p. 19) stated that “critical in moving research forward is the matter of finding the ‘so what’ in consumer-brand relationships and demonstrating how and why they matter to the firms who engage them.” This study adds to the knowledge in this area by investigating important marketing performance indicators which have strong managerial relevance. Consumers with a higher emotional BRQ are more invested in a brand relationship and therefore, are willing to pay more for this brand and less willing to consider other brands. This

finding supports earlier calls for emotional branding as a cornerstone of differentiation and sustainable competitive advantage (Gobé 2001). Cognitive BRQ, on the other hand, is a stronger driver of WOM. This point is especially relevant for social media marketing, where brands/companies often try to create viral effects or “buzz” via emotional elements (e.g., forwarding an amusing video clip). The results show that it is not enough to focus merely on emotions. To create viral effects with a true brand recommendation component, consumer’s cognitive BRQ is relevant because consumers need something to talk about. The authors further contribute to the existing literature, which has shown that both self-congruence and partner quality of the brand generally influence BRQ (e.g., Huber et al. 2010), by taking a more differentiated view on these antecedents. They further illustrate that the relative impact of self-congruence and partner quality on emotional and cognitive BRQ changes over time and hence depends on the length of the brand relationship. These finding supports the idea that a dynamic perspective on brand relationships is a worthwhile avenue for future researchers. References are available upon request.

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COMPLAINT HANDLING IN B2B-INDUSTRIES: DETERMINANTS OF CUSTOMER LOYALTY AFTER A NEGATIVE INCIDENT

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SUMMARY

Both in business-to-business (B2B) and in business-to-consumer (B2C) industries, the development of long-term relationships pertains to the essential challenges of a company. Especially customer satisfaction is deemed to be a crucial determinant of durable loyalty (Oliver 1980; Reichheld 1993), following that dissatisfied customers might quit the relationship and switch the current supplier (Blodgett, Granbois, and Walters 1995). Despite the implementation of several quality management initiatives during the last years, situations of negative incidents during the purchasing process are never completely avoidable. These negative incidents cause dissatisfaction among the customers and often lead to complaints toward the responsible firm. In case of customer complaints, managers are required to ensure a satisfying recovery; thus, they have to make two main decisions: First, managers have to specify the likelihood that a customer switches the supplier and, second, they need to determine the extent of the recovery effort. The recovery of negative incidents is associated with extensive costs, thus, managers should carefully evaluate the extent of the undertaken recovery (Gelbrich and Roschk 2011). Due to the relevance of compensation for customer loyalty, numerous studies examined the impact of customer recovery and other determinants on repurchase behavior after a negative incident – but mostly in a B2C-context.

B2B-literature is lacking empirical studies coping with complaint handling (Backhaus and Bauer 2001; Durvasula, Lysonski, and Mehta 2000; Homburg and Fürst 2005; Homburg and Rudolph 2001; Trawick and Swan 1981; van Doorn and Verhoef 2008). Accordingly, little is known about the determinants of post-complaint customer loyalty in this specific context. This is surprising, as especially in B2B-markets a negative incident can exert a more serious influence on the economic outcome of a provider than in B2C-markets. The B2B-sector is characterized by a lower number of customers with longer lasting relationships as well as higher values of transactions. Therefore, the customer makes a greater contribution to the overall result of a company (Narayandas 2005).

Against this background, this manuscript focuses on the determinants of customer loyalty after a negative incident in a B2B-context. In detail, we consider to exam-

ine (1) firm activities, (2) customer characteristics, and (3) types of failure that potentially determine the degree of loyalty to a company after a negative incident. A better understanding of these determinants would help B2B-managers to evaluate more accurately which customers show a greater likelihood of switching, and allows them to better decide which customers receive a greater compensation.

The present study is exclusively based on internal company data that is available to managers anyway. The usage of this data is recommended, since companies are not able to constantly interview all their customers to make recovery decisions. The examination of transaction data allows the discovery of indicators to reveal a probable reduction of future repurchase behavior after a negative incident. The dataset of this research includes 61,340 single transactions of a B2B-company in the pharmaceutical and chemical industry which covers a two-year window and is recorded on a daily basis. Three hundred forty-seven B2B-customers that experienced at least one negative incident, which they reported to the regarded provider, serve to investigate the following hypotheses:

- H1a: The more intensive the complaint handling, the higher customer loyalty after a negative incident.
- H1b-e: The greater the (b) solution orientation, (c) product-knowledge, (d) motivation, and (e) overall-performance of a salesperson, the higher customer loyalty after a negative incident.
- H2a-b: The greater (a) the past intensity of transactions and (b) the past purchase behavior, the higher customer loyalty after a negative incident.
- H2c: The higher the switching costs within an industry, the higher customer loyalty despite a negative incident.
- H3a: In contrast to a self-induced failure, a failure caused by the provider reduces customer loyalty after a negative incident.
- H3b: The higher the magnitude of a failure the lower customer loyalty after a negative incident.

As the dataset reveals 241 observations with a negative, and 316 with a positive sales trend, we dichotomize the dependent variable and classify the customers into “satisfied” (1 = positive sales trend) and “dissatisfied” (0 = negative sales trend) after a negative incident and the following complaint. We use a discriminant analysis to identify the characteristics that contribute to a significant differentiation of the two sales classes, while a canonical correlation of 36.6 percent could be generated. The hypotheses are partially supported by our findings. Transaction intensity (H2a) and past purchase behavior (H2b) exert the strongest influence on post-recovery customer loyalty. Surprisingly, the repurchase behavior after a negative incident not only regenerates but even increases to a higher level than before the failure. This applies especially to customers with a strong relationship to the supplier before the negative occurrence. Furthermore, both complaint hand-

ling (H1a) and skills of salesperson (H1b-e) positively influence customer loyalty after a negative incident. The absent impact of types of failure is particularly surprising. Both the diverging effect of the locus (H3a) as well as the category of failure (H3b) could not be confirmed. Unexpectedly, the level of switching costs (H2c) has no impact on post-recovery customer loyalty, following that these customers should be offered a sufficient complaint handling regardless of the extent of switching costs within their industries. Overall seven of our ten hypothesizes could be confirmed. Thus, our results indicate that (1) firm activities and (2) customer characteristics influence post-recovery repurchase behavior significantly, while (3) the magnitude and type of failure have no impact. Our findings help managers to determine the likelihood of a customer to switch the supplier after the incident and to better allocate recovery budgets. References are available upon request.

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WHY SHAREHOLDERS ARE BETTER CUSTOMERS: FOUR EXPERIMENTAL STUDIES

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SUMMARY

In times of severe competition, marketers should predominantly focus on customer retention strategies, since new customers are hard and costly to get (Reichheld 1993). Thereby, existing research in customer relationship management primarily draws on the relationship between the firm and customers in their role as consumers. However, given that many companies are listed on the stock market, a second relationship that might prove fruitful has been largely ignored by marketing scholars and practitioners: the relationship between the firm and customers in their role as retail investors.

It seems feasible that companies can take advantage of these relationships if their products and services are relevant to their small shareholders as end users. It can be assumed that small shareholders are likely to evaluate the offers of the respective company more positively due to their existing financial relationship in comparison to individuals without such a tie. Watson (1949) lists activities that companies can utilize to use their relationship to shareholders so that they “will gladly serve as ambassadors of good will for company – and for products.” At the time of Watson, there were about 15 million investors (Watson 1949), today over 80 million U.S. citizens are invested directly or indirectly in American Businesses (NYSE 2004). While many companies actually do provide products and services that are relevant to small shareholders as consumers, only few examples of companies can be found that actively take benefit from relationships to their small shareholders. A multiplicity of listed companies can be identified that provide end user relevance and possess a large number of small shareholders (Watson 1949; Aspara, Nyman, and Tikannen 2008). For example, the total number of shareholders of Bank of America exceeds 270,000, 1.2 million out of 3 million shareholders of Deutsche Telekom are small shareholders, and many other companies possess a population of shareholders reasonably large enough to be considered as an important group when marketing their products and services. Some companies offer special deals to their small shareholders on dedicated websites. For example, British Telecom offers up to 20 percent discount of their products for small shareholders (British Telecom 2011).

Despite this obvious managerial relevance, only few studies have examined the interrelationship between individuals acting both as consumers and retail investors. Recently, some scholars have found empirical evidence for a positive relationship between buying and investing behavior (Aspara et al. 2008; Schoenbachler, Gordon, and Aurand 2004; Frieder and Subrahmanyam 2005). However, given that these studies draw on cross-sectional data, it is hardly possible to establish the causal direction of this relationship. Furthermore, while it seems obvious that holding shares positively contributes to product consumption in case of a positive investment relationship, less is known about potential effects in case of a negative investment history.

The present article contributes to the literature by further elaborating if and under which circumstances a shareholder relationship affects purchase intentions. Four experimental studies are conducted to test if existing positive (i.e., beneficial) shareholder relationship from a customer’s perspective results in a higher purchase intention for products and services offered by the company, relative customer not invested in the company, if these results hold in reality, how they vary in different price ranges, and with different stock returns. The results of our empirical studies indicate that companies can profit from their ongoing investor relationships when marketing their offers to this particular target group. The benefits derived from the perceived connectedness of shareholders to the firm diminish, if the offer is too expensive and if the investor relationship is not successful in terms of financial return. Whereas high stock returns go along with to higher purchase intention and less price sensitivity, low stock returns do not harm purchase intention.

These findings imply, that strategies aiming at small shareholders as customers come without negative consequences. Even if firms decide to raise prices or investor relationships are stressed as a result of volatile markets or poor earnings reports, investor’s behavioral intentions related to the offered products and services are not worse than those of non-invested respondents. References are available upon request.

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FACTORS INFLUENCING MARKETING CHANNEL PERFORMANCE: A META-ANALYSIS

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SUMMARY

Superior marketing channel performance results in extraordinary value to customers and creates strategic advantages. Channel management strategies have emerged from the three dominant theoretical perspectives of Political-Economy, Relationship Marketing, and Inter-organizational Governance to help researchers and managers understand the relative effectiveness of channel performance drivers.

Each perspective proposes several key performance drivers in consideration of resource allocation in channel management, resulting in numerous studies to identify the immediate precursors of channel performance and the exogenous / endogenous factors influencing channel performance. However, there is still no general consensus regarding the relationships among performance drivers suggested by different theoretical perspectives. In addition, the inconsistency of effects across primary studies is problematic since it impedes the efforts of researchers to

develop a comprehensive picture of the drivers of channel performance. A potential reason causes this inconsistency is the research context or measurement scales. Such inconsistency calls for a synthesis of directions and magnitudes of channel performance drivers in an integrative way.

In this study, the authors synthesize empirical studies of channel performance and its drivers in a meta-analysis. The findings show that the strongest drivers of channel performance are cooperation, relationship continuity, and monitoring. The study also finds that conflict, formalization and relationship longevity have no significant effect on channel performance. The results also demonstrate the presence of moderating variables such as B2B versus B2C and Domestic versus International channels. Finally, the paper uses three widely used theoretical perspectives in the channels literature as a framework (Political-Economy, Relationship Marketing, and Interorganizational Governance) and finds that constructs associated with all three frameworks are effective predictors of channel performance.

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IS BELIEVING IN THE PRODUCT NECESSARY? A CONCEPTUAL MODEL FOR FRONTLINE EMPLOYEE BUY-IN

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SUMMARY

FLE-s refer to employees who provide frequent and vital customer contact and are largely studied in sales or sales support contexts (e.g., Donovan, Brown, and Mowen 2004). While *sales* FLEs are required to directly meet sales objectives as part of their role, *support* FLEs are trained to help provide customer solutions and deliver the service or product to the customer in the absence of immediate objectives. The notion that organizational adoption of a customer orientation is essential for creating customer satisfaction (e.g., Depshandé, Farley, and Webster 1993) is important but understanding who should be oriented as such is less understood. Frontline employees (FLE) are the link between the company and the customer and therefore deserve further research attention.

The focus of most research in this area has been on understanding the FLE's role in the organization's service offering. However, the drivers of FLE adoption of a firm's marketing objectives are under-researched and less understood; a motivation for this paper. We address multiple key questions: (a) What are the key organizational drivers of FLE buy-in?, (b) What conditions enhance or abate FLE buy-in?, and (c) How does FLE buy-in impact customer satisfaction? Although the concepts of product adoption (Atuahene-Gima 2000; Kimpakorn and Tocquer 2009) and product orientation (Lam, Kraus, and Ahearne 2010) have been studied by other marketing researchers, they differ from product buy-in in two ways. Firstly, they focus on the rewards related to sales performance for motivation rather than buy-in for the benefits of customer satisfaction. Second, they emphasize knowledge of and comfort with the product or brand for effective selling rather than confidence in the product's quality and performance. While it may seem an FLE responsible for delivering the product to the customer must necessarily feel favorable toward it for effective delivery, extant research lacks such support.

Evidence suggests two types of buy-in lead to different types of customer satisfaction (Grace and O'Cass 2004; Brakus, Schmitt, and Zarantonello 2009). Specifically, an FLE with product buy-in believes the product or service will meet customers' expectations as advertised by the firm and an FLE with objectives buy-in accepts that the marketing strategy objectives surrounding the product are efficacious and will benefit him/her as well as manage-

ment. An FLE who buys into the product is likely to "create value for customers because, with their mastery of product knowledge, they are able to identify which products and services will better solve customers' problems" through a market orientation (Lam, Kraus, and Ahearne 2010, p. 66). Research also provides evidence to support the relationship between FLE objectives buy-in and a depth of commitment to carry out strategy objectives (Noble and Mokwa 1999). Management literature often interprets employee commitment as employee effort (e.g., Mobley 1982; De Gilder 2003), suggesting an FLE who believes in the firm will expend more effort to satisfy the customer. Given a customer can experience satisfaction immediately following the transaction (Oliver 1993) as well as cumulative satisfaction that transpires over a series of consumption occasions with a firm's products over time (Anderson, Fornell and Lehmann 1994), we propose:

- P₁: FLE product buy-in is positively associated with customer transaction satisfaction.
- P₂: FLE objectives buy-in is positively associated with (a) customer transaction satisfaction and (b) cumulative satisfaction.

Establishing the link between buy-in and customer satisfaction necessitates exploration into the antecedents of buy-in: internal marketing and management philosophy. First, it should be noted firms conduct internal marketing to create satisfied employees and, in turn, create satisfied customers, but research has not always supported this assumption (Hoffman and Ingram 1991; Kelley 1990). The accuracy in achieving customer satisfaction, as argued by Grönroos (1990), may lie in influencing employees rather than satisfying them *per se*, such as toward belief in product quality and performance. Separate from product buy-in and largely based on Rafiq and Ahmed's (2000) research on internal marketing activities, strategy orientation is conceptualized as the product of the internal marketing activities of market education and training designed to create FLE acceptance of the efficacy of and the benefits associated with the product marketing strategy objectives. Different from internal marketing for a market orientation which emphasizes a largely external focus on customers, competitors, and organizational processes (Narver and Slater 1990), strategy orientation is achieved when FLEs accept that the strategy goals, processes, and tools to effectively sell a

product will benefit them in terms of both monetary and role rewards. To develop the organizational commitment (e.g., Beer 1976) and other employee behavioral tendencies that can lead to objectives buy-in, the firm's internal marketing activities must help the FLE relate to and identify with the firm's future aspirations and health.

P₃: Internal marketing for product orientation is positively associated with FLE product buy-in.

P₄: Internal marketing for strategy orientation is positively associated with FLE objectives buy-in.

However, an external marketing message incongruent from internal messages causes an employee to reject the intended and favorable image of the firm (Cheney and Vibbert 1987).

P₅: FLE perceived congruence between external and internal marketing messages moderates the positive relationships between (a) internal marketing of product orientation and FLE product buy-in and (b) internal marketing of strategy orientation and FLE objectives buy-in. Greater the incongruence, lesser is the impact of internal marketing and buy-in.

Firm management of FLEs and other members can be described as either inductive or deductive (Hart 1992). Inductive management, conceptualized here as firm strategic decisions made with consideration of input from

firm members additional to those of management, is linked to commitment to organizational goals (Beer 1976) and greater understanding of the specific tasks and goals involved (Lewin 1951). Those who participate in decision-making not only have a greater understanding of the activities required to meet strategy objectives, but also develop greater conceptualization of how such outcomes relate to their specific role which produces a perceived sense of control in the behavior and outcomes of the firm (Erez and Kanfer 1983).

P₆: Firm inductive management is positively associated with FLE objectives buy-in.

Deductive management, conceptualized here as firm strategic decisions made solely from the input of management, is a traditional management philosophy (Nonaka 1988) and one in which executives form a strategic decision, inform firm members of such, and then enforce its execution. Because this management style is mostly characterized by the presence of "precise intentions" and can "ensure surprise-free implementation" (Mintzberg and Waters 1985, p. 270), belief by the FLE in the product's likely quality performance for the customer should follow.

P₇: Firm deductive management is positively associated with FLE product buy-in.

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COMPETING WITH COMPETITIVE INTELLIGENCE: WHEN SALESPEOPLE'S CUSTOMER-BASED INFORMATION IMPACTS FIRM PERFORMANCE

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SUMMARY

As competition increases and customers become more discriminating, firms are increasingly turning to competitive intelligence (CI) to provide insight into competitors' strategies and customers' needs. Realizing the competitive advantage that can be gained from CI, countless multinational corporations such as Procter and Gamble, General Motors, and British Petroleum to name just a few have either created formal CI units or adopted structured processes for collecting and analyzing information on the external environment. Experts recommend that firms engage in CI activities not only as a protective tool to guard against perceived threats and changes, but also as a mechanism for discovering new opportunities and trends (Evans and Miao 2011; Global Intelligence Alliance 2005; Pirttimäki 2007).

Over the past few decades, there has been a great deal of investigation on the topic of competitive intelligence. Both conceptual and empirical models have offered various perspectives of CI and its role within an organization. Although there has been diversity in the approach to CI, one area of consensus is that employees play a critical role in the CI process. Due to its frequent contact with customers, vendors, and other individuals present in the supply chain, the sales force may be a company's single best internal source of market, customer, and competitor information (Porter 1980; Young 1989).

This study explores the generation and use of competitive intelligence within the buyerseller exchange process and its influence on salesperson performance. We develop a model of CI influence that is grounded in the concept of social capital along with the principles of information theory, environmental scanning, and adaptive selling. Notably, we treat CI as both an outcome of the salesperson – customer interaction and as a product or instrument that can be used by salespeople to influence customer response during sales activities. More specifically, we explore the extent to which the competitive intelligence collected by sales personnel impacts product competitiveness and brand preference, along with other

factors that may strengthen or weaken these relationships. In addition we seek to understand factors that influence the customer's willingness to share competitive intelligence with the salesperson.

Using multilevel data collected at three time points from a sample of 686 customers across 48 salespeople, we empirically test a conceptual framework that proposes both antecedents and consequences of competitive intelligence sharing between customer and salesperson. The results of the study demonstrate that competitive intelligence sharing by customers is a function of salesperson customer orientation and the performance of customer centric extra-role behaviors along with salesperson-customer relationship quality. The generation of competitive intelligence translates into increased product competitiveness, brand preference, and increased revenues; however this occurs to a greater extent when the salesperson has strong adaptive selling skills. Surprisingly, CI negatively influences these outcomes among nonadaptive salespeople, indicating that CI can actually work to the salesperson's disadvantage under certain circumstances. These findings suggest that intelligence must be examined differently than general market knowledge, and that firms may leverage CI to their tactical advantage at the salesperson-customer interface if managed effectively.

Our research contributes to both theory and managerial practice in several ways. First, employing a multilevel analysis of time lagged data that includes linked customer-salesperson perceptions, we demonstrate the value in considering CI at the individual level of analysis, in particular as it relates to the salesperson's ability to garner and use CI tactically to strengthen perceived product competitiveness and brand preference. As such, CI represents a tool that can be used by sales personnel to satisfy customers through productive interactions. We also show that, in the wrong hands, CI may actually be dangerous and inhibit success. Finally, we provide insight into key factors that facilitate the transfer of CI from customer to salesperson. References are available upon request.

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STORYTELLING BY THE SALES FORCE

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SUMMARY

Storytelling is a powerful form of communication not yet carefully examined in sales or buyer-seller relationships. This paper examines storytelling by the sales force via experiments.

Framework of Storytelling by the Sales Force

A prior qualitative inquiry revealed that while salespeople felt the personal relationship came first and then the business relationship, buyers felt the opposite was true. The humanities literature recognizes the point of view from which a story is told as a fundamental aspect of a story. Whether the story is delivered in first or third person is the most obvious sign of point of view. Another fundamental aspect of a story is the topic. The qualitative study and objective observation of salespeople in the field helped to determine which topics are critical in the sales setting: the entity (the salesperson or their firm), the product, and digressions. So the framework examines each of these topics across personal or business points of view.

The 18 Hypotheses

H1a (4a, 7a): *Personal stories that make a disclosure about the salesperson will have a greater positive effect on the attitude toward the salesperson than stories from a business point of view.*

H1b (4b, 7b): *Business stories that make a disclosure about the firm will have a greater positive effect on the attitude toward the product than do stories from a personal point of view.*

H2a (5a, 8a): *The relationship orientation of the customer will moderate the effect of story type on salesperson evaluations. The differential effect of personal stories versus business stories on the attitude toward the salesperson will be greater when the relationship orientation of the customer is high than when it is low.*

H2b (5b, 8b): *The relationship orientation of the customer will moderate the effect of story type on product evaluations. The differential effect of business stories versus personal stories on the attitude toward the product will be greater when the relationship orientation of the customer is low than when it is high.*

H3a (6a, 9a): *Attitude toward the salesperson will be positively related to purchase intentions.*

H3b (6b, 9b): *Attitude toward the product will be positively related to purchase intentions.*

H4a through H6b paralleled H1a through H3b for Study 2 with wording changed to represent stories about the product told from either the salesperson's or a third party's perspective.

H7a through H9b paralleled H1a through H3b for Study 3 with wording changed to represent stories that were digressions told from either the salesperson's or a third party's perspective.

The Studies

Study 1 tested hypotheses H1a through H3b. The study consisted of a sales pitch delivered via video for a product in a story form, with the story on the entity topic being either a personal story with a disclosure about the salesperson or a business story with a disclosure about the firm. Thus the experiment was a 2 (type of story: disclosure of self/disclosure of firm – between subjects manipulation) x 2 (relationship orientation: hi/lo – measured variable (Palmatier et al. 2008)) design. Dependent variables were attitude toward the salesperson, attitude toward the product, and purchase intentions. Cell phone involvement and task involvement served as control variables. One hundred forty-undergraduate students were randomly assigned to view a video of a sales pitch for each condition and fill out a questionnaire in Study 1.

Studies 2 and 3 were similar to Study 1. In Study 2, which tested hypotheses H4a through H6b, product type of story conditions were a product success 1st person story versus a 3rd person story. In Study 3, which tested hypotheses H7a through H9b, digression type of story conditions were a human interest 1st person story versus a 3rd person story.

Results

Manipulation checks were highly successful. Measurement model CFA: $\chi^2 = 168.47$ (d.f. = 137, $p = .035$); $\chi^2/\text{d.f.} = 1.23$; RMSEA = .036 (90% - .000; .057); CFI = .99; SRMR = .046.

MANCOVA and regression of the studies individually supported H3a, H3b, H6b, and H9b.

Post study analysis that combined the three studies for $n = 427$ and used the manipulation checks as a variable instead of the manipulated variable story type in a regression supported the main effects of H1a, H1b, H4a, H4b, H7a, and H7b. Thus, the main effect was likely present but small. No interaction effect of the measured variable relationship orientation was found.

Mediation analysis via regression indicated that the effect of Asp on purchase intentions was mediated by A_p ; partially in Studies 1 and 3, and fully in Study 2 (product stories).

Finally, using study as an independent variable in a MANCOVA indicated that the topic of the story may be a more important predictor of attitudes and purchase intentions than the personal versus business point of view, at least in this one shot exposure. The post hoc analyses indicated that digression was always the worst choice in this one shot encounter.

Given the difficulties in conducting multi-encounter experiments, writing confound free yet powerful manipulations for stories, and exploring these effects over a broad variety of product types, it may be necessary to use qualitative investigations to guide further research. References are available upon request.

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MULTILEVEL EFFECTS OF LEADERSHIP STYLES ON SELLING APPROACHES AND CUSTOMER OUTCOMES

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SUMMARY

Personal selling has a central feature in common with leadership: both are forms of interpersonal influence. In the seller-buyer situation, a salesperson attempts to change and influence the perceptions, cognitions, decisions, and behaviors of a customer. In the leader-follower situation, a manager tries to achieve exactly the same with an employee (Bass 1997). Building on this parallel, we assume that the tone of an interpersonal relationship in a *manager-employee dyad* spills over into the *employee-customer dyad* one level below, ultimately affecting customer-level variables. This reasoning is in line with the premise of “linkage research” (Heskett, Sasser, and Schlesinger 1997; Wiley 1996), which examines the translation of inner-organizational realities into realities on the part of customers. In this thinking, front-line employees’ “sandwich position” between internal and external stakeholders is used as a basis for the hypothesis that what they experience at the workplace (such as leadership and organizational climate; e.g., Liao and Chuang 2007; Schneider et al. 2005) translates into the experiences they provide for customers. Building on this stream of research, the current study is the first to investigate how different leadership styles of sales managers translate into customer outcomes through their impact on corresponding selling approaches of salespersons. In doing so, we refer to the duality of transformational and transactional leadership (Bass 1985) on the one hand, and the duality of relational and transactional selling (Weitz and Bradford 1999) on the other hand.

Leaders assume the function of role models for their subordinates and therefore provide a point of reference and focus for followers’ emulation and vicarious learning (Bandura 1986). Followers observe and get involved in their direct supervisors’ way of thinking and behavioral patterns. Through his or her day-to-day decisions and behaviors, a leader shapes the general normative order for his or her followers, who, in turn, adopt the leader’s implicit theories. Therefore, it can be assumed that a sales executive’s philosophy of how to manage followers – either in a transactional way through the use of power or in a transformational way through shared values – serves as the dominant people management logic for his or her sales representatives when interacting with customers. Concretely, we hypothesize that a sales manager’s

transformational leadership style (TFL) shapes a salesperson’s selling approach toward a relational style, resulting in increased satisfaction, loyalty, and cooperation on the part of customers. In contrast, we assume that a sales manager’s transactional leadership style (TRL) shapes a salesperson’s selling approach toward a transactional style, resulting in decreased customer satisfaction, loyalty, and cooperation. In this way, we expect that a sales manager’s leadership style translates into customer-level variables through his or her influence on salespersons’ selling styles.

We tested our hypotheses by means of multilevel analyses of a multisource data set on 517 customers, 265 sales representatives, and 111 sales managers of a large financial services company. Whenever possible, existing measures of the constructs were used and adapted to fit this study’s context. Confirmatory factor analyses suggest that the measurement quality of the constructs was acceptable in terms of model fit and reliability coefficients.

In order to test our meso-mediational model of the form “leadership style (sales managers’ level) → selling approach (sales representatives’ level) → customer outcomes (customers’ level),” we followed a procedure proposed by Mathieu and Taylor (2007). The results imply that sales managers’ TFL has positive effects on customer satisfaction and cooperation, which are fully mediated by sales representatives’ relational (versus transactional) selling style. Additionally, sales managers’ TFL has a positive effect on customer loyalty, which is partially mediated by sales representatives’ relational (versus transactional) selling style. In contrast, and in line with our assumptions, sales managers’ TRL has negative effects on customer satisfaction, loyalty, and cooperation, which are fully mediated by sales representatives’ transactional (versus relational) selling style.

The findings of this study suggest that sales managers’ leadership behaviors serve as a “blue print” for their salespersons when interacting with customers. With transactional (relational) selling on the salesperson level appearing concomitantly with transactional (transformational) leadership on the supervisor level, sales managers should be aware of the fact that their leadership style towards their sales representatives has a measurable impact on customers. They need to pay

attention to what kind of role model in terms of people management they provide for their followers, because this is what the latter will adopt in their own dealings with customers. According to our results, providing a

transformational leadership model clearly pays off compared to a transactional model. References are available upon request.

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SALESPEOPLE'S MISPERCEPTION OF CUSTOMER COMMITMENT: A NEGLECTED DANGER FOR CUSTOMER RELATIONSHIPS

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SUMMARY

In his seminal work on the sales process, Weitz (1978) describes five key abilities that salespeople need to be successful in influencing their customers' choice decision. These capacities are the ability to (1) develop an impression of the customer, (2) formulate strategies, (3) transmit messages, (4) evaluate reactions of the customer, and (5) make adjustments. Since impression formation is the first stage in the sales process, mistakes in this stage have considerable impact on the successive stages. Moreover, the ability to form accurate impressions implies basic skills that are also relevant to the successive stages of the process. For example, perceptual skills required for developing impressions are also essential for evaluating reactions.

Although the stage of impression formation is of vital importance for sales performance, research on perceptual accuracy in customer–salesperson relationships has been rather limited. This is due to the fact that previous studies implicitly assume that salespeople's perception of their customers correctly reflects reality. However, research on person perception in interpersonal relationships has clearly shown that people are often markedly inaccurate in their perception of other people, even for familiar others.

By exploring the antecedents and consequences of salespeople's misperception, our study makes three important contributions. First, to systematically examine the antecedents and consequences of perceptual inaccuracy in customer–salesperson relationships, we develop an integrated conceptual framework. In doing so, we draw on the realistic accuracy model (Funder 1995), which is well established in personality psychology and social psychology, and adapt it from interpersonal relationships to customer–salesperson relationships. In this way, we provide a general framework for future research on perceptual inaccuracy in customer–salesperson relationships. In our study, we examine salespeople's misperception of customer commitment to the relationship, because a customer's commitment is key to achieving relationship outcomes such as repeat purchase, cross-buying, and

positive word-of mouth. Second, using data on 233 customer–salesperson dyads, we empirically investigate the consequences of perceptual inaccuracy in customer–salesperson relationships. More specifically, we show how salespeople's misperception of customer commitment affects relationship-building efforts and customer loyalty. Results reveal that salespeople with an upwardly biased perception of customer commitment make fewer efforts to build relationships and thus achieve lower customer loyalty.

Third, using the same dyadic dataset, we provide empirical evidence on the antecedents of perceptual inaccuracy in customer–salesperson relationships. For example, we provide evidence for an acquaintanceship effect, which describes a salesperson's tendency to become a more accurate judge of a customer as the level of acquaintance with the customer increases. Therefore, to enable salespeople to accurately perceive the relationship commitment of their customers, companies should avoid rotating salespeople through customers on a regular basis. However, we also find that salespeople experienced in selling to diverse customers in diverse contexts perceive a customer's relationship commitment less accurately. This seemingly counter-intuitive finding could be the result of an overconfidence bias, where experienced salespeople fail to adapt their perceptions as they feel highly confident of the perceptions' accuracy. Salespeople who are subject to an overconfidence bias thus are not motivated to assimilate new information.

Furthermore, we show that loyalty-based compensation systems that reward salespeople for developing long-term customer relationships motivate them to use behavioral cues relevant to the relationship commitment of their customers. In contrast, compensation systems aimed at maximizing immediate sales motivate salespeople to concentrate on achieving short-term sales objectives at the expense of developing long-term customer relationships. Since salespeople ignore behavioral cues relevant to the relationship commitment of their customers, sales-based incentives decrease salespeople's perceptual accuracy.

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NAILING DOWN SALES FORCE'S IMPACT ON CUSTOMER LIFETIME VALUE: THE ROLE OF SOLUTION SELLING

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SUMMARY

Academics and practitioners are interested in understanding how marketing investments impact on firm financial performance (Hanssens, Rust, and Srivastava 2009). One prominent category of marketing investment is the sales force. Indeed, in many markets, the sales force is responsible for designing, deploying, and selling customer solutions as a means of differentiating products and (co)creating value with the customer (Tuli, Kohli, and Bharadwaj 2007). Unfortunately, the literature regarding how the sales force creates value for the customer through solution selling or how the sales force impacts on customer lifetime value (CLV) is remarkably sparse. Against this background, this article draws on two studies and a rich data set to demonstrate how sales force's solution selling activities (SSAs, hereafter) trigger a chain of customer reactions that lead to increased levels of CLV. We define SSAs as the relational activities that salespeople undertake to define customers' requirements, customize and integrate goods/services, deploy goods and services, and provide postdeployment support to customers in order to meet their business needs.

We develop a conceptual framework by drawing on several streams of research such as the interorganizational relationships literature (e.g., Heide and John 1992), service-profit-chain theory (e.g., Kamakura, Mittal, de Ross, and Mazzon 2002), customer relationship management theory (e.g., Rust, Lemon, and Zeithaml 2004), and marketing strategy theory (e.g., Srivastava, Shervani, and Fahey 1998). Specifically, the framework delineates a nomological chain of effects from a firm's marketing actions (i.e., SSAs), to how customers feel and behave (i.e., value received by the customer, satisfaction with the salesperson, and repurchase intentions), and – eventually – to what firms appropriate in terms of increased purchase frequency and CLV. We also examine the moderating role of customer- and relationship-specific characteristics as moderators of the relationship between SSAs and value received by the customer.

The framework is tested with data from two different studies. Data in Study 1 are collected from customers of a major information technology (IT) solutions provider. The sampling plan in Study 2 involved collecting data from customers of a large manufacturer of pumping equipment, which are then matched to a rich set of archival data about these customers (e.g., CLV) one year

after the customer survey took place. Measurement scales are subjected to CFA to establish their validity and reliability in both studies. Hypothesized relationships are subsequently tested by using a covariance-based SEM approach. Regarding hypothesis testing, most structural paths are significant and in the hypothesized direction.

Our Study makes three unique contributions to the extant literature. First, we develop a comprehensive framework that delineates how sales force's solution-related activities influence key customer experiences and – through these – the economic value that a customer creates for the firm. We theorize and empirically assess the role of sales force's relational activities for co-creating value with business customers. Specifically, we find that SSAs create value for the customer, which, in turn, increases the value that the customer generates for the company. To the best of our knowledge, this study is one of the very first attempts to nail down the impact of marketing actions and programs on firm financial value (see Hanssens, Rust, and Srivastava 2009). We do so by focusing at the sales force, an important marketing investment for many business firms, and by relying on a rich data set that includes objective data on CLV. Given the concern that many solutions are not profitable for suppliers (Tuli, Kohli, and Bharadwaj 2007), we provide empirical evidence that solutions pay-off. Specifically, we show that solution-oriented activities are related positively to CLV one year after the sales force engaged in these activities.

Second, we conceptualize and offer a validated scale to measure SSAs, an important construct that has not yet received any theoretical or empirical attention in the academic literature. SSAs were conceptualized as a second-order construct with the four dimensions as first-order indicators. From a sales force perspective, offering, designing, and deploying customer solutions entails a set of relational processes. Specifically, salespeople need to understand the broader business needs and objectives of their customers by probing multiple stakeholders within the buying firm and by asking the right questions that will unfold both current and latent needs of their customers. Salespeople aiming at implementing a solution strategy in their customers' organizations need to be able to select, modify, and deploy goods and services that can work together as an integrated solution. In addition, effective solution implementation calls for postdeployment efforts to ensure that evolving customer needs are met after

solution implementation. Consequently, the view that a solution is a set of relational processes (Tuli, Kohli, and Bharadwaj 2007) is positioned within a nomological network of relationships and verified through rigorous empirical testing.

Third, we explore the boundary conditions that frame the effects of SSAs on value creation for the customer, thereby unveiling a more veridical picture of the solution provision process. Specifically, we find that SSAs have a more positive impact on value received by the customer when supply importance, relationship embeddedness, and

relational norms are higher; however, the effect of the interaction between SSAs and customer know-how on value received by the customer – though in the right direction – was not empirically confirmed.

Future research in this area might want to explore the antecedents of SSAs. Possible variables that might trigger salespeople to practice SSAs include empowerment, decentralized sales management practices, and competitive rivalry, among others. References are available upon request.

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GROWING EXISTING CUSTOMERS' PROFITABILITY WITH CUSTOMER REFERRAL PROGRAMS

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SUMMARY

Customer referral programs (CRPs) have gained increasing attention among marketing researchers and practitioners (Schmitt, Skiera, and Van den Bulte 2011). They represent deliberately initiated, actively managed, and continuously controlled firm activities that are geared at stimulating positive word-of-mouth (WOM) among the existing customer base. Their primary objective is to gain new clients for the firm's products and services. Usually, firms offer rewards to their current customers for successful referrals, i.e., the new customers acquired by recommendations.

While implications of CRPs for customer acquisition are increasingly well understood, their impact on the existing customers who give the recommendations has remained neglected. Earlier research has hinted at conflicting effects. Based on self-perception arguments, East, Lomax, and Narain (2001) suggested that customers who recommend a service infer that they like it which would increase loyalty. Also based on self-perception theory, Ryu and Feick (2007) argued that engaging in natural WOM may reinforce recommenders' satisfaction with the brand, whereas making rewarded recommendations may undermine recommenders' satisfaction and decrease their loyalty. The only empirical evidence is reported by Garnefeld, Helm, and Eggert (2011) who, based on a series of laboratory experiments, identified a positive effect of giving favorable WOM on existing customers' affective commitment and behavioral loyalty intentions but did not investigate rewarded recommendations. Consequently, it is unknown whether, for what type of customers and how a bonding effect exists and, specifically, how it might translate into monetary bottom line effects in real-world settings. Relying on a large-scale dataset from the mobile service industry as well as on a laboratory experiment, we close this gap in the literature.

Our central findings comprise three core themes: the impact of providing a referral on customer loyalty, the effect of the size of the reward, and the role of relationship tenure. First, the results from both our propensity score matching analysis using behavioral data and our laboratory experiment indicate that participating in a CRP influences subsequent loyalty of the recommender. Purchase

patterns are more stable, and spending levels are higher for those who participate in a CRP, so we begin to answer the question of whether rewarded referrals have limited impacts because customers interpret their recommendation as less reflective of their overall attitude toward the firm. However, this is not the case as a rewarded recommendation provokes commitment and consistency behavior similar to that which social psychologists have found in other situations in which a person publicly states support for a position.

Second, the impact of rewards on loyalty has been an issue of contention because of the competing perspectives related to how customers internalize CRPs. To gain further insights, we examined how the size of the reward affects loyalty. Our findings indicate that large rewards have the same positive impact on loyalty that unrewarded recommendations achieve, but small rewards have no influence. A likely explanation for this result comes from social exchange theory, based on an equity perspective. The precise calculus may be difficult for customers to determine, but they likely perceive that their referral has significant value to the firm, so a larger reward appears appropriate. By delivering a larger reward through the CRP, firms signal their fair treatment and respect for the customer's effort on their behalf.

Third, we find an interaction effect of participating in a CRP and customer tenure. Newer customers' loyalty after participating in a CRP is more affected than long-term customers'. This important contribution to our understanding of the role of tenure is consistent with the explanation that recommendations provide additional information about the recommenders' own beliefs about the organization. The impact of this additional information indicates that certainty, or assuming that the overall assessment is positive, is an important component of judgments, and reducing uncertainty can contribute to loyalty.

According to our results, managers should therefore recognize that a key part of the value of a CRP is its impact on loyalty. Reduced customer defections are central to improving profitability, and our findings show excellent returns, in terms of reduced churn and increased spending, on the act of providing referrals. Building models to account for both the customer attraction and loyalty com-

ponents of CRPs will lead to improved estimates of the return on the investment.

Regarding the size of the reward, with our equity theory perspective, we challenge research that has indicated managers should be concerned about undermining the positive impact of WOM if they offer rewards. This effect only occurs when rewards are small. The design of

compensation in CRPs therefore must include rewards that are large enough to make it worthwhile for the customer to make the recommendation and to help the recommender feel adequately rewarded for bringing business to the firm. To strengthen the recommender's relationship with the firm, the reward should be of adequate value and symbolize the firm's regard for the customer's effort. References are available upon request.

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ENDOWED STATUS IN HIERARCHICAL LOYALTY PROGRAMS

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SUMMARY

Hierarchical loyalty programs are a commonly used relationship marketing tool. Within these programs, customers exceeding a certain spending level are awarded elevated customer status (e.g., “gold membership,” “platinum customer”). Elevating customer status has been found to be beneficial for firms due to increased customer loyalty (Drèze and Nunes 2011; Lacey, Suh, and Morgan 2007) and the firm’s possibility to align the cost to serve a customer to his value. Examples of hierarchical loyalty programs encompass many different industries, including airlines, hotels, retailers, and banking.

In current business practice, it is observed that customers are not always awarded elevated customer status based on their past spending level. Rather, some companies award some of their customers elevated status although they did not achieve the spending level predefined in the loyalty program’s rules. That is, certain customers who typically are expected to be more profitable in the future are elevated to a higher tier without having met the spending level required for status elevation (Kumar and Shah 2004). In this case, elevated status compares to the notion of endowed status because its achievement is beyond customers’ control (Drèze and Nunes 2009). Examples of companies endowing elevated customer status include Hilton Hotels & Resorts (HHonors), Starwood Hotels & Resorts (Starwood Preferred Guest), or Hertz Car Rental (Hertz Gold Plus Rewards). Firms assume to profit from this practice as they expect the same loyalty effects as from assigning achieved status.

However, according to literature from social psychology, endowment potentially differs from achievement in its impact on customer loyalty. In the context of a non-hierarchical loyalty program, Zhang and Huang (2010) look at the impact of the source of progress on consumer goal commitment and motivation, explicitly distinguishing between earned, i.e., achieved, and endowed progress toward a goal. It is shown that endowment, against conventional wisdom, does not necessarily exert a positive impact on the consumers’ goal commitment and motivation.

With our paper, we strive to gain insight into the impact of endowed elevated customer status in hierarchical loyalty programs on customer loyalty. Our research

objective is twofold: *First*, we want to analyze customers’ loyalty response when they are endowed elevated status. *Second*, we will compare the effects of endowed and achieved elevated status on customer loyalty.

We derive our hypotheses based on theories from social psychology. According to social identity theory (Tajfel and Turner 1979), we expect endowed and achieved elevated status to have a positive impact on customer loyalty, respectively. However, reverting to the concept of effort justification (Aronson and Mills 1959) originating from cognitive dissonance theory (Festinger 1957), we assume that customers having achieved elevated status exert higher customer loyalty than customers being endowed elevated status.

To analyze the effect of endowed elevated customer status on customer loyalty, we conducted a laboratory experiment. For customer loyalty, we distinguished between affective commitment as a dimension of attitudinal loyalty, and behavioral loyalty. We employed a posttest control group design and manipulated customer status on three levels (endowed elevated status versus achieved elevated status versus no elevated status). Thus, the two treatment groups were exposed to a situation in which they were elevated from the basic tier to an elevated tier of the hierarchical loyalty program of a fictitious airline. The control group was not told about a status elevation. For data collection, we randomly contacted travelers waiting to board at a German international airport. A total of 336 participants took part in the experiment. Respondents were randomly assigned to one of the three groups. The mean age of the sample was 41.3 years and 56.1 percent were female. First, we expected both endowed and achieved elevated status to positively impact affective commitment. ANCOVA results confirmed significant effects. Further on, achieved elevated status is significantly stronger than endowed elevated status in its positive effect. Second, we checked for a mediating effect of affective commitment on the elevated customer status-behavioral loyalty link. Mediation effects were supported for both endowed elevated status (versus no elevated status) and achieved elevated status (versus endowed elevated status).

In our study, we explored the effect of endowed elevated customer status on affective commitment and behavioral loyalty. Endowed elevated status has been identified to increase customer loyalty, but not as strongly

as achieved elevated status does. The results of our study allow for the following implications: First, the detected positive impact of endowed status on customer loyalty implies that awarding customers elevated status although they did not regularly achieve it can be an effective loyalty-enhancing instrument. Thus, managers of hierarchical loyalty programs can make use of elevated customer status beyond the established employment as an award for the heaviest buyers. The general appeal of status

can be applied as a stimulus to motivate customers toward greater loyalty. Second, however, it must be noted that achieved status has been found to work more effectively than endowed status. In order to make use of this finding for the implementation of endowed elevated status, future research should examine different ways of framing and communicating status endowment that might augment customers' perception of personal achievement to foster effectiveness. References are available upon request.

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WHEN SALES MANAGERS AND SALESPEOPLE DISAGREE IN THE APPRECIATION FOR THEIR FIRM: THE PHENOMENON OF ORGANIZATIONAL IDENTIFICATION TENSION

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SUMMARY

Today there is a large consensus in both research and practice that employees showing a strong identification with their company are critical for a firm's success (e.g., Albert et al. 2000; Slack 2010). Research in organizational behavior for example shows that organizational identification (OI) – reflecting employees' "perceived oneness with an organization" (Mael and Ashforth 1992, p. 103) – is positively associated with employees' tendency to show positive in-role and extra-role behavior (Dukerich et al. 2002), and their level of work performance (e.g., Hekman et al. 2009).

Recent research in marketing extends these findings, showing that salespeople's OI has a positive effect on important marketing outcomes on the customer-level, the employee-level, and on monetary performance measures (e.g., Homburg et al. 2009; Maxham et al. 2008). Moreover, there is initial evidence about the importance of sales managers' OI for successful sales interactions (Lichtenstein et al. 2010; Wieseke et al. 2009).

However, while research in marketing has repeatedly shown the benefits of OI it so far has completely neglected potential negative effects of OI. More specifically, previous research in marketing has looked at (the positive) consequences of OI of sales managers and salespeople separately, or focused on the question if sales managers' OI fosters salespeople's identification with the company. However, it has completely ignored the potentially negative interpersonal consequences arising from differences between sales managers' and salespeople's strength of OI.

Therefore, this work aims to provide first insights on this phenomenon. In order to explore the consequences of incongruence between sales managers' and salespeople's

strength of organizational identification, a large-scale data set comprising information about sales managers, salespeople, and their respective customers is analyzed. Using multilevel polynomial regression and response surface analysis (Edwards and Perry 1993), support is found for the notion that increasing OI tension – the difference between a sales manager's and a subordinated salesperson's strength of organizational identification – has an increasing negative effect on two important marketing outcomes, customer satisfaction and sales performance.

Based on this finding, the authors additionally explore which of the sales managers' leadership styles is most effective in reducing OI tension and how leadership effectiveness is influenced by the sales manager's decision for a sales force control approach. The results suggest that while charismatic leadership behavior significantly reduces OI tension, transactional leadership behavior has no direct significant effect on the gap between sales managers' and salespeople's OI. However, analyzing the moderational effect of sales force control systems shows that transactional sales manager are able to effectively reduce OI tension if they adopt a behavior-based rather than an outcome-based control approach. Conversely, accentuating their charisma, charismatic leaders should adopt a more outcome-based control approach in order to enhance their effectiveness in reducing OI tension.

The study contributes to academic marketing research on OI, leadership styles, and sales force control approaches. Furthermore it provides important managerial implications for the assignment of sales representatives to sales managers (or vice versa), effectiveness of specific leadership styles and control approaches in situations characterized by OI tension, configuration of work teams, and corporate programs for increasing employees' bond to their organization.

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MEDIATORS OF JOB PERFORMANCE ON ORGANIZATIONAL COMMITMENT AND ADVOCACY IN RETAIL SERVICES

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SUMMARY

Employees play a central role in the service/product delivery process. Customer contact employees in particular have a direct and powerful impact on how customers see an organization (Boles and Babin 1996; Brown and Lam 2008; Heskett et al. 1994; Keleman and Papasolomou 2007; Sawyerr, Srinivas, and Wang 2009). It is often their behaviors which determine customer perceptions of the quality of service products (Boles and Babin 1996; Payne, Holt, and Frow 2001). According to the service profit chain model (Payne, Holt, and Frow 2001) employees' positive attitudes result in more satisfied customers, with less complaints and a lower level of customer turnover. On the other hand, the role of these 'part-time marketers' is essential, in ensuring a more profitable or successful business (Gronroos 1994; Schneider et al. 2003), thereby emphasizing the critical role of internal marketing in organizations.

The study aims to explore both antecedents and outcomes of employees' organizational commitment. Specifically this research investigates the relationships between employees' job performance and employees' organizational commitment and advocacy. The sample consists of 216 respondents, front line employees in a large Australian health insurance company. One of the most valuable contributions of this research is that it advances prior work on organizational commitment via simultaneous assessment of four mediators that possess explanatory power in how job performance is translated into organizational commitment. Specifically, the findings reveal that satisfaction with work conditions is the strongest mediator while the weakest is satisfaction with recognition. The level of internal influence employees have and perception of the company's service quality are of moderate strength mediators. From this it can be concluded that employees attribute high values to the condition and content of their work as well as to the company for which they are working. References are available upon request.

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INTERNAL BRANDING THROUGH BRAND GAMES: EVIDENCE FROM A FIELD EXPERIMENT

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SUMMARY

Many companies do it: they let their employees play – with small plastic bricks, tokens, memory cards or board games. A German car company periodically organizes employee events, where front line and service employees slip into the character of profilers like in well-known American TV series. By means of well-prepared cars, they track down signs in order to identify characteristics, needs and hobbies of potential car drivers. Why does a serious, internationally acting company instigate its employees to compete in groups and play brand games? Practice and anecdotal evidence suggests that brand games work, because they are fun and motivate customer-contact employees to live the brand (Buhse 2009; Ind 2001). In recent years, researchers have paid increasing attention to the internal management of brands and brand associations (e.g., Miles and Mangold 2004; Morhart et al. 2009). Specifically in service contexts, internal brand management plays a vital role in the success of a brand as employees are expected to act as brand ambassadors who “transform brand vision into reality” (Berry 2000, p. 135). Thus, the purpose of our research is to investigate if a brand and its underlying values can be communicated effectively through the use of brand games. Therefore, we draw on findings from flow theory and research on social interaction as well as a field experiment we conducted with customer-contact employees in a Swiss insurance company.

According to definitions from game research (see Salen and Zimmerman 2003 for a review), brand games can be described as artificially constructed, challenging activities with a specific set of rules that reflect the brand’s values and core associations. The design of brand games usually mimics traditional game forms. Researchers agree that playing a game can be a very pleasurable and transformative experience (e.g., Csikszentmihalyi 1991; Sutton-Smith 2001; Martin 2004). Csikszentmihalyi (1991) describes this experience as a state of flow, that is, a mental state of high enjoyment that occurs when the players immerse themselves into the game. When a brand and its values are communicated through a brand game, participants may enter this state of flow and experience fun and enjoyment. This, in turn, may lead to a reduction of negative cognitive responses and a transfer of positive affect. In contrast, an expository communication of the

brand (for example, a formal brand positioning statement or a written summary of brand values) may be perceived as boring and dull compared to a brand game (Ind 2001; Mitchell 2002). Thus, promoting a brand through a brand game may lead to more positive evaluations of the brand than an expository representation of the brand.

Although there are strong arguments for the use of games for educational purposes and persuasion, research findings have been mixed so far (most research has been conducted in the field of educational psychology, see Hays 2005 and Randel et al. 1992 for a review). This may be due to the different amount of social interactions inherent in different kind of games. On the one hand, games can be solitary activities that participants carry out alone and on the other hand they can be created as group activities involving social interaction. The latter one has been shown to activate self-representation concerns (e.g., Wooten and Reed 2004). Therefore, we posit that social interaction will greatly reduce the positive impact of a brand game on brand attitude and affective response. In contrast, when a brand game is played alone (i.e., absence of social interaction), employees might be more easy minded and better able to immerse themselves into the game and enjoy it. This may have a beneficial effect on employees’ evaluation of the brand while enjoyment mediates this relationship.

In order to test our hypotheses, we conducted a 2 (representation format of brand values: expository representation vs. brand game) x 2 (social interaction: solitary activity vs. group activity) field experiment with call center employees. The experiment was part of a rollout of an internal branding program of a Swiss insurance company. A newly developed set of brand values was either provided in form of a booklet or in form of a card game. Our analysis revealed that when social interaction was absent, the brand game exerted a more positive impact on attitude toward the brand and affective response than the expository format. Also consistent with our hypotheses, our analysis showed that these relationships were mediated by the perceived enjoyment of the activity. These results contribute to the scarce literature on brand games and shed some light on the conditions under which games may entail negative consequences. References are available upon request.

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COORDINATION FLEXIBILITY IN SALES AND MARKETING: IN-DEPTH INSIGHTS INTO AN IMPORTANT NEW CONCEPT

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SUMMARY

While the uncertainty stemming from environmental dynamism can pose a threat, it provides an opportunity for those firms boasting higher degrees of flexibility (Lau 1996; Shimizu and Hitt 2004; Upton 1994). A flexible approach affords a firm the ability to adapt and to improvise in order to achieve the best possible outcome (Moorman and Miner 1998). However, Johnson et al. (2003) maintained that without being market-focused, any type of flexibility will not result in sustainable competitive advantage; further, that market dynamism can disable even currently effective marketing programs. From a marketing perspective, strategic flexibility is defined overall as the firm's ability to redefine strategies, and to reconfigure and redeploy resources with regard to a firm's products and markets (e.g., Grewal and Tansuhaj 2001; Johnson et al. 2003; Sanchez 1995). In the context of product competition, Sanchez (1995) makes the distinction between "resource flexibility" – the flexibility inherent in a company's product-creating resources – and "coordination flexibility," defined as the flexibility in coordinating the use of such resources. The limited empirical research that exists shows the positive effects of coordination flexibility in enhancing business performance in export marketing (Cadogan et al. in press), and in increasing indigenous firm innovation and product innovation-related profit in uncertain and dynamic markets (Li, Liu, and Duan 2008; Li, Su, and Liu 2010). Cadogan et al. (in press) measure 'export coordination flexibility' in terms of export employees' collaborative relations with other parts of the business. Li, Liu, and Duan (2008) and Li, Su, and Liu (2010) focus on flexibility in the use of a firm's resources in the product innovation process. Yet none of these studies investigate coordination flexibility from both perspectives; i.e., from the angles of collaborative cross-functional relations and the flexible use of resources. This research gap offers a distinct opportunity to extend existing knowledge. Merging the two approaches would broaden the concept of intraorganizational coordination flexibility (IOCF) for marketing. The importance of developing and investigating the concept of IOCF is embedded in the recognition that the ability and willingness of departments, including marketing, to adapt and to accommodate deviations from their original strategies and plans through their cross-functional working is a critical factor for success (Krohmer,

Homburg, and Workman 2002). Therefore, the objective of the present research is to explore how IOCF manifests itself in marketing.

The specific focus of the research is flexibility in coordinating sales and marketing (S&M) resources. This is an interface of two highly interdependent departments (Cespedes 1994; Dawes and Massey 2006), an interface that while essential for marketing success is widely reported as sub-optimal (Dewsnap and Jobber 2000). In the developing body of research on the sales-marketing interface, collaborative relations between sales and marketing are reported as essential for success (Guenzi and Troilo 2006; Homburg and Jensen 2008; LeMeunier-Fitzhugh and Piercy 2007). However, flexibility as a part of such collaboration remains unexplored. The development and testing of a model of intraorganizational coordination flexibility for S&M will therefore add significantly to the still limited research on S&M relations. We define sales-marketing coordination flexibility (SMCF) as "a set of capabilities inherent in a firm's sales and marketing management processes that reflects its ability to redefine, reconfigure, reallocate, and redeploy sales and marketing resources to meet overall organizational goals and to exploit existing and emerging opportunities and challenges presented by the environment." The root of the research is the exchange of resources between interdependent S&M departments as a pre-requisite for achieving organizational goals (Dawes and Massey 2006; Ruekert and Walker 1987). The research then develops the concept of exchange by addressing the issue of flexibility within the coordination efforts and flows of such resources between the two departments. To address this and to explicate the cross-functional exchanges of tangible and intangible resources (Homans 1961), the study adopts social exchange theory (Blau 1964, Cropanzano and Mitchell 2005). It is proposed that the impact of sales-marketing coordination flexibility will be higher in more dynamic environments. Therefore to accommodate environmental turbulence as a moderator, the research is also underpinned by contingency theory (Donaldson 2001).

As the first study to investigate this topic, in-depth qualitative research was undertaken to (1) provide initial insights into the central construct of SMCF, and (2) to explore its determinants and its effects. In-depth interviews were conducted with 22 key informants in 15 U.K.

companies. The sample represented a wide spread of product/industry sectors and company sizes, and a broad spectrum of sales and marketing roles at different levels in the management hierarchy. Following Miles and Huberman (1994), an analytical approach combining within- and cross-case analysis was adopted. The findings reveal two distinct facets of intraorganizational coordination flexibility for S&M. In addition, the insights reveal the impact of a range of organizational antecedents on a firm's ability to develop SMCF, as well as initial evidence of the positive effects of coordination flexibility at the sales-marketing interface. These are incorporated into a conceptual framework with associated hypotheses for empirical testing.

This research offers a significant contribution to theory and practice. For the academic, the rich insights and consequent conceptualization of the new intraorgan-

izational coordination flexibility construct offer a valuable contribution to the further study of marketing's important intraorganizational interfaces – key among which, the critical sales and marketing interface. The proposed research is expected to stimulate further investigation of the determinants, constituents and consequences of flexibility in any intraorganizational coordination process that involves inter- and intra-functional working; for example, the marketing-R&D, sales-R&D, marketing-export interfaces. From a practitioner perspective, the research will provide insights on the different facets of coordination flexibility in sales and marketing processes and corresponding structural, relational and cultural facilitators, in addition to providing important information on the environmental conditions under which such coordination flexibility will have the greatest effect on performance. References are available upon request.

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THE IMPACT OF DIFFERENT MODES OF CUSTOMER INVOLVEMENT ON SERVICE INNOVATIVENESS

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SUMMARY

Both practitioners and researchers criticize customers for providing only limited insights as to which offerings they want to have in the future (e.g., Christensen and Bower 1996; Hamel and Prahalad 1994). Practitioners have especially criticized modes of customer involvement that ask customers to express their needs explicitly, as, for instance, in interviews with customers (Thomke and von Hippel 2002). Critics of explicit expression of needs claim that customers lack foresight, are unable to express their real needs, lack a common understanding enabling proper communication with the developing company, or are unwilling to express their needs to prevent costly changes (Hamel and Prahalad 1994). These shortcomings become even more important in the case of services, for which customers can hardly forecast their behavior, since every service situation is to some extent unique (Leonard-Barton 1995).

A simple perception could help resolve the dilemma, which is that “many times the best foresight comes from deep-down customer insight—insight that comes from direct exposure to customers, not from second-hand market research” (Hamel and Prahalad 1994, p. 104). For most B2B services, customers must co-produce services closely with the supplying company, requiring them to reveal information about their knowledge, needs, and skills (Atuahene-Gima 1996). Thus, observation of customers’ real behavior in service situations seems to be a valuable alternative to asking customers explicitly for their needs in the case of B2B services.

From a scientific point of view, researchers call for a more fine-grained analysis concerning the conceptualization of customer involvement (e.g., Brockhoff 2003). Some studies have attempted to distinguish and compare different kinds of customer involvement (e.g., Fang 2008), but research in this vein is far from sufficient. Although many conceptual papers distinguish between explicit and implicit customer needs (e.g., Matthing et al. 2004; Slater and Narver 1998), to our knowledge, no studies have empirically tested the impact of related kinds of customer involvement in terms of innovativeness. This oversight is surprising, because customer involvement techniques, which focus on the observation of implicit needs, have the potential to overcome the limitation of traditional customer involvement techniques, which focus on explicit

knowledge. As Matthing et al. (2004, p. 481) put it, “the customer ought to be observed in its natural environment.”

Framework

Paralleling the distinction between explicit and implicit knowledge in organizational learning theory (Nonaka 1994), we introduce the concept of explicit and implicit customer involvement. We refer to explicit customer involvement as the generation of knowledge about universal customer needs for new services based on written or verbal communication, e.g., through interviews or surveys. Implicit customer involvement refers to the generation of knowledge of relevant customer needs for service innovations based on context-specific customer actions, e.g., through the necessary interaction with the customer to deliver a service.

Drawing on organizational learning theory and the interaction intensity of B2B services, we further propose non-monotonic effects of explicit and implicit customer involvement. The dependent variable is service program innovativeness, comprised of frequency, newness and meaningfulness of new services. Explicit customer involvement should exert a U-shaped effect, which is explained in required learning of both company and customers to deliver valuable insights. For implicit customer involvement, we assume an inverted U-shaped relationship. We argue that the closer the company interacts with its customers for service delivery, the more it can learn about the customer’s needs and thus service program innovativeness increases. For high degrees of implicit customer involvement, the information about customer needs is supposed to be too customer and situation specific and thus service program innovativeness should decline. We further propose that explicit customer involvement is supposed to be more effective for offerings with low complexity, whereas implicit customer involvement is supposed to be more effective for offerings with high complexity.

Analysis and Results

We empirically tested our framework based on survey data of 113 companies. The dataset comprises companies offering B2B services from five different industries. We applied a multi-informant approach for data collec-

tion. Further, data from customers was used to cross-validate the dependent variable service program innovativeness. Applying hierarchical regression analysis, we tested the hypotheses regarding the non-monotonic main effects of explicit and implicit customer involvement on service program innovativeness as well as the moderating effect of offering complexity. All hypotheses were supported.

Discussion and Implications

This study shows that it makes a huge difference to companies whether they involve their customers explicitly or implicitly to gain ideas for service innovations.

Furthermore, this investigation reveals that “the more, the better” approaches are hardly applicable to customer involvement in B2B services. Specifically, managers should be aware that customer involvement comes with costs as well as benefits and thus can actually impede service innovation for companies. In terms of explicit customer involvement managers should avoid a “stuck in the middle.” For implicit customer involvement the benefit is especially great at a medium level. The more traditional explicit customer involvement can be a valuable alternative for B2B services with low complexity, whereas implicit customer involvement is especially powerful for B2B services with high complexity. References are available upon request.

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CO-CREATION IN NEW SERVICE DEVELOPMENT: AN EXPERIMENT

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SUMMARY

Continually developing and launching new services is of major importance for companies' long-term success. On the one hand, the integration of consumers in new service development (NSD) for co-creating value has been stressed as critically important (e.g., Kristensson and Magnusson 2010). However, surprisingly "user involvement in NSD is an area that is almost unexplored" (Magnusson, Matthing, and Kristensson 2003, p. 113). On the other hand, creative ideas provide the seed for successful service innovations (Magnusson 2009). One way to integrate consumers in the idea creation is through co-creation, especially idea contests (e.g., Terwiesch and Xu 2008). Within such idea contests, people are invited to deal with a certain topic or problem and to upload their creative ideas. Even though prior research has called for innovation tools (Lusch, Vargo, and Tanniru 2010) and idea contests have become prevalent, there is a dearth of research regarding idea contests.

One major challenge for service companies is to identify those consumers who are most helpful during NSD (Goldsmith and Flynn 1992). Even though issues like the size of participating consumer groups has been studied previously (Terwiesch and Xu 2008), so far no research investigated the question of which type of consumer to engage for co-creating value in NSD. Thus, an accurate identification and selection of capable consumers regarding the co-creation in NSD and making use of their creativity potential is critical (Lilien et al. 2002). However, there is limited research regarding consumer characteristics and their impact on the idea quality in the realm of idea contests (Blazevic and Lievens 2008).

Although idea contests are popular, many of them do not acquire enough interested participants because they fail to motivate consumers and to yield valuable contributions (Kohler, Matzler, and Fulller 2009). Thus, it has been emphasized that firms need to create an experience which motivates users to engage in virtual co-creation projects and submit their ideas (Fulller et al. 2011). However, little attention has been paid toward an understanding of how user co-creation in service idea generation can be influenced (e.g., Alam 2002; see also Magnusson 2009). Blazevic and Lievens (2008) state that there is a need to investigate the motivation of users to co-create and determine why they co-produce knowledge. In general, incentives are a way to increase the motivation of the consumer

to participate and also to bring forward valuable ideas. One way to motivate participants to develop ideas of high quality is extrinsic rewards in form of financial benefits (Toubia 2006). Hence, the use of extrinsic rewards and their impact in idea contests needs to be explored.

This paper contributes to the literature by addressing the question of which users a service company should invite to co-creation and how a service company can proactively motivate consumer participation in co-creation for NSD. Our research investigates different consumer characteristics and their influence on idea quality. Whereas the characteristics are measured from the users' point of view the co-creation is evaluated from a manager's and user's point of view. Furthermore, our research focuses on the influence of incentives on co-creation.

Based on the model of creativity (Amabile 1983) this study investigates the relationships between different consumer characteristics and their impact on idea quality. Amabile (1998) argues that different components have to merge so that creativity can emerge, namely: expertise, creativity-thinking skills, and motivation. Technical knowledge and use experience are used in this study to account for expertise (e.g., Kristensson and Magnusson 2010). Furthermore, we use being ahead of the trend (von Hippel 1986) and dissatisfaction (Fulller 2010) to account for creative-thinking skills. Finally, intrinsic as well as extrinsic motivation, in form of a financial reward, account for the motivation. In the main paper hypotheses regarding the relationship between different characteristics and their impact on idea quality are derived. To test the hypotheses, a two-groups (financial reward: cash prize vs. no cash prize) between-subject experiment was conducted in form of a virtual idea contest referring to the development of an idea for online services of soccer clubs. In total, 105 people participated in the online experiment. All participants were asked to provide an idea and were informed that the assessment of the ideas would be based on the dimensions producibility, originality, and user value. This definition is derived from creativity research (Amabile et al. 2005). Whereas the characteristics were measured reflectively, the dependent variable idea quality was measured formatively. The Consensual Assessment Technique (CAT) (Amabile 1996) was followed for the evaluation of the ideas. Two experts (one heavy user of online services for success clubs and a marketing manager of such a website) were independently instructed to use their expert sense of what is creative in the domain of

question and to evaluate the ideas based on this. In order to determine the inter-rater reliability we assessed Cohen's Kappa (Cohen 1960) with very satisfying results.

Our results show that when calling for idea contests it is of utmost importance that service companies target the "right" people. Overall, we show that especially creativity-thinking skills are of major importance to obtain ideas of high quality. The characteristic with the highest positive impact on idea quality turned out to be dissatisfaction with existing services. Hence, companies need to encourage dissatisfied users to participate in co-creation. Being ahead of the trend shows a negative impact on idea quality. However, the being ahead of the trend component of lead users supports idea quality when the benefit component is given (von Hippel 1986). When service com-

panies invite people ahead of the trend to participate in co-creation, they need to offer a financial benefit. Regarding the motivation component we find a positive influence of intrinsic motivation and extrinsic motivation on idea quality. However, the effect of intrinsic motivation is weakened when offered a financial benefit at the same time. Finally, the results show that the expertise characteristic shows no (technical knowledge) or a positive impact (use experience) on idea quality. Furthermore, if heavy users are constrained by technical knowledge the idea's become less creative. Overall, companies need to install measures at the beginning of service co-creation to quickly gain knowledge about the characteristics of the participants and based on this decide whether to offer a financial benefit. References are available upon request.

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GROWING WITH INDUSTRIAL SERVICES: A CONFIGURATIONAL APPROACH

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SUMMARY

Many industrial suppliers have transitioned from a focus on manufacturing to an emphasis on service provision (Gebauer 2007; Jacob and Ulaga 2008). The underlying reasons for manufacturers to extend their service business and increase their service orientation are manifold. Amongst others, managers view industrial services as a way to strengthen their competitive position, protect their core product business, and generate additional revenues – thereby achieving growth in the future (Wise and Baumgartner 1999).

However, anecdotal evidence shows that results of service maneuvers are often mixed at best. According to a Bain & Co. study for example, only 21% of manufacturing companies succeed with service strategies (Baveja, Gilbert, and Ledingham 2004). Existing empirical findings on the effects of service orientation on manufacturers' performance also remain contradictory. While several studies confirm a positive effect of service orientation on performance (Antioico et al. 2008; Homburg, Fassnacht, and Guenther 2003), recent research demonstrates that service orientation may also result in negative outcomes for firms (Fang, Palmatier, and Steenkamp 2008; Neely 2008).

Consequently, it can be assumed that service orientation does not lead to revenue growth per se, but might depend on the company's characteristics. For example, the size of the company might play a crucial role as large companies tend to have more resources and can thus afford a separate service division (Auguste, Harmon, and Pandit 2006; Gebauer, Paiola, and Edvardsson 2010). Another important characteristic that might decide about whether service orientation leads to revenue growth are existing relationships with external partners (Windahl and Lakemond 2006). This is because companies facing high influence of customers and suppliers might have access to essential resources, skills or information (Mathieu 2001).

To date prior studies have not paid attention to the complex situation of companies that increase their service orientation and context variables that impact the outcomes of service orientation have only been considered in isolation. However, it may be sets of variables (i.e., configurations) rather than single variables that determine

the effect of an increase in service orientation on revenue growth. Therefore, we are employing a configurational approach to identify complex situations in which increasing service orientation leads to revenue growth for manufacturing firms. While the configurational approach has produced valuable insights in the strategy domain (see Miller 1986; Fiss 2007), it has remained underdeveloped in the marketing literature in general and business-to-business service research in particular.

Methodology and Results

Our research focuses on investigating how different configurations including an increase in service orientation are related to revenue growth in manufacturing firms. We rely on panel data from the German mechanical engineering industry. To test our hypothesis, we use Qualitative Comparative Analysis (QCA). Whereas QCA is becoming increasingly popular in organization and management science (see Grandori and Furnari 2008; Schneider, Schulze-Bentrop, and Paunescu 2010), it has only recently been applied in the field of marketing (Ordanini and Maglio 2009). QCA follows the idea that combinations of causal conditions rather than isolated conditions are linked to an outcome (Rihoux 2004). Hence, it allows us to examine how variables combine to create an outcome (Ordanini and Maglio 2009) and whether multiple configurations exist that lead to the same outcome (Fiss 2007).

First, our results confirm that an increase in service orientation is not a necessary condition for revenue growth. Second, we identify three different configurations including service orientation that are sufficient for revenue growth. The first configuration includes an increase in service orientation, large company size and high customer influence. The second configuration contains increase in service orientation, large company size and the absence of supplier influence. The third configuration that leads to revenue growth comprises an increase in service orientation, large company size and high capacity utilization.

Discussion and Implications

From a *substantive point of view*, our analysis offers a more fine-grained perspective on the outcomes of increases in service orientation. First, our results confirm

that an increase in service orientation alone does not lead to revenue growth. Instead combinations of appropriate organizational design factors are required to make the service transition successful. Second, there is not only one but different configurations of organizational design factors that lead to revenue growth with service orientation. In particular, we found that increases in service orientation lead to revenue growth if companies are large and either have high customer influence, high capacity utilization, or low supplier influence. The fact that large firm size appears in all configurations highlights the importance of a critical mass of resources that is needed to set up a service business. High customer influence can contribute to the successful implementation of service orientation as it ensures that services are designed in a way that customer

needs are fulfilled. High capacity utilization also helps to generate positive outcomes of service orientation as healthy companies' are more likely to focus on new businesses. Contrary to our hypothesis, low supplier influence also contributes to the positive outcomes of service orientation. This surprising result indicates that relationships with external partners might be constraining and thus can hinder required adjustments to implement the service strategy.

From a *methodological point of view*, our study highlights the need to account for configurations, i.e., sets of conditions, when analyzing consequences of marketing efforts. In this context, QCA represents a promising methodology. References are available upon request.

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PATTERNS OF FRONTLINE COGNITIVE AND EMOTIONAL WORK AND ITS CUSTOMER SATISFACTION CONSEQUENCES: A PILOT STUDY

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SUMMARY

With marketing discipline's paradigmatic shift toward service dominant logic, long-term relationships, and individualized satisfaction of customer needs (1-to-1 marketing), firms are increasingly focusing on understanding the what, how, and why of service experience between firms and its customers – what work is needed for effective service experience, how can this work be organizationally managed, and why are some service experiences more effective than others. Effective and efficient management of these service experience and its interfaces requires careful management of service interactions, which are also regarded as the next frontier of competitive advantage for the firms.

Marketing's frontline employees (FLEs) occupy a unique boundary spanning position for handling a majority of the firm's direct interactions with its customers, thereby playing a crucial role in the quality of service experiences for individual customers. Because frontline employee's performance varies across service interactions, previous studies that have relied on the employee as the unit of analysis have risked aggregation bias by ignoring situational variability. More significantly, using situations as the focus of attention is likely to reveal insights into the dynamics of frontline-customer service experiences that are more useful managerially to address the what, how and why questions of service experience effectiveness. Thus, in the present study we are examining the patterns of frontline work performed during customer problem solving that are associated with elevated customer satisfaction by using service interaction as the unit of analysis. We conceptualized FLE work to be composed of cognitive (e.g., task/relational) and emotional work components (e.g., positive/negative). Although past research has examined the nature and consequences of

cognitive or emotional work performance by frontline employees, but rarely have studies investigated both work components in a single study or theorized how these work components may have complementary (or conflicting) patterns. We have also incorporated both verbal and nonverbal behaviors in the conceptualization of cognitive and emotional work performance. Prior research has relied on either verbal or nonverbal behavioral cues in isolation. Customer satisfaction is conceptualized as an online assessment of the customer experience as they interact with the service provider concerning a problem, request or a situation. Such a dynamic conceptualization of customer satisfaction is a departure from past research where customer satisfaction has been often treated as a static, post-experience assessment that customers produce offline once the experience is done and over.

To explore our propositions, we have used a naturalistic/observation research methodology to analyze six distinct service experiences from the television series "Airline" broadcast during 2004–2005. The study reports findings on the feasibility of: (a) operational procedures and measures for capturing theoretical constructs (e.g., satisfaction, emotional/cognitive work) from behavioral data (i.e., Airline TV show), (b) tracking changes within an episode in theoretical constructs over time with sufficient sensitivity for quantifiable differences, and (c) insights into effective (satisfying) service interactions that are distinctive in nature and likely to be missed in contemporary approaches. Results show that positive changes in customer satisfaction are associated with displayed performance indicative of both (a) high level cognitive and emotional work in the concluding episode of the service experience, as well as (b) positively *changing* the level of cognitive and emotional work across episodes of the service experience. References are available upon request.

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UNDERSTANDING CUSTOMER INVOLVEMENT IN INTERORGANIZATIONAL NPD TEAMS

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SUMMARY

Companies such as Ford, General Motors, Procter & Gamble, and Toyota increasingly integrate customers into interorganizational teams to generate product innovations (Graen and Shaw 2000; Susanto 2003). Yet companies also face a dilemma: They recognize the benefits of interorganizational NPD teams but find that those teams often fail or suffer significant conflict (Hutt et al. 2000), due to misunderstandings, different interpretations of the collaboration's goals, or misjudgments of human factors (Fong and Lung 2007). Furthermore, the peculiarities of interorganizational teams mean that they demand extensive coordination and management (Lawson et al. 2009), and if they are treated as if they were intrafirm teams, important dependencies get overlooked.

Although prior research similarly emphasizes the importance of cooperation between suppliers and customers (e.g., Fang 2008; Hoffman, Kopalle, and Novak 2010), customer integration best practices for NPD teams often appear contained within a black box. By investigating antecedents of NPD team effectiveness and thus product innovativeness, this study addresses two key research questions: (1) What are the drivers and innovation outcomes of cooperation within interorganizational NPD teams? (2) How do customer involvement and customer similarity affect the strength of the relationships between NPD team characteristics and NPD team performance?

Study Framework

The unit of analysis for this study is an interorganizational NPD team in a B2B setting. In line with the

input – process – output model of team effectiveness (McGrath 1964), the proposed framework integrates various intrapersonal (i.e., supplier representatives' innovation behavior and expertise) and interpersonal (i.e., innovation norms, cohesion, and decision-making autonomy) NPD team characteristics. In addition to the effects of intrapersonal and interpersonal NPD team characteristics, the study includes the catalyzing effect of customer involvement (power and participation) and interorganizational similarity (structural similarity and goal similarity) on the relationship between team characteristics and the cooperation intensity. The moderator variables were selected based on resource dependence theory (Pfeffer and Salancik 1982).

Sample, Method, and Results

The data for this study consist of two samples. The first sample includes data from multiple team members and leaders of 113 interorganizational NPD teams; it serves to reveal the antecedents of team effectiveness. The second sample features objective data about product innovativeness, which supports an investigation of the relationship between NPD team effectiveness and product innovativeness. The results of SEM reveal that customer power strengthens the relationship between intrapersonal team characteristics and cooperation intensity, but weakens the relationship between interpersonal team characteristics and cooperation intensity. Customer participation has opposing effects. Customer similarity positively moderates the relationships between both, intrapersonal and interpersonal team characteristics and cooperation intensity. References are available upon request.

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WILL IT EVER FLY? THE NEGLECTED ROLE OF THE FIRM-INTERNAL UNCERTAINTY-ADOPTION-PERFORMANCE CHAIN

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SUMMARY

New product adoption constitutes a well-acknowledged condition precedent to new product success (e.g., Rogers 2003). However, while research to date has primarily focused on the new product adoption by external customers there is a surprising paucity of research that examines the effect of new product adoption by internal customers—i.e., a company’s employees – on new product performance (Atuahene-Gima 1997; Hultink and Atuahene-Gima 2000; Wieseke et al. 2008). Yet, the commitment and effort that all employees working on the new product development (NPD) project expend – which we refer to as internal adoption by NPD members – plausibly plays a significant role in NPD execution and hence, in making the new product a success (Cadwallader et al. 2010). This is because NPD members are “internal customers who must ‘buy’ the new product themselves in order to [develop, refine, and] sell it effectively and efficiently” (Atuahene-Gima 1997, p. 499).

Uncertainty may cause a lack of NPD members’ confidence in and acceptance of an NPD project and thus may alleviate their internal new product adoption. This observation is in line with literature on customer adoption, which agrees that different types of uncertainty function

as main barriers to new product adoption by customers (e.g., Castaño et al. 2008; Hoeffler 2003). A review of the literature indicates that the two research streams of internal adoption and NPD uncertainties have not been integrated yet. This highlights the lack of research that transfers the idea of the relationship between customers’ perceived uncertainties and new product adoption to a firm-internal setting (Kauppila et al. 2010). Yet, knowing whether and which uncertainties are perceived by NPD members and what effect they cause on internal adoption and new product performance may contribute to overcoming the challenge of moving from a new product idea to NPD execution, because this is where the majority of companies stumble.

In an attempt to fill this research gap, we examine which and in how far perceived NPD uncertainties affect internal adoption. Thereby, from a company’s point of view, we extend the adoption process to the critical outcome of new product performance, and hence propose a firm-internal uncertainty-adoption-performance chain. Also, we investigate whether internal adoption constitutes an important driver of innovation success. To achieve these research aims we pursue a hybrid research procedure comprising qualitative and quantitative research. References are available upon request.

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EXPLICATING THE EFFECTS OF REGRET AND DISAPPOINTMENT ON ESCALATION OF COMMITMENT

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SUMMARY

The literature suggests that managers responsible for initiating a failing new product development project (hereinafter project), generally maintain positive subjective evaluations about the original decision, even in the face of adverse intermediate outcomes, and are likely to continue down a failing course (Schmidt and Calantone 2002). Many studies have investigated the cognitive antecedents of escalation of commitment in so doing drawing upon a variety of conceptual bases as the underlying rationale (see Staw 1997). However, an extended literature search suggests that little research has investigated the effects of regret and a closely associated emotion, disappointment, on personal-agency-induced escalation of commitment.

Regret and disappointment, though distinguishable as separate emotional reactions, often result from risky decisions or other engagements within the realm of chance (Bell 1982, 1985; Loomes and Sugden 1982). Even though the experience of both can occur subsequent to an adverse outcome, they differ from each other with respect to a set of antecedent conditions that trigger each. Specifically, when managers evaluate an outcome of a project to be worse than expected, they feel disappointment (Inman, Dyer, and Jia 1997). Therefore, disappointment happens based on a comparison of a realized outcome with a hoped-for, or expected, outcome (Bell 1985). On the other hand, regret is experienced whenever managers evaluate the decision to initiate a project to be a bad decision (Zeelenberg et al. 2000). In such cases, regret has two distinct components (Connolly and Zeelenberg 2002). Process regret is a negative emotional reaction toward the decision-making process. On the other hand, outcome regret, commonly referred to as regret itself, transpires when one feels that a decision's realized outcome is inferior to an outcome that might or ought to have happened from either the actual course, or from some imaginary, forgone option (Ritov and Baron 1995; Kahneman and Miller 1986).

Managers escalate their commitment when an interim outcome of a project is adverse. In such contexts, subjective evaluations of an adverse outcome should elicit disappointment and regret that should significantly affect the capacity to think and act rationally. After all, because emotions are signals that necessitate a response (Frijda 1988), such feelings should have significant effects on

escalation decisions, when continuation of a failing project may serve as a criterion variable.

In this paper, we explicate the joint and differential effects of regret and disappointment on the escalation of commitment toward a new product development project. Our studies suggest that regret mediates the effect of personal agency on escalation decisions. Furthermore, regret and disappointment can each have a mitigating effect on escalation. However, we find that their effect on escalation of commitment is not necessarily additive. Specifically, we find that each component of regret, that is, process regret and outcome regret, independently and fully mediates the effect of disappointment in escalation. Furthermore, disappointment plays a mediating role when a foregone option's possibly more positive outcome can elicit both regret and negatively affect a manager's decision to escalate commitment. Finally, we also find that, consistent with decision justification theory (Connolly and Zeelenberg 2002), both components of regret have mitigating but additive effects on an escalation decision.

Regret, assumed to be a higher order complex emotion, is likely associated with counterfactual thinking. In escalation situations, decision-makers may not always engage in such counterfactual thinking subconsciously. Specifically, when the outcome of the foregone option is unknown, or when failure of the chosen option is not explicit, decision-makers may not directly evoke counterfactual thinking. Our results imply that disappointment triggers counterfactual thinking that is required to experience regret.

Our results support the idea that the effect on regret of a resultant superior foregone-option outcome is mediated through disappointment. This finding is noteworthy because regret as an emotion generally entails counterfactual processing, which thereby elicits a realization that the decision maker would have been better off by selecting a foregone option.

Our results also give credence to the notion that when decision makers subjectively evaluate adverse outcomes, personal agency triggers cognitive dissonance and mitigates regret and disappointment. This mitigating effect of personal agency on emotions is noteworthy because the literature suggests that personal agency at least amplifies regret (Ordóñez and Connolly 2000) and disappointment

is caused by a random procedure or other agency (Zeelenberg et al. 2000).

Our research suggests that regret mediates the amplifying effects of personal agency on escalation of commitment. Personal agency has been implicated as one of the key antecedents of escalation (Staw 1976). However, significant disagreement exists about how personal agency affects escalation (see Staw 1997; Bialogorsky et al. 2006). Our research suggests that the effects of personal

agency on an escalation of commitment are mediated through regret. Such a finding in turn suggests that escalation of commitment is partly influenced by emotional reactions to an adverse outcome. The literature suggests that decision-makers may regulate emotions by adopting several strategies (Zeelenberg and Pieters 2007). Perhaps, organizations should focus on identifying de-escalation strategies based on the antecedents of these emotions. References are available upon request.

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PURCHASE INTENTIONS IN ONLINE STORES OF MULTICHANNEL RETAILERS: INFLUENCE OF CONGRUITY IN STORE-ATTRIBUTE DIMENSIONS AND SELF-IMAGE

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SUMMARY

Recent industry reports indicate that online stores of multichannel retailers continue to underperform compared to pure Internet retailers in terms of sales and compounded annual growth rate as well as consumers' patronage and purchase intentions. According to Internet Retailer (2011), online stores of pure Internet players (sales of \$42.9 billion and compounded annual growth rate (CAGR) of 19.89%) outpaced those of multichannel retailers (sales of \$49.8 billion and CAGR of 15.74%) in 2009. In addition, according to Nielsen (2010), more than half of online consumers in the U.S. favor online stores of pure Internet players and only 17 percent favor online stores of multichannel retailers. The purpose of this study is to contribute to the extant literature on purchase intentions in online stores of multichannel retailers and offer actionable recommendations for such retailers to compete better.

Toward this end, this study develops a framework in which (a) trust and attitude (conceptualized as a second-order construct with hedonic and utilitarian dimensions) influence purchase intentions, (b) congruity between the multichannel retailer's land-based and online stores (conceptualized as a second-order construct made up of seven dimensions: aesthetic appeal, navigation convenience, transaction convenience, atmosphere, service, price orientation, and security) influences trust in and attitude toward the online store, and (c) congruity between consumers' self-image and perceived image of the online store influences trust in and attitude toward the online store. The framework is then tested using data collected from 316 respondents.

Consistent with the theory of reasoned action, trust in the online store is positively related to attitude toward the online store, which in turn is positively related to purchase intentions. These findings lend further credence to the

importance of trust and attitude in the context of online retailing. The results also provide support for the second-order factor structure of consumer attitudes, which is reflected in two factors: hedonic and utilitarian attitudes. This indicates that multichannel retailers need to focus on the components of attitude toward their online store rather than assuming that attitude formation is a holistic process.

With regard congruity between the multichannel retailer's land-based and online stores, there is a significant and positive relationship with trust in the online store. This finding implies that multichannel retailers must monitor, maintain, and improve the perceived fit between the images of their two stores to facilitate trust formation in their online stores. Further, the seven sub-dimensions exhibit high factor loadings with the second-order construct. This suggests that multichannel retailers must identify store-related attributes that are salient to their shopper segments and communicate consistency on those attributes to their online customers. With regard to congruity between consumers' self-image and perceived image of the online store, significant and positive relationships are found with both trust in and attitude toward the online store.

The findings indicate that both congruity variables are critical for influencing purchase intentions in online stores of multichannel retailers, albeit through different routes. Congruity between the land-based and online stores of multichannel retailers is necessary for the formation of trust in the online store, whereas congruity between self-image and image of the online store is necessary for the formation of trust in and attitude toward the online store. In summary, this study offers theoretical and practical contributions regarding purchase intentions in online stores of multichannel retailers and calls for future researchers to engage in rigorous research to better understand this phenomenon and provide useful recommendations to multichannel retailers. References are available upon request.

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CHANNEL-BASED PRICE DIFFERENTIATION: DOES IT AFFECT CUSTOMER RETENTION AND IS IT FEASIBLE FOR MOBILE COMMUNICATIONS RETAILERS?

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SUMMARY

Most firms nowadays use multiple channels to distribute their products and services to customers. Recent studies report that more than 80 percent of U.S. retailers and more than 90 percent of the most successful ones use two or more distribution channels (DMA 2005; Kilcourse and Rowen 2008). Accordingly, more and more research in marketing investigates issues of multichannel management (e.g., Neslin et al. 2006; Neslin and Shankar 2009).

Crucial decisions for every multichannel retailer are whether and how to engage in channel-based price differentiation (Gulati and Garino 2000; Wolk and Ebling 2010). Channel-based price differentiation means setting different prices for the same product across multiple channels (Wolk and Ebling 2010). As a second-degree price differentiation strategy, channel-based price differentiation builds on customer heterogeneous channel preferences who self-select into their preferred channel-price combination (Phlips 1989; Wolk and Ebling 2010). While price differentiation in general promises to increase profitability (Khan and Jain 2005), several researchers and practitioners assume negative effects on customers when it comes to channel-based price differentiation (e.g., Ashcraft 2001; Neslin and Shankar 2009). Given that up to 60 percent of multichannel retailers engage in channel-based price differentiation (Wolk and Ebling 2010), we need to know how customers react toward this type of price differentiation and under which conditions it is feasible.

This study has two objectives. First, we develop and empirically test a conceptual model which identifies four different price instruments for realizing channel-based price differentiation (online discount, online promotion, online clearance, service fee) and specifies their effects on customer perception (perceived value, price unfairness, limited self-determination) and retention outcomes (relationship quality, repurchase intention). Although researchers recognize the opportunity and possible risks of channel-based price differentiation (Cavero, Cebollada, and Salas 1998; Dulleck and Kerschbamer 2005; Dzienziol et al. 2002; Wolk and Ebling 2010; Zettelmeyer 2000), we

are not aware of any research that empirically studies its effects on customers. We test the model using a laboratory experiment with 590 participants in which price instruments of a fictitious mobile communication provider are manipulated. Interestingly, we find that channel-based price differentiation positively affects customer retention through perceived value, but negatively impacts retention through price unfairness and limited self-determination. In particular, a service fee in the store channel increases unfairness perceptions and limited self-determination. Overall, we find a positive net effect of price differentiation on customer retention as effects from perceived value on customer retention outcomes are much stronger than those from price unfairness and limited self-determination.

Second, we determine conditions under which channel-based price differentiation is feasible, namely cost and self-selection conditions. Crucial feasibility conditions for channel-based price differentiation are lower operating costs in the channel in which prices are lower and that the right customers self-select into the right channel. The common situation that prices are lower in the Internet than in stores reflects the lower operating costs in the Internet which are due to the lower service level offered (Anderson, Day, and Rangan 1997). Consistent with this, customers which are price-sensitive and do not require personal advice provided by service personnel should choose the Internet, whereas customers which are service-sensitive and willing to pay an extra charge for service should choose the store channel (Iyer and Seetharaman 2003). We formalize conditions in a generalizable manner and apply them to the example of mobile communications. Results show that 5.1 percent lower operating costs are required in the Internet than in the store to ensure profitability and that the right customers are steered to the right channel (i.e., price-sensitive ones to the Internet). However, low price-sensitive customers are steered as well, though to a smaller degree. All in all, findings should encourage multichannel firms to engage in channel-based price differentiation, but they should be aware of its possible ambivalent outcomes depending on which price instruments are used and how they are perceived by customers. References are available upon request.

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VALUE-ATTENUATION IN DISTRIBUTION NETWORKS: INSIGHTS FROM A SERVICE DOMINANT-LOGIC PERSPECTIVE ON RETAIL OUT-OF-STOCKS

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SUMMARY

This conceptual article examines the effects of out-of-stock items through the Service-Dominant (S-D) logic lens. Combining classic S-D logic research with recent applications of S-D logic in supply chains, this article examines the role that out-of-stock items play in value attenuation throughout the supply chain and its networks of actors. It presents a model of value co-creation where the brand manufacturer and customer demand meet in the retailer's realm for the "first moment of truth," and then develops a model of the total costs of a stock-out that are uncovered by the S-D logic perspective. It concludes with managerial implications showing how this perspective can bring previously misaligned incentives of supply chain actors into alignment.

Three streams of research feed this article. First, the topic of out-of-stock items has been recognized as an important topic in marketing (Gruen, Corsten, and Bharadwaj 2002; Hanssens 2009, p. 82), which – from a goods-dominant perspective—focuses on the direct sales losses that result from the lack of on-shelf availability (OSA). Second, in their conceptual papers, Vargo and Lusch (2004a, 2008a, 2008b), Lusch and Vargo (2006), Lusch, Vargo, and O'Brien (2007) propose a service dominant (S-D) logic view for marketing. Third, scholars applied S-D logic thinking to supply chain management

(Mentzer and Gundlach 2010; Tokman and Beitelspacher, 2011), discussing goods as service provision mechanisms in value networks (Lusch, Vargo, and Tanniru 2010).

When the problem of out-of-stock items is framed in S-D logic, OSA research shows that value-creation in S-D logic depends on the spatio-temporal availability of the offering and represents a prerequisite for the exchange of service. With non-availability of physical goods, service cannot be exchanged and value not created as intended, with the exception of postponing interaction. If the offering retailer and the customer manage to integrate their resources to match at a certain place and time, value-creation and exchange through service can take place. Failing to do so will entail costs within the service network.

By examining the networks of the actors involved when a shopper encounters an out-of stock item in a retail store, the article delineates the total costs to the shopper, retailer, and branded goods manufacturer. Previous work of Campo, Gijbrechts, and Nisol (2000), and Gruen, Corsten, and Bharadwaj (2002) demonstrates a misalignment of incentives to address out-of-stocks. With the view provided from S-D logic perspective, the roles and incentives of each actor are found to be in greater alignment which provides the potential for new approaches to lower the occurrence of out-of-stock items. References are available upon request.

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WHAT'S YOUR BEEF? THE EFFECTS OF GROUND BEEF NUTRITION INFORMATION PROVISION AND LEAN/FAT FRAMING

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SUMMARY

For the first time, U.S. retailers were required on January 1, 2012 to disclose nutrition information on packaging for all ground or chopped meat and poultry products (e.g., ground beef, turkey, and pork) and hamburger (*Federal Register* 2010). The regulations require a Nutrition Facts panel (NFP) and establish how claims regarding percent lean and percent fat may be used on packaging. Thus, this legislation significantly changes how retailers must label raw ground and chopped meat products. This legislative mandate takes effect over two decades after the Nutrition Labeling and Education Act (NLEA) of 1990 required NFP's on most food products. While 1993 USDA regulations established guidelines for *voluntary* nutrition labeling of the raw meat and poultry products, subsequent surveys generally indicated that "significant participation in the voluntary nutrition labeling program did not exist" (*Federal Register* 2010, p. 82148). Because ground beef and other red meats may (or may not) contain high levels of nutrients (e.g., total fat, saturated fat, and cholesterol) linked to heart disease and cancer risk, changes to this regulatory environment potentially have important implications for producers, retailers, and consumers.

We draw from theory and prior literature on the framing of positive versus negative attributes, negativity biases, and information disclosure effects to offer and test predictions concerning how information in the NFP will impact consumers' evaluations and purchase intentions for ground beef product options. While most consumers do not believe that ground beef is a healthy option (Husted 2006), there is no extant research on the specific differences in nutrient-related perceptions of more and less fatty ground beef mixtures (70/30 vs. 95/5). However, there is some recent research that suggests that while consumers substantially underestimate calorie and fat levels of less healthy restaurant options, for healthier alternatives (e.g., low calorie salads with low fat dressings) consumers can substantially overestimate these calorie and fat values (Burton et al. 2009; Tangari et al. 2010).

Two studies, an initial cross-sectional survey followed by a between-subjects experiment with adult consumer s, address the following questions. First, what are consumers' current perceptions of the nutrient levels

(e.g., calories, fat, saturated fat) and overall healthfulness of ground beef that varies in its levels of lean to fat content (e.g., 70% lean/30% fat; 85% / 15%; 95% / 5%)? Second, how will including an NFP on packages impact consumer nutrition and product evaluations and purchase intentions, relative to control conditions without a Facts panel? Will inclusion of the NFP moderate differences for ground beef products that differ in their levels of lean to fat content? Lastly, will the specific framing of the disclosure of lean and fat percentages impact consumer's evaluations and purchase intentions, and will the presence of the NFP moderate potential framing effects?

Results indicate that the inclusion of a NFP moderates effects of the lean to fat content for different ground beef formulations. Because consumers tend to overestimate the relatively low level of calories, fat and saturated fat for very lean ground beef, the disclosure of the levels in the NFP leads to more favorable evaluations of calories and fat for leaner mixtures. In contrast, the NFP disclosure increases disease risk perceptions and lowers perceptions of healthfulness and purchase intentions for less lean products. An interesting pattern also emerges for purchase intentions. When the NFP is disclosed, it significantly decreases purchase intentions for the fatty product ($p < .05$). The favorable influence on intentions for the lean product does not reach significance ($p = .13$). These results are consistent with the stronger influence of negative (than positive) information for the fattier ground beef formulation, and the overall pattern of findings offer substantial support for our hypotheses.

Our results suggest interesting and useful implications for producers, retailers, and public policy. The presence of the NFP may reduce consumer perceptions and purchase intentions for fattier mixtures; these meats confirm or exceed consumers (negative) expectations for calories and fat, and saturated fat. However, from a consumer perspective, the very lean mixtures are (surprisingly low) in calories and nutrients and at least from this perspective can be viewed as a relatively healthy source of protein. Similarly, for retailers and producers, there appears to be an opportunity to market healthy/lean mixtures more aggressively to consumers and from a production perspective, lean mixtures would seem to be a more attractive alternative when the NFP disclosure is required. References are available upon request.

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HEALTH PROMOTION IN CORPORATIONS THROUGH PERSONAL INTERVENTION: INFLUENCING FACTORS AND OUTCOMES

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SUMMARY

Many health problems can be attributed to poor lifestyle choices. Adopting a healthy lifestyle can therefore reduce the likelihood of many health issues. Marketers can play a significant role in promoting a healthy lifestyle by introducing healthy choices, encouraging healthy living in their product advertising and directly promoting health improvement programs.

Corporate wellness programs designed to promote employee health and facilitate healthy lifestyles are becoming increasingly popular for reasons such as improved productivity, lower healthcare costs, and reduced absenteeism. Given the wide variation across wellness programs, it is not enough to merely establish that the wellness programs are effective; it is essential to know their relative impact. Even though intervention programs such as personal coaching has the potential to offer tangible benefits to employee health and overall savings to the employer, the success of these measures depends greatly on employees' participation, which is a main challenge for any intervention measure. Hence it is imperative to understand the factors influencing employee participation to effectively market a specific intervention measure. With these objectives in mind, we study (i) the impact of coaching, one of the most commonly employed interventions, on health score among participants of corporate wellness programs, and (ii) the factors that are likely to influence employee participation in coaching sessions.

We draw on several existing theories --Health Promotion Model, Health Belief Model, and Social Cognitive Theory -- to explain employee's motivation to participate in a coaching session and thereby adopt a healthy lifestyle. According to these theoretical frameworks, key factors influencing adoption of healthy lifestyle include self-perception of health, actual health risk, exposure to health information, employer-level participation and communication through various channels. We identify Health Appraisal score (i.e., perceived health status), level of health risk, attendance in educational events (attaining health information), employer level participation rate, and inbound and outbound communication through various communication channels as key factors of employee participation in coaching sessions. We also control for demographic variables such as age and gender.

We use data from Viverae Inc., a national provider of comprehensive health management solutions. The wellness program offered includes basic health screening, personal coaching, and events and incentive elements designed to create a healthy culture in an organization. In addition to the annual health scores -- self-assessed Health Appraisal (HA) score and Biometric score -- for the participants, the data also include their demographic characteristics such as age and gender, number and types of intervention measures participated, and the time of participation.

The coefficients of factors affecting participation are estimated using logistic regression. The model is able to correctly predict coaching participation for approximately 87 percent of the people in the sample and has a Pseudo R-square of 0.46 indicating a good fit. Health Appraisal score has a significant and positive coefficient showing that people who have better perception of their health are more likely to participate in health improvement activities. The results also suggest that people in higher health risk group (or higher perceived seriousness) are more likely to participate. The results also show that the impact of health risk level is more prominent for women as suggested by the positive coefficient for the interaction term, "women*Health Risk Level." This may be because women tend to perceive their health condition to be more serious when they fall into higher risk category compared to men. The number of educational events (such as webinar, health class etc.) attended is positively correlated to the likelihood of participating in coaching sessions. The employer level participation rate is found to be positively linked to individual's likelihood of participation suggesting that if more employees participate from an organization, other employees will be more motivated to participate. Most inbound and outbound communication have highly significant positive relationships with the likelihood to participate.

We separately study the impact of personal coaching on HA score (perceived health) and Biometric score (actual health) using comparison of mean scores and linear regression. We find that there is significant improvement in HA score across different levels of coaching session attendance. The improvements for Biometric scores are only significant between "No coaching" and "3 sessions" and "4 or more sessions." The regression results show that the number of coaching sessions has a highly

significant positive impact on the final HA score. Gender is also significant with women more likely to improve HA score than men and women benefitting more from each additional session. However, age did not have any significant influence on HA score. A main difference in regression results for the biometric score is that number of coaching sessions attended is not significant after taking into account the initial health condition (initial biometric score). However, age and gender play a significant role in improving biometric score. As expected, biometric score decreases with age. While women benefit more from

attending coaching sessions, the negative impact of age is higher for women.

The study thus illustrates that factors identified in the Health Belief Model can explain employee participation in health promotion activities such as personal coaching. The strong positive influence of targeted communication suggests corporations should effectively communicate the intervention measures to enhance employee participation. The findings thus support the concept of pursuing a lifestyle approach.

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ADULT AND TEEN INTERNET SAFETY PERCEPTIONS AND BEHAVIORS: A COMPARATIVE PROTECTION MOTIVATION THEORY EXAMINATION

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SUMMARY

The Internet has facilitated a revolution in information sharing and the rise of electronic commerce, however, it has not been a ubiquitous panacea free of drawbacks. Amongst these concerns, safety and privacy of information are at the forefront, especially for vulnerable population segments such as teenagers. Further, teens react to threat and coping appeals in different ways than their parents. Absent from the literature is an examination of online safety behaviors that includes both parents and their teens in the same study. As such, the relative effect of impactful factors in protective Internet behavior usage between parents and their teens is unknown. Thus, the purpose of this research is to compare the threat and coping assessments of parents and their teenagers on the usage of protective online behaviors.

Theoretical Framework

Protection Motivation Theory (PMT) elucidates the roles of threat and coping appraisals and the subsequent effect on the motivation to protect one's self (Rogers 1983). Specifically, threats are comprised of perceived severity of the contingency's consequences (how bad would it be) and perceived vulnerability to its occurrence (how likely is it to happen). Coping appraisals consist of response efficacy (how effective are the response options in avoiding the negative contingency) and self-efficacy (how capable am I in employing the response options). The following hypotheses for parents' and teens' protective Internet behavior usage are generated from PMT theory and based on extant research in protective behavior enactment:

- H1: The impact of (a) perceived severity and (b) perceived vulnerability on the use of protective online measures is lower for teens than it is for their parents.
- H2: The impact of (a) response efficacy and (b) self-efficacy on the use of protective online measures is higher for teens than it is for their parents.

H3: The overall impact of the PMT variables on the use of protective online measures is higher for teens than it is for their parents.

H4: Parents will have higher levels of perceived involvement in teens' Internet usage than will teens.

H5: Parents use of protective online measures will be a better predictor of teens' online protective measure use than (a) parents' perception of involvement or (b) teens' perception of parents' involvement.

Method

The sample consisted of 142 parent-teen dyads collected from high schools near a large Midwestern university. A confirmatory factor analysis was conducted to evaluate convergent and discriminant validity of the measurement model. To test H1 and H2, a multiple regression was conducted. As split-file regression coefficients cannot be statistically compared, a dummy variable for parents was created and multiplied by the standardized values of perceived severity, perceived vulnerability, self-efficacy, and response efficacy. These variables were entered into the regression equation along with the non-interaction term variables. Significant differences in regression coefficients between groups can be assessed by examining the coefficients of the interaction terms. The equation is significant, $F(8,263) = 48.578, p < 0.001$ with an R^2 of 0.596. The regression weights for the parent-perceived vulnerability and parent-perceived severity interactions are not significant ($\beta = -.060, p > 0.05$ and $\beta = -.048, p > 0.05$ respectively) thus not supporting H1a and H1b. Significant coefficients are found for the response and self-efficacy interaction terms ($\beta = -.83, p < 0.001$ and $\beta = .563, p < 0.05$). Support is found only for H2a, however, the coefficient for self-efficacy though significant, is in the *opposite* direction indicating self-efficacy is actually more impactful for parents than teens. To test H3, data was split to run two separate regressions in order to compare the variance accounted across the parent and the teen data. The result suggests that the

impact of PMT variables on the use of protective online measures accounts for three times more variance for the parent (42%) compared to the teen data (14%), which was opposite to the proposed hypothesis. For H4, a within-groups ANOVA was conducted. Results show a significant difference among teens and parents in their perceptions of involvement, $F(1,136) = 702.21$, $p < .001$, $MSE = .164$. Parents had higher levels of perceived parental involvement ($M = 1.50$) as compared to perceived parental involvement by the teens ($M = 0.21$) thus supporting H4. To test H5a and H5b, a multiple regression was conducted. A significant regression equation resulted, $F(3,128) = 3.014$, $p < 0.05$ with an R^2 of 0.066. The regression coefficient for parental protective behavior usage was non-significant ($\beta = 0.098$, $p > 0.05$) and as such, H5a and H5b are not supported.

Discussion and Implications

The findings suggest that parents and teens possess divergent motivations for employing protective Internet behaviors. The parents' motivations are better predicted by their perception of self-efficacy in performing tasks

like clearing their computer memory, changing their security settings etc. However, parents (compared to teens) are not confident that these practices will work efficiently in protecting their privacy and identity on the Internet (response efficacy). Teens who believed protective behaviors were efficacious in deterring adverse outcomes were more prone to engage in protective behaviors. These findings suggest different marketing strategies that might be applicable across the two groups. Further, there is the absence of impact of parental online protective behaviors on teens' protective behavior usage. As expected, parents perceived their involvement in their teen's Internet usage as significantly greater than their teens' perspective thus supporting the notion that teens have a tendency to under-report the level of their parents' influence on their behaviors while parents tend to over report involvement and influence. As teens' perceptions of parental involvement are a significant pre-dictor of protective behavior usage, parents should make a realistic assessment of the involvement that their teen perceives. References are available on request.

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CONSUMER ATTITUDES TOWARD SHARING PERSONAL HEALTH AND SHOPPING INFORMATION: A HIERARCHICAL MODEL TO UNDERSTANDING PRIVACY CONCERNS

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SUMMARY

The use of personal data to deliver customized and personalized service to consumers is growing exponentially. The immediate collection, integration, and analysis of personal data collection are argued to reduce dramatically wastefulness inherent in prior systems. Consumers are promised individual benefits while government and businesses are promised cost savings and heightened responsiveness to consumers' needs (Demoulin and Zidda 2009; HealthIT.gov 2011). Yet the collection of personal data does raise concerns among many consumers, particularly given the regular reports of and concern over breaches of consumer databases. Consumers' concerns about their own privacy have been postulated to be a function of stable individual traits (Hui et al. 2006) and, in other research, to vary with individual traits (Hui et al. 2006; Il-Horn et al. 2007; Sheehan 2002; Smith 1996). The objective of the present research is to determine whether attitudes toward specific programs that use private data are a function of both individual traits as well as context dependent responses.

In this research, we examine personal data in two different contexts – (1) government mandated and (2) commercial applications. In 2004, Congress passed a bipartisan bill to create a National Health Information system. The system combines information across health care providers (i.e., doctors, pharmacies, hospitals, public health officials, insurance companies) to provide a central source. An Electronic Healthcare Records (EHR) system was designed to improve healthcare delivery but realizing the intended benefits will occur only through wholesale participation of individuals and healthcare providers. One issue affecting participation is Americans' concern for privacy and their desire for greater control over their own information, particularly when it comes to their health information (Govtech.com 2009). While many believe that the creation of an EHR system can improve the quality of health care and reduce costs, there are still concerns about the safety of their records and the possibility of fraud or inappropriate use of personal health information (The Harris Poll 2008).

In more commercial applications, retailers, such as grocery stores, use loyalty shopping cards to provide

rewards for loyalty and to collect transactional data about customers (Demoulin and Zidda 2009). The data collected can help retailers segment customers, tailor incentives and promotions, and better allocate marketing resources (Demoulin and Zidda 2009). While consumers receive benefits such as discounts from loyalty card programs, they are also concerned about their personal privacy. Noble and Phillips (2004) found that consumers are concerned with the loss of anonymity when a relationship with the retailer is formed. Consumers may feel their personal identification is tied to transactions (Noble and Phillips 2004). Reflecting consumer concerns, legislators also raise issues about what retailers do with the data collected and whether the data is transferred or sold with consumers' identification (Weir 1999).

Privacy as a Function of Personality Traits

General privacy concern is a person's enduring predisposition to avoid disclosing personal information to others such that people high in general privacy prefer to keep personal information confidential and guarded. Individuals have an overarching tendency to share or not share personal information (Berendt et al. 2005; Il-Horn et al. 2007). Consumer privacy concern refers to an individual's concern over how organizations can misuse or mismanage the personal information they collect. Smith (1996) identified multiple dimensions of consumer's concerns about organizations' personal information practices, including: (1) information collection concern (i.e., too much information is being collected), (2) error concern (i.e., information is not protected against errors), and (3) unauthorized secondary use concern (i.e., information may be sold to third party).

We propose that consumer attitude toward sharing personal information (e.g., attitudinal outcome) is derived from the combination of elemental, compound, situational, and surface traits, as demonstrated in the Meta-theoretical Model of Motivation (3M) (Mowen 2004). First, the combination of eight elemental personal traits (i.e., conscientiousness, introversion, openness, emotional instability, agreeableness, body resource needs, and arousal needs) is proposed to bring about three compound traits, including control over possessions (i.e., the degree to which an individual must have control over the use of his

or her possessions, Frost et al. 1995), risk orientation (i.e., the extent to which a person is oriented to avoid risky situations, Cravens et al. 1993), and self-monitoring (i.e., an enduring predisposition to engage in expressive control, Gangestad and Snyder 2000). Then, general privacy, a situational trait, is expected to be a function of the three compound traits, and in turn, predict consumer privacy, a surface trait. Finally, consumer privacy is expected to influence consumer attitude toward sharing personal information.

Research Results and Conclusion

Survey data from two studies of consumer electronic data sharing contexts (e.g., health services and loyalty programs) demonstrate that consumer privacy concerns and predisposition to participate in the data collection

programs (attitudinal outcomes) are, in fact, a function of both personal traits (e.g., elemental and compound traits) and contextual traits (e.g., situational traits). This expands our understanding of consumer attitudes toward sharing personal information and provides insight into the determinants of consumers' willingness to participate in such programs. Consumer privacy information collection concern was negatively related to attitude toward sharing personal information. This means that the more concerned a consumer is that organizations are collecting too much personal information, the less likely they will want their information collected. However, an unexpected finding from both studies was that particular aspects of consumer privacy (i.e., error concern and unauthorized secondary use concern) are positively related to attitudes toward sharing information. References are available upon request.

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FROM RESPONSIBILITY TO OPPORTUNITY? THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON NEW PRODUCT INTRODUCTIONS

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SUMMARY

In today's socially conscious world, corporate social responsibility (CSR) has been integrated into firms' overall business strategy. As many as 90 percent of the Fortune 500 companies engage in CSR initiatives not just because they are the "right thing" to do (Kotler and Lee 2005; Smith 2003), but because CSR can potentially generate business benefits and build competitive advantage (Du, Bhattacharya, and Sen 2011). Theoretically, prior research has primarily focused on how CSR influences a firm's ability to market its *existing* products. For example, CSR activities have been shown to influence a range of customer beliefs and behaviors such as customer satisfaction, likelihood of purchase, willingness to pay, and resilience to negative company information (Luo and Bhattacharya 2006, 2009; Klein and Dawar 2004). Though greatly advancing our understanding on the potential business benefits of CSR, the extant literature implicitly premises that CSR functions primarily as advertising or public relations tactics to sell existing products, rather than as opportunities for new product innovations. However, according to a McKinsey survey of senior executives and CSR professionals, a key pathway through which CSR creates value is new product innovation (Bonini, Koller, and Mirvis 2009). Examples of CSR-simulated new product innovations can be frequently noted in the marketplace or trade press. For instance, General Electric's Ecomagination initiative, aimed at safeguarding the environment and utilizing cleaner technology, has resulted in dozens of new product innovations. Innovation is critical for long-term competitive advantage and firm profitability (Bayus, Erickson, and Jacobson 2003; Hull and Rothenberg 2008). In particular, new products enable a firm to compete for the future and to cater to the ever changing needs of the marketplace. However, despite its strategic importance, the relevance of CSR for firm innovation has been largely neglected in prior research.

The current research seeks to fill in this knowledge gap by documenting the hitherto neglected effects of CSR on new product innovations. Drawing upon literatures on CSR, knowledge-based view, and product innovations, we develop and test a theoretical framework. Our framework highlights (1) the impact of CSR on firms' introduction of new products in terms of both pioneering and incremental products, and (2) the role of R&D spending and market competition in accounting for the variability of this impact among different firms. To test our framework, we compiled data from multiple secondary sources, including COMPUSTAT, KLD, Fortune rating, and Lexis Nexis. Data analysis provides support for our framework. More specifically, our findings indicate that, by enhancing a firm's access to valuable external knowledge, CSR activities exert a positive impact on firm innovativeness capability and new product introductions. Further, the impact of CSR on innovativeness capability and new product introductions is greater when R&D investment is high, or when external market competitive intensity is high. We also find differential effects of CSR on pioneering vs. incremental new product innovations.

By documenting the hitherto neglected effects of CSR on firm innovativeness, this study broadens the substantive domain of CSR's business legitimacy. In particular, this research contributes to the CSR literature by uncovering a new pathway through which CSR generates business value, and by painting a finer grained picture of the innovation dividend of CSR. This research also contributes to the innovation literature by identifying CSR as a novel antecedent of new product innovation. More generally, this research reinforces the notion of "strategic CSR," encouraging CMOs to mindfully embed CSR in the context of broader strategic imperatives. References are available upon request.

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COMMUNICATION AND SHAREHOLDER VALUE: UNDERSTANDING THE IMPACT OF ECONOMIC AND SOCIAL VALUES

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SUMMARY

A firm's stakeholders are constantly exposed to multiple streams of information. A single rumor can have a massive impact on the behavior of stakeholders, such as investors who can be eminently sensitive in this respect. The media gain importance when there is a lack of other information sources because they are a ubiquitous and constantly available source of information. Some previous studies have examined the effect of media coverage on stock returns. The results from this research, however, are rather mixed, and some important research questions still await examination.

Research examines corporate behavior and corporate associations with regard to two central dimensions, namely, corporate ability and corporate social responsibility (CSR). While interest in economic factors such as productivity, effectiveness, and profit is only natural because these are the primary goals and functions of corporate behavior, the interest in the social compliance of firms has grown increasingly. Whereas research has focused on the impact of CSR on firm value and financial performance, the effect of media coverage with respect to social topics is unknown. For this reason, we explore the differential impact of the two fundamental dimensions of media coverage, namely, its functional and social dimensions, on shareholder value.

To draw conclusions on the importance of media coverage relative to other important channels within the firm's communication system, we examine the effects within a model including word-of-mouth (WOM) communication among the general public and a firm's own communications (advertising) as drivers of shareholder value. We applied Stock Return Response Modeling to estimate expected returns with the goal of calculating abnormal returns. To assess the impact of advertising, the media's functional and social tone, and WOM communication on (abnormal) stock returns, we specified a two-way error component model. Our sample consists of five

firms from the German finance sector and covers the period from calendar weeks 2 to 48 in 2008.

The results show that all communication channels – media coverage, WOM, and advertising—are, in the short term, significantly associated with investor response. Both positive and negative functional media coverage have a significant impact while there are no direct effects of social coverage on stock returns. Some investors seemingly adopt a skeptical view toward CSR and believe that the management's focus on CSR may increase operating costs, blur the objective function of the firm, and reduce its financial performance.

However, investors do not neglect social news completely. With respect to our sample from the financial services industry, we observe that negative social news can influence investors in a way that the effect of positive functional news is significantly diminished. That is, positive functional news is overshadowed by more salient social scandalization. Even though investors might interpret negative social news differently, they allocate spare cognitive resources to analyze the negative social news. This process possibly eclipses the positive functional news. Simultaneously, at least some investors might be unsure of whether the effect of the positive functional news on firm value is not weakened by the negative social news.

We are, therewith, able to provide some plausible explanations for why prior studies, being focused on media coverage and media tonality, show heterogeneous results. It is important to control for the differential impact of media's functional coverage and media's social coverage. We find, in contrast to prior studies but perfectly consistent with theory and general expectations, that both positive and negative functional news have an impact on short-term stock returns. In contrast to the current belief, we find that a significant negativity bias is, at best, weak, implying that investors do not overweight negative news compared with positive news, as a rule of thumb. References are available upon request.

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THE IMPACT OF BRAND CRISES ON CONSUMER REACTIONS: THE ROLE OF CORPORATE ABILITY AND CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT

This study aims to clarify the impact of Corporate Ability and Corporate Social Responsibility on brand evaluation, buying intentions, negative and positive Word-of-Mouth in brand crises and at the same time explore the impact of crisis response strategies on the aforementioned dependent variables. The results suggest that it is better for a company to be considered as able than as socially responsible, consumer reactions are milder when no performance positioning product or performance crisis are involved in the brand crisis. Finally, our results indicate that the crisis response strategy of apology is not a panacea.

INTRODUCTION

An increasing body of the marketing literature has been dedicated to the area of corporate reputation and corporate branding. Frequently, it has been argued that the way the public perceives a company is decisive in determining its success (e.g., Brown 1998). This applies not only in routine situations but also in non-routine negative situations, wherein it is widely held that the corporate reputation can form an important protective shield toward corporate crisis (Mowen 1979; Siomkos and Kurzbard 1994; Klein and Dawar 2004).

Generally, companies are vulnerable to a variety of negative events such as product and service failures, product-harm crises, transgressions and accidents, all of them usually resulting in negative publicity. Thus, negative publicity is not a routine situation but it is an everyday threat for corporate and product brands. However, the fact that negative publicity is more or less inevitable nowadays does not automatically imply that companies should wait for the consequences of negative publicity without any preparation but they should adopt a more crisis proactive approach and prepare for the worst scenario.

The purpose of this paper is to examine the impact of brand crises on brand evaluation, buying intentions and negative and positive WOM. Based on crisis management and corporate branding literatures, we explore the role of Corporate Ability (CA), Corporate Social Responsibility (CSR) and crisis response strategies in performance and ethical brand crisis situations. At the same time we explore if it is better for a company to be able or socially responsible in order to confine negative consumers' reactions.

CONCEPTUAL BACKGROUND AND HYPOTHESES

Brand Crises

To understand the concept of brand crisis one should grasp the meaning of crisis. Coombs (1999, p. 2) defines crisis as "an event that is an unpredictable, major threat that can have a negative effect on the organization, industry, or stakeholders if handled improperly." When it comes to brand crisis, the major threat derives from the "well-publicized claims that a key brand proposition is unsubstantiated or false" (Dawar and Lei 2009, p. 509).

According to Booth (2000), brand crises are an issue that needs further investigation, with organizations having to respond faster than they did in the past, since bad news and rumors travel fast nowadays and affect the company's reputation. What is more, the existence of many groups of people being interested and exclusively bending over different issues (single issue advocacy groups), sets the socially responsible behavior of a company under constant surveillance (Hearit 1996). Another reason for studying brand crises is that negative information attracts more people's attention, compared to positive information (Fiske 1980). This has also been noticed in researches regarding product evaluation (Herr et al. 1991) as well as in other researches like that of Maheswaran and Meyers-Levy (1990), who found that the elaboration of a negative framed message is more effective than a positive framed message. Furthermore, negative news gain great attention by the mass media (Weinberger and Lepkowska-White 2000) and are considered as more reliable than the positive information transmitted by the company itself (Ahluwalia et al. 2000).

Corporate Associations

Brown (1998) defined corporate associations as the cognitions, effects, evaluations and/or patterns of associations with respect to a particular company. In general, numerous studies in marketing literature have documented the different effects of corporate associations. According to the seminal work of Brown and Dacin (1997), it is suggested that corporate associations can be of two basic kinds: CA and CSR. CA refers to a firm's capability to produce quality products, while CSR associations are related to the firm's commitment to its societal

obligations. After Brown and Dacin's pioneer study, CA and CSR associations were widely used in studies that followed, except for when being in the context of corporate crisis.

Corporate Associations and Consumer Behavior After Crises

Previous researches on the attitude toward a company facing a crisis, not only regarding harmful products (Siomkos and Shrivastava 1993) but generally to negative publicity (Lyon and Cameron 2004), come to the conclusion that consumers' attitude is less affected when the corporate reputation is good. The same applies to the corporate reputation itself, since companies with a problematic relationship with the stakeholders, suffer a greater impact in their reputation (Coombs and Holladay 2001). Furthermore, via researches referring to corporate associations, it has been acknowledged that CA has a positive impact on the evaluation of a company and its products (Brown and Dacin 1997).

Additionally, CSR has been proved to play an important role in the evaluation of a brand/company in case of a product-harm crisis, not only with a direct relationship but through the lower attribution of blame as well (Klein and Dawar 2004). Dean (2004) observed that CSR has a positive effect on the corporate image, as much before as after the attribution of blame. De Matos and Rossi (2007) fall in line with the above, providing evidence that the evaluation of a product that has been recalled is higher if the company's CSR performance is good. Moreover, CSR has been shown to play an important role in other routine marketing contexts, with the research streams supporting the positive relationship between CSR and company evaluation (Brown and Dacin 1997; Sen and Bhattacharya 2001).

The majority of the researches stand by the positive relation of reputation and buying intentions, whether the crises result from harmful products (Siomkos and Kurzbard 1994; Cleeren et al. 2007) or negative publicity situations (Lyon and Cameron 2004). On the other hand, Mowen (1979), in one of the first researches that refers to product recall, didn't find any differences in buying intentions between familiar companies or not. As far as CSR and buying intentions are concerned, there is disagreement between three researches that have been detected. Firstly, Klein and Dawar (2004) describe only an indirect effect of CSR to buying intentions, after product harm crises, because of the limited of attribution of blame and better brand evaluation. In contrast, de Matos and Rossi (2007) support that CSR leads to greater levels of buying intentions even after cases of product recall. Consequently, we set the following hypotheses:

- H1a: Consumers will have higher brand evaluation for companies with positive CA and CSR associations than for companies with negative CA and CSR.
- H1b: Consumers will have higher buying intentions for companies with positive CA and CSR associations than for companies with negative CA and CSR.
- H1c: Consumers will have lower intention for negative WOM and higher for positive WOM for companies with positive CA and CSR associations than for companies with negative CA and CSR.

Being Capable or Responsible?

This study aims not only to explore the effects of CA and CSR on brand evaluation, buying intentions and negative and positive WOM in brand crisis, but also to decide what better: being capable and irresponsible or being responsible but incapable. Brown and Dacin (1997) came to initial empirical evidence that CA has an almost four times greater effect than positive CSR on the company evaluation. From another perspective, Kim et al. (2009) explored the effectiveness of CA and CSR messages in crisis responses. The authors prove that CA-focused responses reduce the attribution of responsibility, when the crisis is for a high-tech product but when it comes to food positioning crises, CA-focused responses reduce the attribution of responsibility only if the crisis is an accident and not a transgression. Likewise, Whalen et al. (1991) found that in cases of unethical behavior, consumers firstly consider their personal interests and secondly the consequences on the well being of their society. This leads to the following hypotheses:

- H2a: Consumers will have higher brand evaluation for companies with positive CA and negative CSR associations than for companies with negative CA and positive CSR.
- H2b: Consumers will have higher buying intentions for companies with positive CA and negative CSR associations than for companies with negative CA and positive CSR.
- H2c: Consumers will have lower intention for negative WOM and higher for positive WOM for companies with positive CA and negative CSR associations than for companies with negative CA and positive CSR.

Product positioning can be either based on performance, values or both of them. Generally, the banking industry and the banking products are based on performance. However, the last decades, banks all over the

world have launched banking products based on values or ethics. Regardless the success of these products, consumers have more or less egoistic concerns, since the issue is their money. The raising question by this research is what would the consumer reactions be if a brand crisis happened to an investment product based on performance positioning or one based on ethics. A theoretical base in order to form the hypotheses can be found to the aforementioned comparison of the CA and CSR effects. Therefore, we hypothesize that:

H2d: Consumers will have higher brand evaluation, buying intentions, positive WOM and lower negative WOM when the brand crisis is not about a performance positioning product or a performance crisis situation, than when the above mentioned issues are involved.

The Moderation Role of CSR Importance

Results of previous researches indicate that the importance ascribed to CSR by consumers is a significant moderator of consumers' reactions for different CSR initiatives (Sen and Bhattacharya 2001). The same is found in Klein and Dawar's research (2004) regarding product-harm crisis situations, in which the consumers' perceived general CSR importance moderates the relationship between the attribution of blame and prior CSR. In accordance with these findings, our general hypothesis is that:

H3: The CSR importance level ascribed by the consumers will moderate the relationships between CSR and brand evaluation, buying intentions, negative and positive WOM.

Crisis Response Strategies

Several studies have focused on crisis response strategies and have revealed their importance in decreasing the negative impact of a crisis. There are different lists of crisis response strategies, suggested by different researchers, all of them placing the responses on a continuum, from unambiguous support/ accommodative to unambiguous stonewalling/ defensive. Unambiguous support consists of the assumption of responsibility, an apology to consumers or other affected constituencies and some forms of corrective action, such as voluntary product recall or free replacement, whereas stonewalling consists of the denial of responsibility and absence of corrective measures or no communication at all (Hearit 1994).

The response strategy of a company facing a crisis has been greatly investigated and most researchers agree in the positive effect that reconciliatory responses have on the different variables related to brand evaluation. Only

Jorgensen (1996) hasn't found a direct relation between the strategy of acceptance of responsibility and the attitude toward the company, but only a positive indirect one, due to less negative emotions.

It was Mowen et al. (1981) that expressed the opinion that the conceivable social responsibility, as that results from each response strategy, affects consumers' favorable attitude. Siomkos (1989) too supports the idea that apologetic and accommodative responses positively affect consumer reactions toward the company, something verified in the future researches (Griffin et al. 1991; Siomkos and Shrivastava 1993; Dawar and Pilluta 2000; Lyon and Cameron 2004; Lee 2004; Dardis and Haigh 2009; Mattila 2009). Whether the company's crisis response strategy affects buying intentions is a controversial issue between researchers. Siomkos (1989) expresses the idea that consumers will be more interested in buying the new product of a company that has willingly proceeded to product recall, while Lyon and Cameron (2004) state the positive impact of an apologetic response to buying intentions. To the contrary, Stockmyer (1996) has found that a constructive response by the company (reconciliatory/willing product recall) is unrelated to the perception of risk, as well as repurchases according to Griffin et al. (1991). Therefore, we have:

H4a: Consumers will have higher brand evaluation for companies using accommodative response strategies than for companies using defensive ones.

H4b: Consumers will have higher buying intentions for companies using accommodative response strategies than for companies using defensive ones.

H4c: Consumers will have lower intention for negative WOM and higher for positive WOM for companies using accommodative response strategies than for companies using defensive ones.

METHODOLOGY

Design

In line with previous research in crisis management, in order to test the hypotheses, we employed a 4 Corporate Associations (positive CA and CSR, negative CSR and positive CA, positive CSR and negative CA, negative CA and CSR) \times 4 investment products and crises (performance product with a relevant crisis, performance product with an irrelevant crisis, ethical product with a relevant crisis, ethical product with an irrelevant crisis), \times 3 crisis response strategies (denial/minimization/apology) between subjects full factorial experimental design. A fictitious corporate bank brand and fictitious investment products involved in a crisis were described in the sce-

narios. The selection of this kind of product is explained by the fact that it allows a clear differentiation between performance and ethical based positioning.

Procedure

First of all, the respondents read the developed scenarios describing the CA and CSR associations of the bank and answered manipulations questions concerning the Bank's CA and CSR. Then they read a bank's press release in which an investment product was described (performance vs. values). After that in a newspaper article, a brand crisis for that product was described, in which the performance or ethical product proposition were under serious doubt. Moreover, in the same article the company's crisis response strategy was presented (denial, minimization, apology). At the denial strategy the company denied all accusations, at the minimization strategy the company accepted the existence of the problem but at the same time tried to downsize the consequences. Finally, at the apology response the company accepted responsibility and promised to take all the necessary measures to avoid similar events. After the description of the brand crisis, the respondents completed the questionnaire by answering questions concerning brand evaluation, buying intentions, positive WOM and negative WOM and demographic questions.

Measures

Measures for evaluating CSR associations were +through a five-item scale. While two items, "the Bank is socially responsible" and "the Bank harms the environment," were used from Klein and Dawar's (2004) study, asking whether "the Bank contributes to the welfare of the society" was taken from Brown and Dacin (1997). Moreover, two questions were added as "the Bank contributes to donation programs" and "the Bank contributes to the recovering from the economic crisis," in order to cover the CSR content. The measures for evaluating CA associations were comprised by six items and were designed by using the framework of CSR concept in Brown and Dacin's (2001) study. These were "the Bank has high experience," "the Bank is the leader in the banking industry," "the Bank has experienced staff," "the Bank satisfies the customers," "the Bank offers innovative products," and "Generally, the Bank has high ability." Brand evaluation was measured with a six-item scale, used by Klein and Dawar (2004) and one buying intention question that was "If you want to invest your savings, how likely is that you would buy the investment product, of this bank? Positive and Negative WOM were measured by using two questions, as did Coombs and Holladay (2008). For all questions, a 7 point semantic scale was used. The reliability of the scales was determined by the calculation of coefficient alpha and all of them were satisfactory (CA = .980, CSR = .929, Brand Evaluation = .961).

Respondents

We randomly assigned 1440 participants to 48 experimental groups. Data were obtained from a convenience sample deriving from a snowballing procedure. Of the 1440 respondents who participated in the study, 56.8 percent were female. In terms of age group, 25.6 percent were between 18 and 25, 40.2 percent were in the 26–35 age group, 16.3 percent between 36 and 45 and 17.9 percent were above the age of 46. Of the sample, 37.4 percent of the respondents were married and 31.3 percent of them have children. In terms of educational level, 15.3 percent of the sample had at least a high school degree, 50.1 percent had a bachelor degree and 20.3 percent had a master degree. Most of the respondents (76.9%) identified that they were in middle income level. The majority of the sample (78.5%) worked but only 16.8 percent of the respondents worked in a bank at the time of the research or had been working in the past.

RESULTS

Manipulation Checks

The manipulation checks provide strong evidence that the subjects did not have any problems identifying intended situations. Subjects in the positive CA and CSR condition rated the bank as more able and socially responsible than the negative CA and CSR condition ($F = 4648.88$; $p < 0.001$, $F = 2706.27$; $p < 0.001$ respectively). Moreover, the manipulations for performance vs. values positioning of investment product ($F = 558.60$; $p < 0.001$ and $F = 1286,435$; $p < 0.001$ respectively) and brand crisis content ($F = 808.90$; $p < 0.001$) were successful. Finally, ANOVA results ($F = 979,95$; $p = .000$) confirmed that the initial written crisis response strategies represented valid manipulations.

Hypotheses Tests

To examine these effects, we conducted a MANOVA with corporate associations, brand crisis conditions and crisis response strategy as the independent variables and brand evaluation, buying intentions, positive WOM and negative WOM as dependent variables. Firstly, the overall model showed a significant main effect of corporate associations ($F = 47,587$, Wilks' Lamda = .68, $p < .001$). Corporate associations had a significant main effect on all the dependent variables in the expected direction: Brand Evaluation ($M_{\text{positiveCA\&CSR}} = 4.51$, $M_{\text{negativeCSR\&positiveCA}} = 3.96$, $M_{\text{positiveCSR\&negativeCA}} = 3.27$, $M_{\text{negativeCA\&CSR}} = 2.49$; $F = 207, 759$, $p < .001$), Buying Intentions ($M_{\text{positiveCA\&CSR}} = 3.32$, $M_{\text{negativeCSR\&positiveCA}} = 3.16$, $M_{\text{positiveCSR\&negativeCA}} = 2.45$, $M_{\text{negativeCA\&CSR}} = 1.98$; $F = 61, 652$, $p < .001$), Positive WOM ($M_{\text{positiveCA\&CSR}} = 3.79$, $M_{\text{negativeCSR\&positiveCA}} = 4.11$, $M_{\text{positiveCSR\&negativeCA}} = 4.44$, $M_{\text{negativeCA\&CSR}} = 4.89$; $F = 21, 390$, $p < .001$), and Negative WOM ($M_{\text{positiveCA\&CSR}} = 3.45$,

$M_{\text{negativeCSR\&positiveCA}} = 3.13$, $M_{\text{positiveCSR\&negativeCA}} = 2.50$, $M_{\text{negativeCA\&CSR}} = 2.05$; $F = 62, 969, p < .001$). Thus, H1a, H1b, H1c, and H2a, H2b, H2c, are supported. However, a deeper analysis of Tukey HSD Post Hoc Tests revealed that there are not significant differences for the dependent variables of buying intention and negative WOM between the conditions of positive CA and CSR and negative CSR and positive CA.

Secondly, there is no evidence of main effect of brand crisis condition in overall MANOVA ($F = 1,301$, Wilks' $\Lambda = .98, p = .21$) but there is a significant main effect of brand crisis condition on brand evaluation ($F = 2,363, p < 0.05$). More specifically, consumers have a slightly higher brand evaluation in the case wherein an ethical investment product suffers from a relevant ethical crisis ($M_{\text{performance-relevant}} = 3.55$, $M_{\text{performance-irrelevant}} = 3.50$, $M_{\text{ethical-relevant}} = 3.70$, $M_{\text{ethical-irrelevant}} = 3.48$). Therefore, consumers are less affected when the brand crisis is not related with a performance positioning product and a performance brand crisis. Therefore, H2d is accepted only for the dependent variable of brand evaluation. Thirdly, there was no significant main effect of crisis response strategy in either the overall MANOVA ($F = 0.864$, Wilks' $\Lambda = .99, p = .54$) or the ANOVAs of the individual outcome variables. Accordingly, H4a, H4b, H4c, are rejected.

Furthermore, the MANOVA results reveal a three-way interaction between the independent variables ($F = 1,686$, Wilks' $\Lambda = .91, p < 0.001$). More specifically, the three-way interaction is significant for buying intention ($F = 1,778, p = 0.023$), negative WOM ($F = 2,344, p = 0.001$) and positive WOM ($F = 1,781, p = 0.023$) but not for brand evaluation ($F = 0,858, p = 0.631$). In Table 1 and 2, we present the means for each case by separating the results between performance and ethical positioning products respectively. The three-way interaction indicates that for each combination of corporate associations and brand crisis situations, different crisis response strategies are more or less effective.

In general, when the company associations of CSR and CA are positive and the product positioning is based on performance, the company should use less accommodative strategies in cases of relevant performance brand crisis, such as denial or minimization, in order to have the higher buying intention and the less negative WOM. In the aforementioned situation the worst crisis response strategy is the acceptance of the responsibility by using apology. The same applies to ethical positioned products that suffer from performance crises. The best crisis response strategy in terms of buying intentions is denial, while in terms of WOM the company will have the higher negative WOM and the lower positive WOM when it tries to minimize the consequences. When an ethical positioned product suffers from a relevant ethical crisis, the

best crisis response strategy in terms of buying intentions and positive WOM is minimization, while in order to have the lower negative WOM it seems that denial should be used. In cases of performance positioning products that suffer from ethical crises, apology gives the best results for all the dependent variables.

When CSR is negative, CA is positive and the product positioning is based on performance, the buying intentions will be pretty much the same, regardless of the relevance of the crisis or the used crisis response strategy. On the other hand, when the product positioning is ethical, the crisis response strategy of apology will result in the higher buying intention in irrelevant performance crises and in the lower in relevant ethical crises. In terms of negative WOM, for performance positioning products, denial will result in the lower negative WOM for relevant performance crises and in the higher for irrelevant ethical crises. When it comes to ethical positioning products, minimization will result in the lower negative WOM. For performance positioning products under relevant crises, the positive WOM will be higher when apology is used, while in irrelevant ethical crises it seems that denial will result in the higher positive WOM. For ethical positioning products under relevant crises, the positive WOM will be lower when apology is used and will be higher in irrelevant crises if denial is used.

When it comes to the condition of negative CA and positive CSR, apology will result in higher buying intention, in performance positioning products that suffer from relevant crises, while it will result in lower buying intention if the crisis issue is irrelevant. On the other hand, for ethical positioning products under relevant ethical crisis, minimization results in lower buying intentions. For irrelevant performance crises in ethical positioning products, denial will give the best buying intention. Moreover, when the product is performance poisoning and suffers from a relevant crisis, the lower negative WOM results from the crisis response strategy of denial and when the crisis is irrelevant, higher negative WOM comes from apology. For ethical positioning products, the minimization strategy will result in the lower negative WOM, when used for relevant crises and in the higher when used for irrelevant performance crises. For relevant performance positioning crises, minimization results in the higher positive WOM and the same is noticed for irrelevant ones. On the other hand, for ethical positioning products, when the crisis is relevant, apology results in the higher positive WOM, but in the lower in the case of irrelevant performance crisis.

In the worst case scenario regarding corporate associations, with both CA and CSR being negative, the crisis response strategies can play a significant role. For example, in ethical positioning products the best crisis

TABLE 1
Performance Positioning Product

		Positive CA & CSR		Negative CSR & Positive CA		Negative CA & Positive CSR		Negative CA & CSR	
		R	IR	R	IR	R	IR	R	IR
Buying Intentions	Denial	3.46	3.30	3.13	3.30	2.50	2.43	1.93	1.70
	Minimization	3.30	2.96	3.16	3.03	2.36	2.93	2.03	1.90
	Apology	2.83	3.70	3.20	3.13	2.90	2.23	1.96	1.90
Negative WOM	Denial	3.40	4.16	3.80	4.16	3.86	4.20	5.83	4.26
	Minimization	3.73	3.93	4.60	3.90	4.20	4.26	4.73	5.10
	Apology	4.46	3.06	4.80	3.93	4.60	4.83	4.70	5.36
Positive WOM	Denial	3.33	3.40	2.86	3.26	2.53	2.63	1.60	1.96
	Minimization	3.36	3.20	2.70	2.96	2.70	2.76	2.60	2.10
	Apology	3.36	4.06	3.43	3.06	2.50	2.50	2.00	2.00

R=Relevant, IR=Irrelevant

response strategy in terms of buying intentions is denial, no matter what the relevance of the crisis is. When it comes to negative WOM, it seems that it will be higher when a company with a performance positioning product suffers from a relevant crisis and answers with a denial strategy, contrary to irrelevant crises wherein denial will result in the lower negative WOM. Similarly, in ethical positioning products, minimization results in lower negative WOM when the crisis is relevant and in higher when the crisis is irrelevant. Finally, the company will have higher positive WOM when minimization strategy is used for performance positioning relevant crises and denial for ethical positioning relevant crises.

Furthermore, H3 predicts that the impact of CSR on brand evaluation, buying intention, negative WOM and positive WOM is moderated by the CSR importance level ascribed by the consumers. In order to test this moderation effect of CSR importance, the sample was divided into two groups according to their score on the CSR importance scale (environment, social welfare and donations). Most of the respondents have high scores on these questions and the median for the full scale is 6.33. That's why a relative high CSR importance level (less or equal to 5) was selected, in order to have a reasonable number of cases in the low importance group. Finally, the subjects in the low importance CSR group were 223 and in the high importance CSR group were 1217.

A series of regression analyses were conducted in order to determine if there are moderation effects of CSR importance on the relationships between the independent

variables of corporate associations (CSR and CA) and brand evaluation, buying intentions, negative and positive WOM. H3 supports that the consumers' opinion on CSR importance moderates the relationship of CSR association on brand evaluation, buying intentions, negative and positive WOM. As shown in Table 3, CSR don't predict the brand evaluation, buying intentions, negative and positive WOM in the low importance CSR group, while CSR has a significant impact on all dependent variables in the high importance CSR group. Therefore, the H3 is accepted. Regarding the relationships of CA with the dependent variables, there is higher impact of CA on buying intentions for the low importance CSR group (.457) than the high importance CSR group (.357).

DISCUSSION, LIMITATIONS AND FURTHER RESEARCH DIRECTIONS

In this study, we investigate the influence of the CA, CSR and crisis response strategies in brand crises. The importance of this investigation is emphasized in the ongoing discussions not only regarding corporate branding but also in crisis situations in general. Taken collectively, past researches demonstrate that the good or favorable corporate reputation, either in terms of CA or CSR, has an important role to play in corporate crisis as well. In our study, we find strong support for the above proposition and expand the scientific knowledge by finding that it is better for a company to be capable and socially irresponsible than incapable and socially responsible. The finding that consumers will have higher brand evaluation when the brand crisis is not about a performance position-

TABLE 2
Ethical Positioning Product

		Positive CA & CSR		Negative CSR & Positive CA		Negative CA & Positive CSR		Negative CA & CSR	
		R	IR	R	IR	R	IR	R	IR
Buying Intentions	Denial	3.10	3.60	3.60	2.80	2.60	2.56	2.53	2.23
	Minimization	4.00	3.03	3.73	2.93	2.16	2.03	1.90	2.03
	Apology	3.30	3.30	2.86	3.13	2.76	2.00	2.06	1.66
Negative WOM	Denial	2.70	3.96	3.96	4.23	4.53	4.60	5.30	4.56
	Minimization	3.80	4.30	3.50	4.06	4.20	5.00	3.80	5.36
	Apology	4.10	3.90	4.03	4.33	4.46	4.60	5.16	4.56
Positive WOM	Denial	3.03	3.66	3.40	3.16	2.43	2.63	2.60	2.03
	Minimization	3.86	3.13	3.73	2.93	2.26	2.40	1.83	2.06
	Apology	3.40	3.60	3.06	3.03	2.96	1.76	2.10	1.76

R=Relevant, IR=Irrelevant

TABLE 3
Moderation of Importance of CSR

	Low importance of CSR	High importance of CSR
From CSR to Brand Evaluation	.089	.241***
From CA to Brand Evaluation	.558***	.534***
From CSR to Buying Intentions	.070	.087**
From CA to Buying Intentions	.457***	.358***
From CSR to Negative WOM	.096	-.136***
From CA to Negative WOM	-.121	-.204***
From CSR to Positive WOM	.056	.126***
From CA to Positive WOM	.381***	.353***

ing product or a performance crisis situation enforced the idea that consumers are less concerned about ethical crises. Furthermore, the moderation by CSR importance of the relationships between CSR and dependent variables, empowers the idea that CSR is a valuable tool, but it is not working under all the circumstances.

Overall, our research suggests that companies that suffer from brand crises should consider their corporate associations, product positioning and crisis situations in order to choose the most effective crisis response strategy. Generally, the companies that have good CA and CSR associations should use denial or minimization in case of a performance crisis, irrespective of the positioning of the

product. When it comes to ethical crises, a company should use minimization strategy for ethical positioning product and apology for performance positioning products. For the companies with good CA but poor CSR associations, it is difficult to find the best crisis response strategies, firstly because the best responses vary for the each dependent variable and secondly because of the small differences in the dependents variable means. A general conclusion could be that when an ethical positioning product suffers from a relevant ethical crisis, a socially irresponsible company should not accept responsibility by apologizing but it should try to minimize the event in order to have higher buying intentions and lower negative WOM.

For the companies with negative CA but positive CSR associations, it is easier than the above mixed condition to reach final conclusions. Thus, when a product suffers from an ethical crisis, it seems that the most effective crisis response strategy for performance positioning product is minimization, while on ethical positioning is apology. On the other hand when a product suffers from a performance crisis, the most effective crisis response strategy is denial for ethical positioning product, while it is difficult to reach a conclusion for performance positioning. Finally, for companies with negative CA and CSR associations, it seems that the crisis response strategies can not ameliorate their difficult situation.

This study suffers from limitations common to any experimental study. In the real world consumers tend to evaluate a company's CSR initiatives over time and recall this evaluation when and if a crisis takes place. Hence, one research limitation is the simultaneous act of reading about a company's CSR and CA and judgment of the brand crisis instantly. Further research can verify our conclusions by using real corporate brands. An intriguing opportunity for further research could involve extending the examined dependent variables. Therefore, future research attention should be paid to consumers' emotions and attribution of blame.

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THE IMPACT OF RETAILERS' CORPORATE SOCIAL RESPONSIBILITY ON PRICE FAIRNESS PERCEPTIONS AND LOYALTY

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SUMMARY

Corporate social responsibility (CSR) refers to a firm's moral, ethical and social obligations beyond its own economic interests (Brown and Dacin 1997; McWilliams and Siegel 2001). As CSR gains strategic importance in the eyes of senior management, companies are engaging in a wide range of CSR programs like environmental sustainability, community support, cause-related marketing, and employee enablement. But, these programs can be costly and, as noted by Luo and Bhattacharya (2009) and others, they compete for resources that can alternatively be channeled to other areas such as innovation or service improvement. Not surprisingly, therefore, both academics and practitioners grapple with the question of what the returns are to CSR efforts.

Despite a large body of empirical research, the jury is still out regarding the impact of CSR efforts on a firm's financial performance. The majority of studies show positive effects but some researchers also report a substantial number of insignificant and even negative effects, and methodological and theoretical criticisms of the studies abound (see Margolis and Walsh 2003 and Orlitzky, Schmidt, and Rynes 2003 for reviews). These mixed results are attributable in part to the fact that CSR has several dimensions whose impact varies across industries, stakeholder groups, and individuals within a stakeholder group. Accordingly, as Godfrey and Hatch (2007) and Raghubir et al. (2010) note, there is a need to conduct industry-specific studies and to distinguish between different dimensions of CSR as well as between different stakeholders.

One of the firm's most relevant stakeholders is its customers. Prior work shows that, by and large, consumers have more favorable attitudes toward socially responsible companies, but it is largely based on laboratory experiments. The studies usually present subjects with a description of a company's CSR record and then measure their attitudes toward the company and/or purchase likelihood. Given the salience of the CSR information in the experimental environment, its impact may be overstated compared to the real-life purchase environment in which a myriad of other factors – product quality, price, assort-

ment, convenience, etc. – influence choice. Thus, the external validity of this work is limited, leading researchers like Sen and Bhattacharya (2001) to call for research based on field data collected in actual marketing environments.

Further, understanding *why* these effects occur is crucial for generating insights on how to enhance the effectiveness of CSR initiatives. Reasons such as customers' personal connection to the particular CSR cause and consumer-company identification have been noted in prior work. However, the role of price fairness perception has not been examined as a potential mechanism through which CSR affects loyalty and price premium. Consumers respond not only to the price level but also to how fair they perceive it to be; it also demonstrates that consumers consider a higher price level to be more fair if the price differential can be attributed to positive motives rather than negative ones (e.g., Campbell 1999a, b). Since CSR allows customers to attribute higher prices to a positive, prosocial motive, it may improve perceived price fairness, which can, in turn, translate to enhanced loyalty toward the firm.

These gaps in prior research motivate our research objectives: (i) Measure the effects of CSR on attitudinal loyalty, behavioral loyalty, and the consequent willingness to pay a price premium in a field setting, while controlling for other drivers of customer preferences and decisions; (ii) Show how these effects differ across key CSR dimensions in a given industry; and (iii) Investigate the role of price fairness perceptions in these effects. We accomplish this by proposing a conceptual framework in which price fairness mediates the CSR-loyalty relationship and studying the impact of four key CSR dimensions in the grocery retail industry on consumers' attitudinal and behavioral loyalty. We estimate the direct and indirect effects of CSR on loyalty, thus quantifying the total impact of the CSR dimensions. The four CSR dimensions examined are: treatment of employees, environmental friendliness, community support, and local sourcing. We survey consumers in a geographical market to measure their perceptions of CSR performance, price fairness, and other store attributes of all major grocery retailers in that market, as well as to measure their attitudinal and behavioral loyalty to these retailers.

We find that: (1) Almost all the CSR dimensions significantly improve attitudinal loyalty toward the retailer. However, such attitudes do not always translate into behavioral loyalty. Specifically, CSR dimensions that influence the customers' own exchange with the retailer (fairness to employees and local sourcing) exert positive effects on behavioral loyalty and price premium, while those not directly related to the customer-firm exchange (environmental friendliness and community

support) do not; (2) The positive impact on behavioral loyalty is non-trivial – there is a gain of up to 2.5 percentage points in share of wallet per standard deviation improvement in CSR perception (in an industry where one percentage point in market share can be worth millions); (3) CSR can enable price premiums of up to 17 percent; and, (4) Up to 15% of the share of wallet gain and up to 2 percent in price premiums are attributable to the indirect effect through price fairness perception.

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COLLECTIVE SHOPPING FOR A BETTER WORLD: THEORETICAL BACKGROUND OF THE CARROTMOB AND A CALL FOR FURTHER RESEARCH

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SUMMARY

Ethical and political consumption patterns have been rising continuously. In particular, pro-environmental consumption is on the rise. Consumer boycotts are a widely recognized manifestation of ethical consumption. Boycotters collectively punish companies for unacceptable behavior by not buying its products. The reversed strategy of influencing companies is called buycott (also “girlcott,” “procott,” and “anti-boycott”). Consumers increase purchases to reward desirable behavior. Recently, the carrotmob evolved as a new subtype of boycotts. A group of consumers swarms a predefined store at a predefined time and collectively buys its products. In return, the company engages in actions the activists ask for (e.g., investing a share of the additional revenue in energy-saving devices). The carrotmob presumably is a topic of growing relevance for activists, consumers, managers, and the society. So far, the marketing literature has not yet considered the carrotmob. The present paper aims at filling that void. First, we introduce a definition of the carrotmob. Second, we provide information about previous carrotmobs. Third, the paper outlines an overview of the most important theoretical approaches necessary to understand the carrotmob. Finally, the paper derives avenues for further research and management implication.

We embed the rationale of the carrotmob in six streams of research. First, carrotmob provides a new way to attract consumers and companies to participate in social movements. Second, due to the guerrilla tactic the

carrotmob is also appealing to consumers and the media. The core principle of the guerrilla tactic is to surprise consumers with unexpected and unorthodox activities (e.g., flashmob) in order to draw their attention. Third, collective actions of consumers are one possibility to urge companies to act socially responsibly (e.g., pro-environmental). Fourth, companies compete within an auction to become the carrotmob target. The paper suggests, that activists should consider monetary (e.g., percentage invested for energy efficient devices) and non-monetary inputs (e.g., use fair trade suppliers) at their decision about the best bid. Fifth, consumers’ choices to buy (or buy-cotting) a company’s product reinforce the company’s behavior. The discursive model of consumer power postulates that both, consumers and companies, have power. Carrotmobs are rooted in this model of consumer power. The concept builds on a cooperative strategies seeking for a win-win-situation. The company benefits from increased revenue during the carrotmob and an improved reputation. The carrotmobbers and the activists benefit, because the company puts a share of its revenue in issues the activists ask for. Sixth, the paper puts the focus on the consumers who participate in the carrotmob. Different motives to join a carrotmob are investigated (i.e., environmental orientation, attitude toward boycotts).

We conclude from our theoretical discussion that the carrotmob might have the potential to become an effective means of ethical and political consumption. The efficacy of the carrotmob has not been analyzed in an empirical study. Thus, we call for further research.

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FIRMS ARE DOING WELL, BUT WHO IS DOING GOOD? CUSTOMER PARTICIPATION IN CSR SPONSORED CAUSES

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SUMMARY

Companies dedicating marketing resources to CSR initiatives broadly aim to achieve two goals: generating economic benefits to the companies and promoting prosocial outcomes. While prior research has repeatedly found that CSR initiatives allow companies to “do well” through enhanced customer loyalty (Brown and Dacin 1997; Luo and Bhattacharya 2009), value maximization for shareholders (Friedman 1970; Porter and Kramer 2006), and risk management based on positive consumer evaluation on companies (Godfrey 2005; Sen and Bhattacharya 2001), research on how to “do good” with CSR initiatives is sparse. As part of these CSR initiatives, companies are partnering with non-profit organizations in a variety of ways in the hopes of “doing well while doing good” by inspiring consumers to join and contribute to worthwhile causes. However, less research has addressed whether consumers actually respond to and contribute to the causes. Moreover, there is little guidance for companies that want to “do good” by effectively engaging their consumers to contribute to the CSR cause itself. In an attempt to address these issues, this paper examines which consumers are most likely to respond to CSR calls and actually join the causes, and which consumer base companies should target to generate the most prosocial outcomes.

According to social identity theory, social identification enhances the willingness of group members to work together on common causes (Hogg and Abrams 2003; Kramer and Brewer 1984). Notably, this social identification is inclusive of every member in a product category community, even those who own rival brands. Therefore, we can expect that the social identification should promote cooperation among all members in the product category community without increasing out-group behaviors that could inhibit the willingness to join in a common CSR cause. Furthermore, the helping behavior between fellow members in the category community (Bendapudi and Bendapudi 1996; Gruen, Osmonbekov, and Czaplewski 2007) should also foster the altruistic behavior required of consumers when joining CSR causes.

While we expect that members who participate more, have longer membership duration, and engage in more consumer-to-consumer helping behavior in a product category community are likely to join the CSR causes,

brand community literature implies that this positive relationship may not be the case for a brand community. This literature identifies two forces at work in a brand community that may have cross-cutting impacts on joining the causes: intergroup bias and moral obligation. The strong out-group bias against other brand consumers should make more involved brand community members less likely to join the CSR causes. On the other hand, consumer-to-consumer helping literature suggests that brand community members who help other fellow consumers more are more likely to join the causes, which may mitigate the negative impact of brand community participation in joining the CSR causes.

By examining the role that product category community participation and brand community participation play in fostering and inhibiting CSR contribution behavior, this research contributes the social identification literature, the consumption community literature, and the consumer-to-consumer helping literature. To do so, we collected data from a product category dominated by two brand communities, a related product category community, and a forum of their involved non-profit organization. The dataset tracks participation, membership duration, and helping behavior for 15,198 individuals over a 60-month period, including 408 CSR join event among three communities.

As predicted by the social identification theory and the consumption community literature, we demonstrate that participation in a product category community has a drastic positive impact on the likelihood of joining the CSR causes. Membership duration and helping behavior also increase this tendency by reducing the out-group bias. On the other hand, our results indicate that participation in a brand community results in the opposite reaction. In this community, members who participate more are less likely to join the CSR causes. Although members who help other consumers more show relatively higher willingness to join the causes than those who do not, the negative impact of brand community participation is significant.

These findings provide valuable insights for both marketers at for-profit companies seeking to “do good” with CSR initiatives as well as marketers at non-profit organizations. It reveals that CSR campaigns attempting to encourage consumers to actually join the cause should

focus on recruiting product category members rather than brand community members. The results further imply that consumers who help the fellow consumers more are the

most promising target to generate altruistic outcomes. References are available upon request.

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THE TRUSTWORTHINESS OF CAUSE-RELATED MARKETING: AN ANALYSIS OF THE CRM TRIAD WITH AGENCY THEORY PERSPECTIVE

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SUMMARY

Cause-related marketing (CRM), or also called cause marketing (CM), has been widely used for over twenty years. However, some consumers have their doubts about CRM. They are not sure whether CRM is a way to help the cause or just a firm's promotion scheme. Webb and Mohr (1998) found that some people do not participate in CRM because they do not trust the firms, even though their attitude is in favor of CRM. Hence, there is a significant trust issue in CRM for people in making the decision to support CRM.

More donations mean more purchasing in CRM. The money people pay combines social exchange (helping others) with economic exchange (Folse, Niedrich, and Grau 2010). People may be satisfied with the economic exchange because they can see the product at the point of purchase; however, they are not sure whether the social exchange is complete because the promised donation will be accomplished afterwards. When the economic exchange is completed, the social exchange is like an intangible contract without a fulfillment date because it depends on the firm's promise to fulfill that exchange. Without immediate feedback, consumers feel uneasy about the lack of completion. In order to fulfill the gap, we look into the CRM triad with agency theory perspective.

The CRM Triad

We define three entities: the firm, the cause, and the consumers to construct the CRM triad. Alliance, social exchange, and economic exchange are interwoven among them.

The Firm: The Active Powerful Initiator

As the initiator, the firm organizes and operates CRM actively. The firm controls the decision to be a partner with a certain cause, the donation amount and conditions, the CRM content, and the information to be delivered to people. These controlling powers enable the firm to place itself in the best position for its self-interest. Therefore, the firm is the active powerful initiator in CRM.

The Cause: The Passive Beneficiary

The cause could be an individual (e.g., a victim), a group of people (e.g., the refugees of Hurricane Katrina), an event (e.g., a fund-raising concert for AIDS), or a non-profit organization (e.g., Red Cross). In any case, the cause should be able to trigger people's motivation to participate in CRM, in return for immediate financial support and more exposure to the public (Runte et al. 2009).

The Consumers: The Massive But Powerless Benefactors

People are always free to decline any sales promotion. Nevertheless, people have no power to modify the content of any CRM campaign. Each individual receives limited information from the firm and makes his or her decision under set details. Ironically, consumers are the benefactors, and they are a massive group of disorganized people. The only power they possess is to say yes or no to CRM. Therefore, the consumers are the massive but powerless benefactors in CRM.

The Weak Link of the Un-Balanced CRM Triad

Three relationships link the entities to each other. The alliance between the firm and the cause exists before the purchase decision, and the economic exchange between the firm and consumers is completed at the point of purchase. Only the social exchange between the cause and consumers is incomplete, and the consumers have no power to enforce that firm to fulfill the intangible contract. As a result, the reason that people are skeptic about CRM or even forego it is due to the incomplete social exchange and the un-balanced power in the CRM triad.

Apply the Agency Theory to CRM

Although the Agency theory assumes that human is a rational being which opposites to the design of CRM which induces people's emotion to purchase, We argue that the dichotomy (emotional versus rational) can hardly describe human behavior, especially encountering with

social and economic exchanges at the same time. Since past researches had plenty study on how to stimulate consumers emotional feeling in CRM, we should acquire further understanding about the consumers' thought in their decision-making process under the framework of the agency theory.

Information Asymmetry

Information asymmetry implies that the parties involved in the exchange have different levels of information for their decision making (Sharma, 1997). In a case of CRM, the active powerful firm completely controls the promotion content, while the consumers know only the information that the firm has released. People may be attracted by the causes, or social normative influence (e.g., "do a good thing," see Osterhus 1997), and may intend to participate in CRM; however, the un-balanced power in the triad only provides people with limited information.

Opportunism

Agents sometimes do not keep their promises in order to maximizing their own profit (Heath 2009). Unless principals have information to verify agents' behavior, agents are more likely to behave in their own interest (Eisenhardt 1989). For any agent who takes advantage of a broken promise and is not caught is the issue of opportunism. In the CRM situation, opportunism lies in the idea that the firm views CRM as propaganda to deceive the consumers (with no promised donation) because the

immoral behavior is likely not to be exposed. In other words, people have difficulty in making correct judgments about the truthfulness of the firms.

The Decision-making Process in the Un-Balanced CRM Triad V.S. a Balanced Model

Under the agency theory framework, the consumers' decision-making process in the un-balanced CRM triad has been revealed. First, the uneven power among the triad entities creates information asymmetry. Thus, people sometimes make wrong judgments about firms. Moreover, opportunism enhances the probability of untruthful behavior in firms and further contributes to people's adverse selection. Therefore, we propose signaling and risk sharing to restore the balance to the CRM triad as a balanced model for solving the trust issue.

Conclusions

Consumers are emotionally triggered by the causes. However, their decision-makings are justified by rational means. This paper proposed the reason behind trust is that people foresee the default risk of an incomplete social exchange. Thus, they suspect the trustworthiness of CRM. Consumers will not be convinced to trust the firm because of the un-balanced power in the triadic relationship. We undertook a comprehensive study in the CRM triad and constructed a balanced model for leveraging information asymmetry and neutralizing opportunism. This CRM triad framework can be extended or investigated in the future for both theoretical and practical purposes.

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MANAGING CHARITABLE GIVING: CAUSE PORTFOLIO DIMENSIONS AND THEIR IMPACT ON STAKEHOLDER EVALUATIONS

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SUMMARY

Firms donate a substantial amount of their profit to non-profits, such as the American Red Cross, American Cancer Society, and the World Wildlife Fund. According to the Foundation Center (2010), giving of corporate foundations rose by 3.9 percent in 2008 to \$4.6 billion. As charitable giving increases, firms shift their focus to the profitable management of these activities. Recent studies have highlighted the complexity of the charitable giving – performance relationship (Wang, Choi, and Li 2008; Lev, Petrovits, and Radhakrishnan 2010) and the objective of this research is to understand whether and when a firm's giving activities create value for the firm. To date, most studies focus on the impact of the *amount of giving* on firm value but little is known about the impact of the *allocation of giving*.

To investigate how allocation decisions create value for the firm, we develop the concept of cause portfolios which we define as all relationships a firm builds with non-profits as part of its day-to-day business activities. The size and scope of the cause portfolio should be guided by brand and market considerations (Varadarajan and Menon 1988) and take into consideration the different stakeholder groups of the firm. A firm can promote the varying interests of these stakeholder groups through their charitable giving activities (Drumwright 1996) which can result in improved performance, such as higher perceptions about the firm and its brands, higher satisfaction, stronger identification with the firm, and higher purchase intentions (Brown and Dacin 1997; Creyer and Ross 1997; Luo and Bhattacharya 2006; Marin and Ruiz 2007; Sen and Bhattacharya 2001). To obtain these benefits from its cause portfolio investments, firms have to manage the relationships within the cause portfolio properly. Depending on how portfolio characteristics, such as size and diversification, are managed, firms may or may not be able to attain the same level of return.

We base our predictions on relationship management theory to propose a mechanism that explains why these cause portfolio characteristics (e.g., size and diversification) have a differential impact on stakeholder evaluations and thus firm value. We propose that diverse cause portfolios are more strongly associated with positive out-

comes for the firm when the portfolio is small rather than large. Stakeholders make assessments about the firm's motivation to give to charities and non-profits. If a cause portfolio appears to be stretched too far in both size and scope, than stakeholders should have lower perceptions of the firm. As firms donate to a large number of non-profits associated with various causes, it should become more difficult for the stakeholders to identify the focus of the firm's giving activities. This, in turn, should lower the perceptions that the firm is committed to the causes in the cause portfolio. Furthermore we propose that perceived commitment mediates the relationship between cause portfolio characteristics and performance outcomes.

In Study 1, we address our hypotheses using an experimental setting. The findings of the experiment confirm our prediction that diverse portfolios are more likely to lead to better performance when they are small as compared to large. We further tested for mediated moderation and in line with our prediction we find that perceived commitment of the firm to the cause portfolio mediates the relationship between cause portfolio characteristics and performance. The objective of Study 2 is to understand whether cause portfolios differ in the extent to which they are related to a firm's commitment to social issues. Specifically, we assess whether a firm's social performance in the community differs depending on the firm's cause portfolio. Study 2 shows a similar pattern of results as Study 1. Hence, the perceptions that firms with diverse and large portfolios are not more committed actually match up with the firm's actual commitment to the community. In Study 3, we address whether cause portfolio strategies only influence consumer perceptions or whether they also create firm value. Ultimately, we find that cause portfolio characteristics are ultimately associated with firm value. Prior studies have shown that the stock market reflects CSR-related investments and in line with these studies, we find that a firm's stock market valuation varies with the cause portfolio strategy they employ. The negative interaction between portfolio size and diversification again highlights that firms should be careful when managing diverse portfolios with a large number of non-profits.

This present paper provides some initial insights into the structural management of charitable giving. We show

that, besides the overall amount of giving, characteristics of the cause portfolio, such as size and diversification, matter to stakeholders and thus influence the likelihood that firms receive a return on their charitable giving. In

summary, our results show that in order to create value for the firm, cause portfolios have to be properly managed. References are available upon request.

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INTEREST-BASED INTERNET ADVERTISING AND PRIVACY CONCERNS: HOW TO INCREASE THE ACCEPTANCE OF A RISING MARKETING PHENOMENON

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SUMMARY

As marketing expenditures in the Internet rush, effectiveness and efficiency become increasingly relevant. Particularly online-firms offering free content need to provide powerful marketing tools to advertisers to support their own business model. Behavioral targeting enables websites to selectively display advertisements to consumers according to their surfing profiles, making advertisements more relevant, thereby increasing advertising revenues from websites. However, targeting can cause privacy concerns and negative consumer reactions. Furthermore, there is increasing regulatory pressure for websites to inform surfers about targeting practices and provide them with opt-out functions. Proactively addressing those challenges is highly important for advertising-supported websites. Building on privacy related fairness norms, we develop mechanisms to increase consumers' acceptance of targeted advertising. In a laboratory and a large-scale field experiment, we find that under certain conditions, surfers are motivated by reciprocity. When reminded that targeted online advertisements help fund free content, consumers are not only more willing to provide information but also perceive targeted advertisements as less intrusive. To further address privacy concerns, websites should allow consumers to access and edit their information.

Specifically, this article contributes to marketing research in the following ways. First, we find that increasing procedural justice by allowing consumers to view, edit, and delete their information stored on websites results in greater targeting acceptance. As such, our findings confirm Culnan and Armstrong's (1999) work on the role of procedural justice in addressing information privacy concerns. However, we were unable to significantly decrease the perceived intrusiveness of targeted advertisements through this mechanism. This might be because allowing consumers to view and edit their information leads to a more intense elaboration of potential risks and creates a high level of cognitive disruption, a proven source of intrusiveness (McCoy et al. 2008).

Second, we were unable to increase consumers' acceptance and decrease the perceived intrusiveness of the targeted advertisements by arguing that targeting

would make them more interesting. The ineffectiveness of the relevance mechanism is a surprising result because several studies report that many consumers prefer relevant advertisements (McDonald and Cranor 2010; Turow et al. 2010) and advertisers often use this argument to justify targeting practices and even to collect data for predictive targeting. It seems that consumers do not believe that targeting makes advertisements more interesting or they do not consider highly relevant advertisements sufficiently beneficial. Milne and Gordon's (1993) conjoint study supports this view, showing advertising relevance received a substantially smaller importance weight than compensation.

Third, the studies show that in the context of free content, under certain conditions, surfers are highly concerned about distributive justice. Surfers exposed to a blatant reciprocity primer not only are more willing to share data for targeting purposes but also perceive targeted advertisements as less intrusive. As such, the studies show that findings on pay-what-you-want pricing mechanisms (Kim, Natter, and Spann 2009) can be transferred to the online world. Our findings suggest that consumers consider targeted advertising an alternative "online currency" to voluntarily repay a website for benefits received after they are informed of the challenges related to offering free content. This result is particularly noteworthy because previous research reveals that altruistic, prosocial behavior is often motivated by the desire for status and social acceptance (e.g., Greenberg 1980; Giskevicius, Tybur, and van den Bergh 2010). In contrast, our studies show that even in a fully anonymous business-to-consumer Internet environment, the idea of a self-oriented, purely rational, utility-maximizing user does not hold true. Therefore, our findings might even be applicable to contexts other than Internet advertising. In general, activating the norm of reciprocity might be a principle to finance "for-free" online business models.

We believe that a core strength of this article is that it validates the findings on consumers' willingness to reciprocate online with real behavioral data with an extremely large sample size. We report real click rates, which is rare in academic literature because of confidentiality requirements of most industry partners. References are available upon request from the authors.

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THE SUCCESS OF PRODUCT PLACEMENT: INTEGRATING THE NATIONAL BRAND IN POP CONTENTS

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SUMMARY

Korean entertainment and popular contents have exported throughout Asia and have affected abnormal tourism demand from East Asian countries to Korea. Using Markov regime switching model, we analyze the product placement effects embedded in the Korean Wave and show two distinct trends. The study illustrates that product placement is a powerful marketing strategy and highlights the importance of understanding the economic drivers and consequences of product placement.

Background

Since the invention of television, advertising products on TV has been a prominent marketing strategy. Even with the great expansion of the Internet, the average customer is more exposed to advertising through television; those not actively searching for a specific product are most likely to acquire information during casual viewing. However, Wilbur, Goeree, and Ridder (2008) showed that, while television is still strong in the advertising industry, earning almost \$70 billion in advertising revenues, the traditional business model is being undermined by technology. They claimed that since viewers with digital video recorders can skip ads with a push of a button, the networks responded by increasing product placements on TV shows by almost 40 percent from 2005 to 2008. Karrh (1998) defined product placement as the paid inclusion of brand products or clear brand identifiers through audio and/or visual means within mass media programming.

Even with marketers' increasing interest in product placement, the main obstacle faced is the assessment of "successes" in product placement. It is difficult for a marketer to control the nature of the product's exposure in visual programs, and this leads to uncertainty in predicting both short-term and long-term effects on sales. The most common approach for evaluating the effects of product placement is to look at stock prices after the release of films and television shows. However, many factors affect stock prices, and it is difficult to decide on the time period for the evaluation; therefore, it becomes extremely difficult to promote product placement strategies based on changes in stock prices alone.

In our model, South Korea as a travel destination is the "product," and the number of inbound tourists from

East Asian countries to South Korea is the measure of "success" of product placement efforts.

Method

Data. To estimate the effects of product placement on inbound tourism demand for South Korea, we used monthly data from January 1993 to December 2008 (a total of 192 observations). We considered four major sources – the number of tourist arrivals from Japan, China, Taiwan, and Singapore to South Korea – as proxies of inbound tourism demand.

Analytical Model. We use a two-state Markov switching model for univariate time series data. In our model, South Korea as a travel destination was considered the product placed in entertainment vehicles, and the number of international tourists coming into Korea was the proxy for measuring the effectiveness of product placement. Figure 1 has been a large increase in Korean popular contents such as films, TV series and music videos.

Results

Figure 2 shows the number of incoming tourists over the study period, with a vertical line representing July 2002, which we considered the change point, after which the product placement effect was in effect. The number of arrivals from Singapore was as expected. We have argued that due to the almost nonexistent popular exports to Singapore, Korea as a brand was not promoted as much and therefore there seemed to be a universal trend over the entire time frame.

Conclusion

We found two distinct trends in the number of inbound tourists to South Korea when product placement was present, and this trend was not evident in tourists from Singapore, where there was no product placement. We also showed that the effect of product placement on the trend of inbound tourists to South Korea was positive. The study illustrates that product placement is a powerful marketing strategy and highlights the importance of understanding the economic drivers and consequences of product placement. References and figures are available upon request.

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DEAL OR NO DEAL? FACTORS IMPACTING PURCHASE DECISIONS ON INTERNET GROUP BUYING SITES

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SUMMARY

Online group buying sites such as “Groupon” are one of the latest trends in internet retailing. Typically these sites offer surprisingly large discounts for popular local items. Many of the group-buying sites work by negotiating deals with local merchants and promising to deliver a large number of purchasers in exchange for “greater-than-normal” discounts. Typically, sites display not only financial (price) information, but also the “time left to buy,” as well as the number of people who have previously bought (and “like”) the deal. We demonstrate how these latter two factors impact purchase intentions.

We propose that the perceived value of a group buying deal will increase as time to expiration decreases, and therefore that consumers will be more likely to purchase the offer as time to expiration decreases. We further propose that the number of persons who have previously bought (or indicated “liking” of) a product will signal the utilitarian and/or economic value of the deal, and that this will impact the consumer’s decision to buy. Finally we propose that previous number of buyers (or “likers”) as well as savings amount will moderate the effects of time-to-expiration on the consumer’s decision to buy.

We tested our hypotheses in the context of the Groupon buying site platform. First, we examined hypotheses using “deal-of-the-day” data, collected directly from the company’s sites in two Northeastern U.S. cities. Online data was collected at three equidistant time points (i.e., T1, T2, and T3) within a 12-hour span. To examine time to expiration controlling for buyer number, we regressed $T1 \rightarrow T2$ absolute purchase increase on number of buyers at T1, and used the resulting regression equation to predict purchase number at T3 (i.e., based on number of buyers at T2). We then compared predicted to actual mean values at T3, and found a significant difference [$t(108) = 2.025, p = .045$]. A similar result was found in terms of time-to-expiration “liking” number effects.

Buyer/likers number main effects were tested by examining percent change in buyer/likers numbers across products for a given time period. Given two (otherwise identical) product deals, we reasoned that a buyer-number network-credibility effect would be present if the product with a greater absolute number of buyers at T1 exhibited a greater percentage increase in buyers from $T1 \rightarrow T2$. Finally in order to test (time-to-expiration x network

credibility) interaction effects, we first created a median split of our data based upon buyer (likers) number at T2, then compared predicted to actual number of buyers (likers) at T3 across “high-starting-number” versus “low-starting-number” buyer (likers) groups. Significant differences would be indicative of interaction effects. Analysis of the data revealed that our hypotheses were supported.

We next tested our hypotheses using a 2 (time-to-expiration: short versus long) \times 2 (number of people who have already bought: small versus large) between-subjects experiment ($n=121$). The product deal chosen was “\$10 for \$20 Worth of Fast Italian Fare at Lilly’s Gourmet Pasta Express.” Participants were asked a series of questions related to the deal. Somewhat surprisingly, ANOVA revealed that the tests of main effects for both time-to-expiration and network credibility were non-significant. The apparent cause of the non-significant main effects was due to a significant (time-to-expiration x number of previous purchasers) disordinal interaction. Consistent with our theorizing, when there was a shorter time-to-expiration a larger number of previous purchasers enhanced purchase intentions whereas a small number of purchasers diminished purchase intentions; however when there was a longer time-to-expiration, the converse was also true – that is, a larger number of previous purchasers appeared to diminish purchase intentions and vice-versa.

In an attempt to explain the previous findings, we examined perceived value and anticipated satisfaction measures. Tests of mediated moderation (Preacher, Rucker, and Hayes 2007) revealed that perceived value partially mediates the (purchaser number x time-to-expiration) \rightarrow purchase intention relationship. More specifically, value significantly affects that relationship when time-to-expiration is “long,” but not when it is “short.” At that longer time period, a greater number of purchasers acts as a signal of *lower* value, which reduces purchase intentions. Examination of the satisfaction measure indicated that a large number of purchasers at the long time-to-expiration point may have led participants to perceive lower value because they perceived the quality of the product that they would receive at that price would leave them less-than-satisfied. We speculate that this perception could in fact be due to the nature of the product used in our Experiment – a crowded restaurant (i.e., which might result from a large number of deal purchasers) could reduce the quality of the dining experience. References are available upon request.

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A VALUE-BASED ADOPTION MODEL OF MOBILE COUPONING

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SUMMARY

Mobile couponing, as one of various applications derived from mobile marketing, offers on-demand location specific coupons to the users. Unlike traditional coupons, mobile coupons do not require consumers to search around for coupons, clip them and store them in their wallets. Although given the convenience and efficiency that may also benefit retailers, research has rarely investigated consumers' usage of mobile coupon services. Dickinger and Kleijnen (2008) indicated that the current understanding in mobile couponing is limited due in part to the lack of a chance to incorporate location-based and opt-in possibilities. Therefore, this study aimed to examine consumers' adoption of location-based mobile coupon services with a value-based adoption framework. Deriving from the perspective of net benefit of coupon redemption, a value-based adoption model may fit the context of mobile couponing well. In addition, as a response to previous studies that called for more research into electronic coupon redemption from two perspectives: psychological processes and motives (Fortin 2000), this study incorporated coupon proneness and value consciousness into the value-based adoption model.

Value-Based Adoption Framework and Coupon Redemption

Value-based adoption frameworks are frameworks that combined adoption models, such as TAM (Davis 1989), with dimensions of perceived value (e.g., Kleijnen et al. 2007; Ko et al. 2009; Pura 2005). Incorporating TAM and the value frameworks proposed by Sheth et al. (1991) and Mathwick et al. (2001), Pura (2005) proposed six value constructs: monetary, convenience, social, emotional, conditional, and epistemic value. Because these six value constructs encompassed the possible value constructs within the mobile context, the hypotheses of this study were developed anchoring on the framework of Pura (2005).

From the coupon literature, psychological benefit and economic incentives are viewed as one of the benefits gained from coupon redemption (Bawa and Shoemaker 1987; Narasimhan 1984). Schindler (1989) indicated that feelings of accomplishment and effectiveness are important to some coupon users. These coupon users feel the need to be seen as smart shoppers whose goal is not to pay a full price. Such feelings are ego-expressive in nature

(Schindler 1989) and provide psychological rewards for the coupon users. In mobile service contexts, Nysveen et al. (2005) indicated that consumers are able to express their personal identity as well as feel enjoyment through using mobile services. Therefore, this study hypothesized that emotional value, social value, and monetary value are positively related to intention to subscribe to mobile coupon services.

In addition, different from traditional coupons, mobile coupon services allow consumers to search and access customized marketing content according to their location. While this utility allows consumers use relatively lower cognition resource to search for coupons and only receive coupons relevant to their location, this utility may also be valued and perceived to be more useful in some specific situations and conditions, for example, when a person visits a new city. Furthermore, when consumers use a mobile coupon service, they also get the chance to explore the nearby areas, especially the retail stores. Thus, this study hypothesized that convenience value, conditional value, and epistemic value are positively related to intention to subscribe to mobile coupon services.

Coupon proneness and value consciousness were considered major psychological factors that drive consumers' coupon redemption (Lichtenstein and Burton 1997). As consumers have higher coupon proneness, they may be more sensitive to the value relevant to coupon search and coupon redemption (Garretson and Burton 2003). For example, DeVecchino (2005) denoted that value consciousness and coupon proneness are related to both the relative and absolute value derived from the economic benefits from redeeming coupons. However, no research studies have examined the influence of value consciousness and coupon proneness on different dimensions of perceived value. With an exploratory nature this study proposed that coupon proneness and value consciousness are positively related to value constructs.

Method, Result, and Discussion

This study was executed in two phases: a pilot study to validate the measurement model, and a primary study to empirically test the proposed relationships. With the measurement instruments that were validated by five experts and pilot data in the pilot study, data were collected from a national sample of smartphone users in the primary study phase. The results from structural equation model-

ing showed that social value and convenience value significantly influenced consumers' intention to subscribe to a mobile coupon service. However, the effects of emotional value, conditional value, monetary value, and epistemic value were not significant. The results also indicated that coupon proneness has significant influences on all six value constructs; and value consciousness yielded significant influences on convenience value, conditional value, and epistemic value.

The findings of this study yielded several theoretical implications. First, this study indicates that convenience value and social value largely contribute to consumers' intention to subscribe. This finding supports Dickinger and Kleijnen's (2008) discussion that redemption effort is still a major concern when consumers evaluate whether mobile couponing is worth to them. Although previous

studies consider economic incentives the major reason for consumers' usage of coupons (e.g., Narasimhan 1984), in the context of mobile coupon, this study suggests that convenience value has dominated consumers' decision. The result also supports Schindler's (1989) argument that some consumers could express their self-identity through using coupons. Although social value has been neglected in electronic coupon literature, this study shows that it plays a more important role in the context of mobile coupon services while people gradually consider mobile phones as an extension of their social life. Lastly, while previous studies suggested coupon proneness and value consciousness have direct influence on coupon redemption (e.g., Lichtenstein et al. 1990), the results of this study suggests that their influence was mediated through convenience and social value. References are available upon request.

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CITY WEB SITE AND ENGAGEMENT: A BAYESIAN BELIEF NETWORK APPROACH

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SUMMARY

Utilizing a novel methodology for building a Bayesian belief network and an online survey from the U.S. citizens on their city website uses and activities, the paper develops a model centered on community engagement, an emerging construct giving more societal focus on the marketing research. Through the developed Bayesian

belief network, it is possible to analysis relations between engagement and attitude for both city and city website. For the most part, it is concluded that sense of belonging is the key factor to connect engagement to attitude in the city website setting. To enhance city and city website attitude, activities highly correlated with sense of belonging such as “discussion forum” and “participating in activities” may be promoted.

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COMMERCIALIZATION OF SOCIAL NETWORK FAN PAGES: AN EMPIRICAL ASSESSMENT

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SUMMARY

Professional sport clubs are more and more run like any other business. Clubs are trying to push their brand and to market themselves properly (Williams 2010). Against this background, social media pages represent a great opportunity for football clubs to develop and retain existing relationships with their fans (Beech, Chadwick, and Tapp 2000; Williams 2010) and to generate new sources of revenue streams, for example by selling advertising space or incorporating an online merchandising shop on the social network fan page. However, many clubs are still unsure of how to capitalize on the proposed opportunities (Williams 2010). Apart from a lack of understanding about how to configure a fan page efficiently, football clubs express concerns about negative fan reactions toward further commercialization and potential negative consequences for the club's brand (van Uden 2005).

In the light of limited insights into football fans' acceptance of commercial activities on official online social network fan pages, the present paper contributes to the literature in the following aspects. To the best of our knowledge, the study is the first one investigating football fans' acceptance of sponsor advertisement and of incorporating a merchandising shop on the club's official Facebook fan page. Our study tests the role of affective commitment toward the fan page as an important precondition for accepting or refusing commercial activities. Football clubs have to consider the crucial role of affective commitment (Ren et al. 2010), when establishing commercial activities on social network sites, since affective commitment is most likely to influence behaviors within a community (Meyer and Herscovitch 2001). Moreover, the study tests the effects of perceived fan page quality, support for fan-communication and fans' attitudes toward the club and toward commercialization activities using a sample of 2,557 users of a Facebook fan page of a German football club.

Results of the empirical study reveal that affective commitment toward the fan page is a central indicator for fans' acceptance of sponsor advertisements and online merchandising. Affective commitment is more important for acceptance of merchandising activities on a fan page

than for the acceptance of sponsor advertisement. The positive relationship between affective commitment and the acceptance of sponsor advertisement implies that due to their identity-based commitment, fans are more likely to overlook negative experiences with the fan page (Ren et al. 2010). Fans within an online community may also realize that the football club needs the advertisement revenues in order to improve the fan page but also in order to improve the team. In this case, sponsor advertisements are perceived as a good cause or at least as a necessity. Finally, since the sponsor and its advertisement content are perceived as close to their favorite club and its website, committed fans are more likely to accept sponsor advertisement on the fan page as well (Krishnamurthy and Dou 2008).

Furthermore, we provide evidence that fan identification has the strongest impact on affective commitment toward the online social network fan page followed by fan page quality and support of fan-to-fan communication. The model explains 41.8 percent of the variance of affective commitment toward the fan page, 14.2 percent of the variance of acceptance of sponsor advertisement, and 15.0 percent of the variance of acceptance of an online merchandising shop on the online social network fan page.

Testing the mediating role of affective commitment, we also found that affective commitment mediates the impact of fan page quality, support of fan-to-fan communication and fan identification. Thus, clubs should focus on providing high-quality fan pages and support benefits in order to increase affective commitment toward the fan page and hence, to get the fans to accept commercialization activities since in this case they are willing to reciprocate such efforts by showing positive behaviors (Kim et al. 2008). Moreover our results indicate that fans exhibiting a negative attitude toward commercialization do not accept sponsor advertisements on the fan page, while we found no significant negative influence on the acceptance of merchandising. These results indicate that clubs should especially be aware of fans' negative attitude toward commercialization when thinking about selling advertising space to sponsors, whereas incorporating a merchandising shop is not affected by fans' negative attitudes toward commercialization.

With regard to future research, we propose to focus on the question of how to strengthen the link between fans' affective commitment toward a social network fan

page and the acceptance of commercialization activities. References are available upon request.

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ARE YOU YOURSELF IN VIRTUAL WORLD? AN EXAMINATION OF THE “USER-AVATAR” GAP IN SECOND LIFE

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SUMMARY

3D virtual worlds are fast-growing Internet-based simulated environments in which users can interact not only with each other, but with products and services provided by businesses and individuals. To participate in a virtual world a computer user must create an avatar which can be described as “a pictorial representation of a human in a chat environment” or as “a representation of the user as an animated character in virtual worlds.” In virtual worlds such as Second Life the avatar mediates the interaction between the product/service and the business; hence, it is reasonable to argue that the product/service must offer value for the consumer represented by the avatar in the virtual world. Hemp (2006) suggests that the avatar can represent a distinctively different “shadow” consumer that can influence its creator’s purchase of real-world products and conceivably make its own real-world purchases in the virtual world. Thinking of an avatar as a ‘shadow’ consumer implies that the avatar’s behavior is guided by certain personality traits, which may be the same as or different to those of its creator. Given that the avatar and the creator may exhibit different personality traits and that personality traits explain behavioral tendencies which are important to consider when crafting marketing strategies, the primary objective of this study is therefore to determine whether avatars indeed exhibit different personality traits than their creators.

Self has been defined as cognitive representation of a person’s uniqueness – that set of attributes that an individual attaches to him/herself most firmly and is synonymous with the term identity. Social psychology school of thought acknowledges the self as a multiple while identical phenomenon. James (1890) suggests that while the individuals have a subjective self (i.e., *I*) which guarantees their unity in consciousness, they take up many different social selves, (i.e., *Me*), through which they communicate with others in the society. Mead (1934) suggests that *I* anticipates the response of others to different behaviors by putting oneself in place of them. Then the anticipated responses become internalized and will be presented in appropriate situations in the form of the proper “*me*.” The reflexivity (i.e., the turning back of experience on itself) allows one to put himself in the place of others and to take upon himself the attitudes they demonstrate toward him/her, which in turn facilitates self-

understanding. Considering the effect of society in presentation of different aspect of the self, however, Rogers believes that there are some identity-important aspects which remain hidden despite the fact that the individual very much likes to express them. This might be due to marginalization of those identity aspects by society; or due to the restrictions imposed on the individual by the social roles she/he fills.

The Internet, with its relative anonymity and multiple venues of social interaction, appears to be a kind of social laboratory in which an individual can express and experiment different versions of the self (Amichai-Hamburger 2005; Turkle 1995). Anonymity allows the individuals to have all that they have been deprived of in their real life and show hidden facets of their self without any fear of being socially censured. It is, therefore, hypothesized that a gap can exist between the self represented by avatars in Second Life and the self of users behind the computer. In this study this is referred to as the User-Avatar Gap.

Data was collected by means of an online survey. A link to the survey was included in postings in selected Second Life communities and emailing lists. A total of 170 usable questionnaires were obtained over a two-week period. The scale used was the Ten-item Personality Inventory (TIPI) developed by Gosling, Rentfrow, and Swann (2003). To establish personality traits of the avatar and the avatar’s creator, the respondents were asked to first indicate how the personality traits applied to the avatar in Second Life and then to themselves. The respondents could rate personality traits on a 7-point Likert scale, where 1 = strongly disagree and 7 = strongly agree. Before comparing personality traits, the scale was assessed for reliability. The overall Cronbachs’ Alpha for the scale was higher than the cut-off value of 0.7. According to the analysis of the data; indeed, there are significant differences in avatar traits and persona traits. The results show specifically the respondents’ avatars are more extraverted and enthusiastic, open to new experiences and calm, whilst less critical and quarrelsome, anxious and easily upset, reserved and quiet, and disorganized and careless.

This study’s findings suggest that marketing managers and practitioners should consider the personality traits of avatars in the development of marketing strategies in virtual worlds. The findings indicate that avatars are more

extraverted and enthusiastic than their creators, less anxious and easily upset, and less reserved and quiet. Combining these traits with the trait that avatars are open to new experiences creates several marketing opportunities in virtual worlds for marketing managers and practitioners. For example, the extraverted behavior of residents and their openness to new opportunities present the opportunity for developing brand knowledge with brands customers are not familiar with. Firms can use virtual worlds to create brand awareness and brand image by designing items that consumers can use to enhance the experience of their avatars. Given that the use of such items can have no negative consequence for the self-image of the creator, willingness to use them will be enhanced. Firms can also enhance brand knowledge by advertising in virtual worlds and hosting events. The more extravert behavior exhibited through the avatars should increase participation in events, facilitating the opportunity to create positive experiences with a brand. Furthermore, if the proposition is

adopted that the avatar reflects certain aspects of the creator's ideal self-image, virtual worlds provide the opportunity to market products and services to the creator that can narrow the gap between the ideal self and the real self. In the virtual world consumers can try out new products without jeopardizing their self-image. There is no risk as their true identities are hidden. Thus, virtual worlds provide an opportunity for the creators to explore new products and services through their avatars.

The research has one limitation that must be mentioned. The Ten-item Personality Index used is an abbreviated version of more extended scales to measure personality traits. Given that the current research indicated that personality differences do exist, the field of study can benefit by other researchers using extended scales such as the NEO Personality Inventory to gain a deeper understanding of the user-avatar personality traits gap. References are available upon request.

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EVALUATING THE ROLE OF WEAK TIES IN THE CONTEXT OF AN ONLINE SOCIAL NETWORK

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ABSTRACT

Through the context of an online social network, we examine the effects of weak tie expertise and similarity on a consumer's intention to rely on supplied information when making a consumption decision. Additionally, we examine the moderating effect of product information asymmetry on this relationship, as reflected by product type.

INTRODUCTION

Social networks have long been an interesting and important topic in business research and organizational analysis. The strength of relationships between users of social networking sites lies on a continuous spectrum, ranging from strong (e.g., close friends and family) to weak (e.g., loosely connected acquaintances). Previous literature has found that weak ties are generally used for information seeking behaviors while strong ties are used mainly for decision-making behaviors (Brown and Reingen 1987; Granovetter 1973). With the growing social networking sites (SNSs), the way that consumers develop relationships and exchange information with each other has changed dramatically (Hennig-Thurau et al. 2010). Nowadays, accessing weak ties has become much easier. Prior research has shown that SNSs have increased the number of weak ties in an individual's network because they allow individuals to (1) maintain weak ties more easily and with less effort and, (2) to more easily activate weak ties from latent ties (Donath and Boyd 2004; Haythornthwaite 2005). These weak ties appear to be unique, as SNSs allow users to more easily view each other's personal information and, as such, to identify those who might be useful in some capacity or similar to the focal user (Ellison et al. 2007). Given these differences, it behooves marketers to reexamine the role of weak ties in this new context, and to gain a better understanding of how consumers determine the usefulness of a weak tie on a SNS, along with the information they supply. We investigate the circumstances in which consumers rely on weak tie information when making consumption decisions. We also consider the moderating influence of product characteristics on the consumer decision process (Darby and Karni 1973).

LITERATURE REVIEW

Interpersonal Ties and Social Networking Sites

Granovetter's work, the Strength of Weak Ties (Granovetter 1973, 1983), is a seminal piece within the field of social network analysis. Granovetter established the importance of interpersonal ties and how they impact the size of a given individual's friendship circle. According to Granovetter, the "strength" of an interpersonal tie is defined as "a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie" (1973). The relationship between any given pair of individuals can be described in one of three ways: a strong tie, a weak tie, and an absent, or latent, tie. Granovetter (1973) originally categorized these ties based upon frequency of contact, but later categorized interpersonal ties based upon the subjective "type" of social relation, where friends, relatives or neighbors might be considered strong ties, while acquaintances or friends of friends might be considered weak ties (Granovetter 1983). Brown and Reingen (1987) categorized these ties based upon the importance attached to the relationship. Amongst several findings, Granovetter argued that weak ties are indispensable to the integration of individuals into communities, such as employees entering new work environments. In contrast, he argued that strong ties lead to fragmentation, as the local cohesion created is exclusionary (e.g., clique formation) (Granovetter 1973, 1983).

Brown and Reingen (1987) extended these implications in a few important directions that are relevant to marketing. First, they found that active information seeking (e.g., seeking out product reviews on a Web site, initiating a conversation to obtain information) is more likely to occur via weak tie sources than strong tie sources. Second, advice received via strong ties is more likely to be used in decision-making (e.g., the act of using information for a final purchase decision) than advice obtained via weak ties. Third, when a consumer finds themselves endowed with both strong and weak ties that are likely to contain information relevant to their decision, the consumer is more likely to refer to the strong tie for consumption advice (Brown and Reingen 1987). This is partially

because people prefer to participate in exchanges with others who are in close physical proximity (Allen 1977; Kraut et al. 1990; Monge et al. 1985) and who are demographically similar (Wagner et al. 1984; Zenger and Lawrence 1989). In sum, weak ties are generally used for information seeking behaviors while strong ties are generally used for decision-making behaviors.

With the emergence of online consumerism, new light has been shed on these findings. Individuals that would otherwise not communicate, due to the limitations of physical distance, are now able to communicate with relative ease, thereby facilitating the creation of weak ties in situations where no tie would otherwise exist. Feldman (1993) found this to be true in large organizations, observing an increase in ties due to the acceptance of electronic mail, as coworkers who worked in separate physical locations were able to form weak ties through its use. In accordance with Granovetter's findings, Feldman found that these weak ties played an important role in organizational socialization and problem solving. It is notable, however, that the adoption of e-mail did not appear to have a significant impact upon individuals' tendency or ability to form strong ties.

Recently, the theory of interpersonal ties has been applied to online social networking Web sites. Donath and Boyd (2004) explained that SNSs, such as Facebook, increase the number of weak ties in a network because such sites allow weak ties to be maintained more easily and cheaply than would otherwise be the case. Haythornthwaite (2005) found that SNSs provide "the technical means for activating weak ties" from previously dormant, latent ties. Ellison et al. (2007) explained that a key reason for this is that these SNSs lower the barriers to participation.

While these findings are important and interesting, it remains unclear if these newly formed weak ties are leveraged differently than those held solely in offline environments or through email. Seeking to address these questions, we first consider the structure of SNSs and the manner in which they enable information sharing. SNSs support the creation and maintenance of weak ties, providing the user with tools to manage "friends" and to simultaneously disseminate information to and consume information from them (Ellison et al. 2007). Yet, the nature and structure of an SNS is such that the vast majority of information exchanged between individuals is observable to the entire network of shared friends. As found by Ellison et al. (2007), SNSs allow users to more easily view each other's personal information and to therefore "identify those who might be useful in some capacity (such as the math major in a required calculus class), thus providing the motivation to activate a latent tie" (p. 1162). SNSs also allow users to find other users who have similar interests

and demographic characteristics, based on information in user profiles (Andrews 2002). These findings suggest that, while SNSs increase the number of weak ties and an individual's ability to gather information, they also enable users to be more judicious about the information they gather and from whom they gather it. For example, if someone is looking for advice on a new movie, they can more easily identify individuals amongst their online network that are knowledgeable in this area (via profiles, status updates, product reviews and "tweets"), leveraging the features of a SNS, than they could amongst their offline network.

Based on the ease of use and efficiency of SNSs, as well as the abundance of potential, relevant weak tie sources, it appears that SNSs are more ideal for information gathering on goods and services than offline social networks. The findings of Trusov et al. (2009) extend this idea by showing that useful word-of-mouth advice from SNSs strongly affects new customer acquisitions and has a chronologically longer carryover effect than traditional forms of marketing (e.g., consumers reference advice obtained via SNSs for up to 21 days, versus only 3–7 days for traditional marketing). These findings indicate that weak tie sources maintained via SNSs may be used, not only for information gathering, as indicated by Brown and Reingen (1987), but also may be relied upon when making a consumption decision (a role traditionally reserved for strong-tie sources).

Search, Experience, and Credence Goods

As suggested by Agrifroglio et al. (2010), consumers often use SNSs to gather information on goods and services. As found by Brown and Reingen (1987), weak tie sources, such as those found on SNSs, are ideal for this sort of information seeking activity. However, due to the nature of the certain goods and services, some are more difficult to evaluate than others, pre- or post-usage. As such, information and reviews provided on goods will tend to vary in terms of its usefulness. Economists have broadly defined three categories of goods and services based on how difficult they are to evaluate, before and after consumption: search goods, experience goods, and credence goods (Darby and Karni 1973; Nelson 1970). Search goods are those for which full information can be acquired and evaluated prior to purchase, given enough time and effort (e.g., books, microwave). Experience goods are goods for which quality and fit cannot be determined until after consumption has taken place (e.g., a restaurant or hair salons visit). Lastly, credence goods are those that continue to be difficult to evaluate, even after consumption (Darby and Karni 1973; Ford et al. 1990; Nelson 1970). For instance, the value of vitamin supplements is difficult to determine, even after they have

been consumed, as one cannot easily determine whether they would have grown sick had they not taken the vitamins.

Mitra et al. (1999) explicitly considered search, experience and credence services. First, they found that consumers of search services faced the lowest level of perceived risk, followed by consumers of experience services, then credence services. Second, consumers of credence services tended to favor impersonal sources the most, such as newspapers or TV, followed by consumers of search services, then experience services. Finally, consumers of experience services generally relied more on personal sources than consumers of the other two service types (Mitra et al. 1999).

While these findings are relevant to our research question, the context is slightly different. First, “impersonal sources” are not equivalent to weak tie sources, thus no immediate conclusions can be drawn, as the “closeness” of the relationship does not necessarily correlate with the frequency of interaction or the depth of communication between parties. Second, Mitra et al. only used offline sources for their study and did not query consumers about their use of the Internet or SNSs (Ellison et al. 2007). Third, this study assumes that the ease of obtaining information from weak tie sources and strong tie sources is equal. As previously mentioned, SNSs make it significantly easier to obtain vast amounts of information from weak tie sources and they facilitate processing of this information to find the most useful elements (Ellison et al. 2007). That being said, Mitra et al.’s findings do provide motivation as they suggest that consumers will rely more on strong tie sources for ambiguous goods.

Brown and Reingen (1987) explored a similar idea in which they compared preference congruence between members of subgroups. They found that members of subgroups for one good were more likely to share the same brand preference when considering another good. They found this to be true for restaurants (experience good), dentists (credence good), and shampoos (search good). However, this study was conducted in an offline context, thus the subgroups were inherently driven by strong ties (Granovetter 1973; Granovetter 1983). SNS communities are unique in that they are able to provide users with more total information and more unbiased information than offline subgroups, which tend to be comprised of exclusionary strong ties (Donath and Boyd 2004; Ellison et al. 2007; Haythornthwaite 2005). Because of this, the consumer must choose between following the preferences of their online social network, despite a potential lack of strong tie sources, or referring to a strong tie that is offline. This decision is unique to SNS communities and lies in contrast to offline studies of interpersonal ties (Brown and Reingen 1987; Granovetter 1973; Granovetter 1983).

THEORETICAL FRAMEWORK

As argued by Brown and Reingen (1987), consumers traditionally rely on strong tie sources for consumption decisions because they are deemed to be more credible. This belief of credibility is often the result of the consumer having shared experiences with, and having frequently observed, the other party. However, unlike an offline context, online, users can refer to other indicators to determine whether or not the advice from a weak tie source is likely to be useful or not. If SNSs allow for consumers to determine credibility based on surrogate information (e.g., expertise and similarity), obtained through user profile information, then there will be less of a need to refer to strong tie sources (Ohanian 1990). Such a scenario would result if the weak tie advice is perceived to be just as useful and relevant to the purchase decision as the strong tie advice. As search goods are the least ambiguous types of goods amongst the three categories we expect that weak tie advice for these goods will be approximately as useful in making a consumption decision as strong tie advice (Darby and Karni 1973; Mitra et al. 1999). As experience and credence goods are more ambiguous and difficult to evaluate, we expect that strong tie advice will continue to be perceived as more useful when making a consumption decision for these goods in an online context (Brown and Reingen 1987). Furthermore, we expect that weak tie advice will be more useful for consumers of search products than consumers of experience products or credence products. Therefore, we hypothesize:

Hypothesis 1a: Consumers of search products will be more likely to rely on weak tie advice than consumers of experience or credence products.

Hypothesis 1b: The difference between a consumer’s intention to rely on weak tie advice and their intention to rely on strong tie advice will be smallest for consumers of search products.

SNSs are unique in that they enable users to easily filter through information in search of the most relevant and useful source for their purposes (Ellison et al. 2007). As indicated by Ellison et al., users of social networks will look to identify other users who might be useful in some capacity. Constant et al. (1996) found that the usefulness of advice provided by a weak tie source is predicted by their expertise and experience. Ohanian (1990) explains that expertise, which may also be referred to as competence, expertness or qualification, is a key dimension of source credibility. Furthermore, the perception of whether advice obtained from a weak tie source is useful is important, as this implies that the recipient will be more likely to use that advice in a consumption decision (Trusov et al. 2009). For instance, the Theory of Reasoned Action (Fishbein 1979)

assumes that if the beliefs about a particular behavior are evaluated positively, this should lead to the individual holding a positive attitude about the behavior and thus an increase in their intention to behave in accordance with these beliefs. These findings suggest that the expertise of a weak tie source will be positively associated with a user's intention to rely upon their input when making a consumption decision. Thus, we hypothesize:

Hypothesis 2: The intent to rely on weak tie advice for a consumption decision will be positively associated with the perceived expertise of the weak tie source.

Also, as mentioned, SNSs allow users to find other users who have similar interests and demographic characteristics, based on user profiles (Andrews 2002). This characteristic distinguishes electronic networks from the non-electronic, where investigating the interests and demographics of a weak tie source and identifying their similarities is generally much more difficult. It has been found that people prefer to rely on advice from others that are physically proximate (Allen 1977; Forman et al. 2008; Monge et al. 1985) and those who are socially similar (Wagner et al. 1984; Zenger and Lawrence 1989). In online contexts, it has been found that similar interests can also be a predictor of the usefulness of advice (Andrews 2002; Ridings and Gefen 2004). In accordance with Fishbein (1979), these findings suggest that the similarity of a weak tie source will be positively associated with a user's intention to rely upon their information when making a consumption decision. Thus, we hypothesize:

Hypothesis 3: The intent to rely on weak tie advice for a consumption decision will be positively associated with the perceived similarity of the weak tie source.

As discussed in hypothesis 1, the decision by an individual about whether to rely on weak tie sources strongly depends on the information properties of the good or service. Search products are the only type that can be easily evaluated prior to consumption, suggesting that weak tie advice pertaining to such products will be the most likely to be found useful and therefore will be the most likely to be relied upon for a consumption decision. An experience product can be easily evaluated only after consumption, which suggests that advice obtained from weak tie sources that pertain to such goods will be found to be less reliable for a consumption decision. Instead, individuals are likely to prefer advice from strong tie sources in such cases, as they are more likely to perceive strong tie sources as similar to themselves, thus their experience is more likely to mirror that of the focal user. Finally, credence products are difficult to evaluate both before and after consumption. Hence, advice obtained from weak tie sources that pertains to credence products is expected to be the least relied upon by consumers for a

consumption decision (Nelson 1970; Darby and Karni 1973; Mitra et al. 1999; Ellison et al. 2007). Thus, we hypothesize:

Hypothesis 4: The effect of perceived expertise of a weak tie source on the intention to rely on weak tie advice for a consumption decision is moderated by the product category.

Hypothesis 4a: The effect of weak tie expertise on an individual's intention to rely on information supplied by that weak tie will be greatest for search products.

Hypothesis 4b: The effect of weak tie expertise on an individual's intention to rely on information supplied by that weak tie will be least for credence products.

Hypothesis 4c: The effect of weak tie expertise on an individual's intention to rely on information supplied by that weak tie will be moderate for experience products.

Next, the effect of the similarity of a weak tie source on an individual's intention to rely upon supplied information in a consumption decision will also be moderated by product attributes (Andrews 2002; Darby and Karni 1973; Wagner et al. 1984). We propose that the similarity of a weak tie source will be most important for experience products, as SNS users will look for useful advice from similar individuals who have already experienced that product. For search products, the similarity of a weak tie source will be less relevant, as the user can easily evaluate products pre-consumption on their own. For credence products, the similarity of a weak tie source will also be less relevant as evaluation of the products cannot be easily conducted pre- or post-consumption. Thus, we hypothesize (see Figure 1):

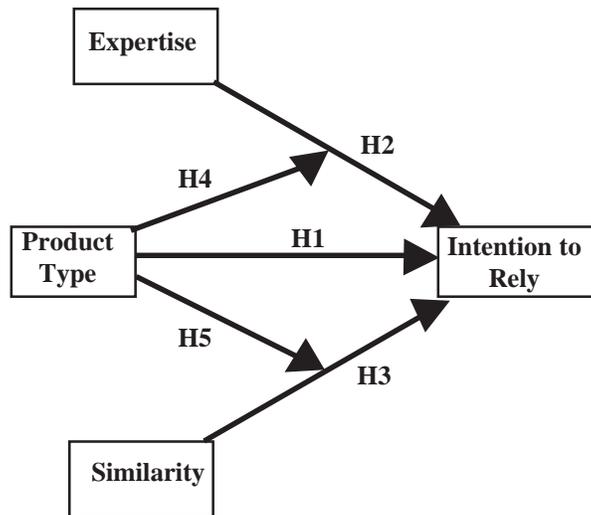
Hypothesis 5: The effect of perceived similarity of a weak tie source on the intention to rely on weak tie advice for a consumption decision is moderated by the product category.

Hypothesis 5a: The effect of weak tie similarity on an individual's intention to rely on information supplied by that weak tie will be greatest for experience products.

Hypothesis 5b: The effect of weak tie similarity on an individual's intention to rely on information supplied by that weak tie will be least for credence products.

Hypothesis 5c: The effect of weak tie similarity on an individual's intention to rely on informa-

FIGURE 1
Conceptual Model



Notes: “Expertise” = perceived expertise of weak tie source; “Similarity” = perceived similarity of weak tie source; “Product Type” = (search/experience/credence); “Intention to Rely” = Intention to rely on weak tie.

tion supplied by that weak tie will be moderate for search products.

METHODOLOGY

As Facebook is the most popular SNS in the world and covers a general assortment of topics, it will be used as the platform for empirical validation of this study (Alexa 2011). Facebook provides a few other relevant advantages. First, Facebook enables users to create profile pages in which they can provide demographic information. Leveraging this feature, profile pages can be created in order to manipulate the perceived similarity and expertise of the weak tie. Second, Facebook provides users with fan pages through which they can connect with other users who share an interest in a specific brand, product or topic of interest. These fan pages can be used to read and write reviews on a wide variety of products and services. As will be explained later, these fan pages will be used to create a context for respondents who are looking to gather information on a specific product.

Before conducting the main study, manipulation checks regarding the categorization of 17 products were conducted. Furthermore, respondents were asked how likely they were to rely on product advice from weak ties and strong ties. This was done employing a survey, conducted with a sample of 125 individuals obtained

from Amazon Mechanical Turk (<https://www.mturk.com/mturk/welcome>). This test provided a classification of products in accordance with Hsieh (2005) and aimed to discover for what products consumers would rely on advice from weak tie sources. The examined products can be found in Table 1.

Following our identification of appropriate product examples, we then conducted our main study, evaluating the similarity and expertise treatments, as well as the moderating effect of product type. This test was conducted with a sample of 81 students from an urban, Northeastern university. In order to test our hypotheses, we executed a 2 (high/ low expertise) x 2 (similar/ dissimilar) x 3 (search/ experience/ credence product) experimental design, in the context of a SNS. Respondents were first asked to provide demographic information, such as age, location, gender, education, activities and interests.

Next, respondents were presented with a scenario in which they were seeking to purchase one of three products; a camera (search good), a dress shirt (experience good), or cough medicine (credence good). These products were chosen based on previous research that supports the above classification (Nelson 1970; Darby and Karni 1973; Hsieh et al. 2005) as well as our pre study. Respondents were then presented with a randomly assigned Facebook profile page, manipulating weak tie similarity

and expertise. Previous literature has shown that physical proximity (Allen 1977; Monge et al. 1985), demographic information (Wagner et al. 1984; Zenger and Lawrence 1989), and personal interests (Andrews 2002; Ridings and Gefen 2004) are used by individuals to determine others' similarity. Therefore, the demographic information provided by the respondent at the beginning of the study was used to manipulate the similarity of the profile presented to the respondent. In accordance with Ohanian (1990), expertise was determined by experience, knowledge, qualification and skillfulness. Employment, education, activities and interests were manipulated on the profile page in order to provide cues of high or low expertise. That is, profile pages with high expertise were related to the product in question (e.g., the presented Facebook profile would indicate that the individual is a pharmacist if the product in question is cough medicine) while low expertise profile pages did not indicate employment or interests that are in any way related to the product. After the respondent had a chance to view and evaluate the Facebook profile page, they were asked a set of questions aimed at evaluating the weak tie source in terms of how likely they are to follow this person's advice, the person's expertise in this product category and the perceived similarity between this person and oneself. Additionally, respondents were asked how likely they would be to refer to a strong tie source, such as a friend or family member, before making a final consumption decision for this product. A final set of manipulation check questions were asked in order to gauge how realistic the scenario was, how the participant would rate their own expertise in the product category and whether or not the respondent could predict the purpose of the study, in order to evaluate the potential for demand effects (Orne 1962).

RESULTS

In order to test for hypothesis 1, subjects were asked to rate 17 products based on their perceived ability to evaluate each product quality both before and after usage.

The products were categorized based on these results in accordance with Hsieh (2005). In comparison to an average product, search products had higher means before ($M = 4.79$) and after usage ($M = 5.84$); experience products had lower means before usage ($M = 4.26$) but higher means after usage ($M = 5.69$); and credence products had lower means both before ($M = 3.75$) and after usage ($M = 4.82$).

After classifying each of these products, subjects were asked how likely they were to use weak tie product advice and how likely they were to use strong tie product advice. As can be seen in table 1, respondents were more likely to use weak tie advice when purchasing search products than when purchasing experience products ($t = 2.561, p < .05$) or credence products ($t = 4.665, p < .001$), therefore providing support for hypothesis 1a.

Interestingly, consumers were not significantly more likely to use weak tie advice when purchasing experience products than when purchasing credence products ($t = 1.708, p > .05$). Furthermore, the difference between a consumer's intention to rely on weak tie advice and their intention to rely on strong tie advice was the smallest for consumers of search products (mean difference = .63). However the difference was only significantly smaller when comparing search products to credence products ($t = 2.19, p < .05$). This provides partial support for hypothesis 1b.

Our analysis of respondent data for the hypothesis 2–5 was conducted via ordered probit regression, given the categorical nature of our dependent variable (e.g., Likert scale responses; in order to determine the robustness of our reported results, the same model is reassessed using ANOVA and OLS regression with similar results). Experience goods were taken as the reference category, thus all coefficient estimates were interpreted as effects relative to subject responses when exposed to scenarios involving an experience good. The results of our ordered probit regres-

TABLE 1
Intention to Rely on Weak/Strong Tie Advice Across Categories

	Search Products	Experience Products	Credence Products
Intention to Rely on Weak Tie Advice – Mean	5.17 (1.37)	4.85 (1.21)	4.26 (1.49)
Intention to Rely on Strong Tie Advice – Mean	5.80 (1.21)	5.69 (1.25)	5.24 (1.44)
Difference	0.63	0.84	0.97

n = 125 respondents; standard deviations listed in parentheses.

sion are reported in Table 4. Examining the basic model, we can see that the main effect of weak tie expertise (hypothesis 2) was well supported, while the main effect of weak tie similarity (hypothesis 3) has some weak support. The significant, positive coefficient associated with similarity suggests that subjects exhibit a greater intention to rely on information supplied by similar weak tie sources in a SNS context. The positive, significant coefficient associated with expertise indicates that respondents also exhibit an intention to rely on information supplied by those weak ties they perceive to have expertise in a product area. Further, the significant, positive coefficient associated with the search good dummy indicates that respondents are less likely to rely on information supplied by weak ties when considering experience products, relative to when they are dealing with search products, when making consumption decisions. This might be explained by the fact that the evaluations of others will be generally less useful if the considered product's utility is ambiguous. This finding indicates that weak tie advice

is more useful for consumers of search products than for consumers of experience or credence products, providing further support for hypothesis 1.

In the analysis of the interaction effects model (see model 2), we see that the effect of product type becomes insignificant once the interaction effects are included. Further, we see that the main effects of expertise and similarity remain both positive and significant (in fact, similarity is now highly significant). Between search and credence goods, we find support for our fourth hypothesis, as the effect of expertise on the probability of information reliance is strongest for search goods (H4a), followed by experience goods (H4c) and credence goods (H4b). The significance of this difference between the coefficients associated with search and credence good interactions was established using a Wald test ($\chi^2(1) = 779.10$). With respect to similarity, our fifth hypothesis (H5) we actually find evidence to the contrary. That is, we find that weak tie similarity has a significantly greater effect when dealing

TABLE 2
Ordered Probit Regression Results

	Model 1	Model 2
Weak_tie_similarity	.24⁺ (.14)	.46*** (.13)
Weak_tie_expertise	.42** (.12)	.49*** (.13)
Search_good_dummy	.72* (.30)	-.30 (.29)
Credence_good_dummy	.05 (.29)	-.19 (.32)
Participant_expertise	.13 (.14)	.03 (.14)
Weak_tie_similarity*search		3.89*** (.78)
Weak_tie_similarity*credence		1.09 (1.11)
Weak_tie_expertise*search		15.80*** (.48)
Weak_tie_expertise*credence		.73* (.37)
Weak_tie_similarity*weak_tie_expertise		.06 (.10)
Observations	81	81
Wald χ^2	41.18 (5)	9,16.60 (9)
Pseudo R-square	.07	.11
Pseudo Log Likelihood	-223.29	-213.69

Notes: *** p < .001; ** p < .01; * p < .05; + p < .10; robust standard errors reported in brackets; DV = intention to rely on weak tie advice.

with search goods than when dealing with experience goods (given the positive, significant coefficient associated with the interaction between similarity and the search good dummy). This may suggest that individuals are more inclined to employ the opinions of similar people as a heuristic in product information search. Furthermore, they are less inclined to rely on such advice as a proxy of the subjective utility they will experience in the case of a more ambiguous product (e.g., experience or credence goods).

IMPLICATIONS

In this study we have hypothesized and found some initial empirical support that individuals' perception of experience and similarity of an information source drive their intention to rely on that source's advice. Further, we have found that the strength of the effects induced by these signals is moderated by the characteristics of the product the information seeker is considering. In particular, we have found evidence that the seeker's preference for expertise and similarity is much less relevant when dealing with products that are more difficult to evaluate because they are experiential and subjective in nature. Because of this, consumers of search products tend to rely on advice from weak tie sources more so than consumers of experience products or credence products.

Thus, weak ties play an important role in SNSs and they can be used as brand messengers for company communications. However, the efficacy of this approach also depends on the product category. For consumers of search products, weak tie advice can be very useful to a consumer when making a purchase decision. However, weak tie advice is significantly less useful for consumers of experience and credence products. Furthermore, our results show that weak tie expertise and similarity increase a consumer's intention to rely on weak tie advice, especially for consumers of search products. For consumers of experience and credence products, the influence of weak tie expertise and similarity is much weaker due to the ambiguity of these product categories. The findings of this work suggest that companies need to consider the rela-

tionships we have noted and that they should formulate their customer acquisition strategy appropriately. Vendors of search products should strongly consider a more viral campaign based on weak tie referrals from sources that can be perceived as both experts and similar to target customers. Meanwhile, vendors of experience and credence products should consider grass roots campaigns that try to convince a consumer using word-of-mouth between close friends and family members.

Limitations and Future Research

The most notable limitation of this work lies in the sample size, which is somewhat limited ($n = 125$ and $n = 81$). As such, further data collection is planned. Further, our study only considered the Facebook platform. Other platforms may exhibit different relationships between the considered factors. One potentially interesting research avenue would be to examine the effect of website reputation on consumers' intentions to rely on weak tie information. Lastly, our experiment considers only three product type classifications. However, our pretest evaluation indicated that there are likely a number of factors at play that determine the difficulty associated with evaluating products. A product that may be categorized as a search good for one user could just as easily be considered an experience or credence good for another user.

CONCLUSION

SNSs provide a unique context for information gathering, as they afford users the ability to screen and judge the characteristics of the information source based on their profile information and other characteristics. These signals may act as a surrogate for direct knowledge of experience and similarity that individuals build up through experience with strong ties. Our results indicates that while SNSs can be useful platforms for communicating the benefits of products and brands, the effectiveness of the product/brand messenger will be determined by product type, the expertise of the messenger, and the similarity of the messenger to the consumer.

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DOES PRINT USAGE AND LOYALTY AFFECT WEB USAGE AND LOYALTY FOR MAGAZINES?

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SUMMARY

Hardly a day goes by without some bad news for the print publishing industry in the USA and Europe, due to declining readership. Much of this decline is attributed to the rise of the web as a source of news, analysis and entertainment. While both print newspapers and magazines face disruption from the web, the premise of this paper is that magazines, due to their unique characteristics (richer, special-interest content, lower frequency of publication), are able to use the web better than newspapers to add value to consumers. When magazines have multiple channels (hard copy print edition and online web sites), an interesting research question is, what is the relative impact of each channel (print versus web) on building usage and loyalty? Specifically, this paper seeks to answer the following research questions: (1) are magazine web sites complementary to or a substitute for print magazines? (2) what are the implication of this behavioral trend for magazines? (3) what business models and marketing tools should be used to benefit from this trend?

We develop and present a conceptual framework to investigate the inter-relationships between online and print magazine usage and loyalty. With support from existing consumer behavior literature, we hypothesize positive links between print usage and print loyalty (H1), as well as between web usage and web loyalty (H2).

In a web services context, Fassnacht and Kose (2007) find that loyalty with one service leads to cross-buying of additional services. For example, loyalty to a print magazine should motivate readers to check out the web site, increasing both web usage and loyalty. Horppu et al. (2008) show that offline brand experiences leads to higher web loyalty. Harvin (2008) suggests that well-known offline brands can benefit from a “halo effect” when trying to establish a new presence on the web. Multi-channel studies in a retailing context have shown migration of consumers from offline stores to online stores (Gupta, Su, and Walter 2004; Ansari, Mela, and Neslin 2008). All of this suggests that offline print usage should be positively related to web usage (H3) and web loyalty (H4) and print loyalty should be positively related to web usage (H5) and web loyalty (H6).

The data for this study were collected through online consumer surveys of users of two magazine web sites in Finland. One was a teenage girls magazine, the other a car tuning magazine. Car tuning is both an industry and a hobby in which an automobile, motor bike, scooter or moped is modified to improve performance, handling, presentation, or the owner’s driving style. A banner ad on each web site solicited participation in the survey over a period of 7–14 days. Questions were asked about different aspects of usage and loyalty for the web site as well as its print counterpart. Responses for most questions were measured on 7-point Likert scales. Demographic data on age of respondents was also collected. We also collected data on general internet usage to be used as control variables. We obtained 305 responses for the teenage girls magazine and 274 responses for the car tuning magazine.

We tested our framework with path analysis using OLS regression. For each path the dependent variable was regressed on the independent variable along with age and four general internet usage questions to control for individual differences across respondents. The adjusted R^2 for our OLS regressions ranged from 0.11 to 0.53 across both datasets. H1 was supported across both datasets for each of the print usage variables. H2 was also supported across both datasets. H3 was supported for 3 of the 4 conditions in which it was tested across both datasets. H4 was also supported for 3 of the 4 conditions in which it was tested across both datasets. H5 received strong support from the car tuning magazine dataset but only weak support for the teenage girls magazine dataset. H6 received strong support across both datasets.

These results show that magazine web sites are complementary to print magazines, at least in the Finnish context of these two magazines. This is indicated by the positive links between print usage and print loyalty on the one hand, and web usage and web loyalty on the other. If these were substitutes we should have seen a negative relationship.

Print magazines need to offer web sites with engaging content for all of their readers including discussion forums, blogs, chat and entertainment. While print magazines are constrained by the production schedule and

number of pages available, web sites can provide an opportunity for continuous consumer engagement with enhanced content. Thus, synergies could be realized in having consumers go back and forth between print and web magazine content. Promotion and pricing could be useful tools to help print magazine readers embrace web content, which then opens up opportunities for new advertising revenue. While print magazine content is limited to

text and photographs, web magazine content can be more vivid including audio and video. As consumers increase their use of platforms beyond the web to include tablet computers, e-readers and other mobile devices, there is need for innovative business models of content consumption that encompass multiple media rather than competing business models for each individual medium. References are available upon request.

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ONLINE BRAND FANDOM ON SOCIAL NETWORKING SITES: THE IMPACT OF FAN PAGE USAGE AND ENGAGEMENT ON CUSTOMER RELATIONSHIPS

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SUMMARY

The ways people exchange information and how individuals communicate with each other have changed dramatically over the last years (Hennig-Thurau et al. 2010). Social media channels like Facebook, Twitter, or YouTube are becoming more and more important in business communication. Traditionally, companies have tried to reach and build up relationships with customers through marketing activities like reward programs and direct marketing. In this world, customers were passive “receivers” of relationship activities as well as brand messages and the company had control over the brand development process (Hennig-Thurau et al. 2010). Today, customers can increasingly integrate and act as co-creators and multipliers of brand messages, which enables enormous viral effects and creates opportunities for word-of-mouth marketing (Kozinets et al. 2010). Social media and especially social networking sites like Facebook offer companies several options to contact and communicate with their customers. They can be used by companies to integrate and interact with their customer base (Dholakia, Bagozzi and Pearo 2004) as well as deliver a variety of interesting content (Borle, Dholakia and Singh 2010). However, empirical research on fan pages and its role for the customer-brand relationship is in its infancy. Making use of the opportunities provided by fan pages on social networking sites requires a thorough understanding of why consumers are attracted to them and how customer integration and engagement on these platforms influence their relationships to the brands and their offline behaviors. Therefore, our study investigates how brand fan pages affect the brand relationship of customers.

Considering the concept of a fan page, we developed a framework based on classical concepts of uses and gratifications theory (Katz 1959), customer engagement (van Doorn et al. 2010; Hennig-Thurau et al. 2010), and brand attachment theory (Park et al. 2010). By this, we follow a basic approach, describing how fan-page behavior might influence consumers’ brand relationships and what might influence the fan-page behavior itself. The basic idea of this framework is that, if the brand fan page satisfies particular needs of a user, this satisfaction should lead to a higher approach to the brand fan page, which should in turn lead to a better consumer-brand relationship. To test our framework, we applied a multi-step

approach incorporating a series of qualitative and quantitative analyses. First, we conducted a netnographic analysis to understand members’ motives for usage and participation in a fan-page community. In a second step, we used two focus groups with six active fan-page users to ensure that the found motives are really relevant for fan-page usage and engagement. Afterwards, we executed a survey on Facebook to test our framework in a field environment. For the data collection, we invited members of different brand fan pages to participate in an online survey by posting the survey link on the fan page (e.g., Coca Cola, BMW, Starbucks, Abercrombie & Fitch, Red Hot Chili Peppers, Barack Obama, Lufthansa). Based on this we can show in a structural equation model a significant influence from online usage behavior on the fan page on the offline consumer-brand relationship. Furthermore, we identify different values such as functional and hedonic content, brand and social interaction, as well as self-concept value as drivers of fan-page participation.

Considering these results, we can defer multiple implications for the management of fan pages. First of all, we can conclude that fan pages are an excellent tool for brand management today: They have measurable effects on the customer brand relationship. Brand managers should embrace this new channel and understand how to work with it in a contemporary fashion. Considering the consumers’ activity on the brand fan page, our research shows that fan-page engagement plays a more important role in building up the brand relationship than solely fan-page usage. Thus, setting up a brand fan page and generating traffic data (e.g., visits, page impressions, etc.) is not enough to improve customer relationships. Finally, from our empirical results, we see that valuable content, both hedonic and functional, on the fan page itself is one of the most important drivers for attracting users to fan pages. Brand fan pages must deliver interesting, entertaining, and innovative content to its fans. Exclusive content, sweepstakes, online events, and contests are some of the means brand fan pages can use to achieve this.

The results of our study show the high potential of brand fan pages for the customer/brand relationship. Ideally, fans would see brands as real “friends” in their social networks, which play an important part in their everyday lives. In this case, brand communication is no longer automatically perceived as disturbing advertising but as

interesting and reasonable conversation among friends. If companies better understand the reasons for fan-page usage and engagement, they can use this to interact with, integrate, and engage their customers as well as transform them from ordinary users to real “fans” of their brands.

Our study has been a first step to understand brand fan pages; but there remains a broad field of discovery for a deeper understanding of this new social media channel as an effective marketing tool. References are available upon request.

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PASSION-PUSH: EXPLORING THE RELATIONSHIP BETWEEN PASSIONS AND THE ILLEGAL DOWNLOADING OF DIGITAL MUSIC FILES

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SUMMARY

One of the most compelling psycho-sociological constructs in the pursuit and acquisition of entertainment is consumer *passion* – a robust penchant toward an activity that addresses consumers' fondness toward and importance of engagement in consumption. Based on the social sciences literature to date, the present research explores the existence of two types of passion each associated with different outcomes and experiences. The overarching goals of this study are (1) to examine the effects of the two types of passion – *harmonious* and *obsessive* passion – on consumers' propensity to illegally download digital music files, and (2) to examine the moderating effects of idolization on the relationship between passion and consumers' propensity to illegally download digital musical files.

For more than one decade, the enduring challenge to protect individuals' and organizations' intellectual property rights has been exacerbated by the unprecedented number of Internet users and accessible content. The global access afforded by the Internet has spawned a spate of illegal downloading of digitized contents, and the ensuring unauthorized distribution of digital files. Given the implicit place and time utilities inculcated in Internet-based platforms, the downloading and non-normative sharing of intellectual property has become an acceptable consumption norm.

In the context of music, consumers' seemingly innocuous downloading of music and music video content has surpassed the acquisition of the conventional musical recording (i.e., cassettes, CDs, LPs). The acquisition of musical recordings delivers possession utility to the users, potentially circumventing the royalties and other remunerations to performers and producers of the intellectual properties. The unparalleled increase in the connection speed of the Internet coincides with condensed data storage technology vis-à-vis the MP3 format. The digitization of music has triggered faster and more convenient piracy of intellectual properties.

Much of the research attention afforded to digital piracy issues, regardless of the context, have embraced the Theory of Planned Behavior (TPB) as a theoretical framework. Based on the theory of planned behavior, three antecedents influence the consumers' intention to

perform any given behavior: attitude, subjective norms and perceived behavioral control. The present study extends the TPB framework to explore the extant gaps in the empirical findings to date. After reviewing the extensive intellectual property piracy studies adopting the theory of planned behavior, the author found the conspicuous absence of additional independent variables that intuitively demonstrate the potential to elicit the strong motive to commit the illegal actions, such as the need-to-re-experience, or idolization. The author found that the multi-dimensional passion construct is better articulated and consistent with the need-to-re-experience. When included into the original framework, it can help explain more about the phenomenon. Consequently, the author proposes an extension of the TPB to include both *harmonious* passion and *obsessive* passion as two additional independent variables.

Idolization of the performers reflects the unusual appreciation of music in the form of excessive consumption of music and collection of performers' personal information, including behaviors such as worshipping and modeling. Based on the prior study, idolization is another variable that can determine the intention to acquire unauthorized music pieces. Idolization is believed to attenuate the degree to which consumers intend to illegally acquire the music recordings.

The author hypothesized that both types of passion would influence the attitude toward the illegal downloading of digital music files, but to varying degrees. Further, the interaction between idolization and the passion on the attitude toward the illegal downloading of digital music files was hypothesized.

Data were collected from Generation Y-aged consumers enrolled at a major university in the Southwest U.S. The measurements used were slightly modified to accommodate the contextual domain of the research, but all had demonstrated high degrees of reliability and validity in similar contexts. The results from multiple regression analysis show that only *harmonious* passion influences the attitude toward illegal downloading of music files. Although the relationship between *obsessive* passion and the attitude toward illegal downloading of music files is not significant, other hypothesized relationships between *obsessive* passion and the intention to download

music files illegally, and the perceived behavioral control are significant. Surprisingly, in contrast to the results from the prior studies, the moderating effect of idolization is not

significant. This result suggests that the influence of passion overwhelms the discount effect of idolization. References are available upon request.

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BRAND COMMUNICATION IN THE ERA OF SOCIAL MEDIA: DO COMPANIES RISK LOSING CONTROL?

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SUMMARY

The media landscape has undergone an immense transformation over the past decade. Social media, i.e., social networks or microblogs, are increasingly replacing traditional media, and the buzz about these new marketing opportunities seems unlimited: 22.7 million fans declare their love to Coca-Cola on Facebook and thousands of Starbucks consumers work together on the platform Mystarbucksidea.com to create new ideas for the popular coffee house brand – for free. Since social media offers an opportunity for consumers to talk to hundreds or even thousands of other consumers around the world, companies are no longer the sole source of brand communication. Consequently, marketers can expect that brand communication will cease to be generated solely by the company, but increasingly by the consumers themselves through so-called user-generated social media communication. Additionally, consumers are turning away from traditional media such as TV, radio, or magazines and are increasingly using social media to search for information.

We address these issues by analyzing the interplay between social media and traditional marketing communication instruments as well as by juxtaposing the effects of firm-created and user-generated social media communication, as these two instruments of social media differ significantly in terms of company control. Additionally, we analyze their effects on brand metrics – or more precisely on consumer-based brand equity – and thus set the focus on a marketing outcome that has been neglected in this research context so far. Finally, we aim at a determination of whether the effects of social media and traditional media on brand equity discriminate between different industries. In a dramatically changing communication environment insights into these issues are highly relevant for companies, and brand management in particular.

The research design is based on an online questionnaire. The proposed relationships regarding the influence of firm-created as well as user-generated social media communication and traditional marketing communication on brand equity was tested in a structural equation model. The results of the empirical study show that both social media communications and traditional communi-

cations have a significant impact on brand equity. While traditional media exert a stronger impact on brand awareness compared to social media communications, social media communications have a stronger positive influence on brand image. A more detailed analysis of social media communications by differentiating firm-created social media communication and user-generated social media communication reveals that firm-created social media communication specifically increases functional brand image, whereas user-generated social media communication positively affects hedonic brand image. This finding is a valuable insight for marketers, as it identifies the optimal communication instruments for targeting different brand image constructs, ultimately increasing brand equity. Moreover, our results confirm that brand awareness, and functional as well as hedonic brand image have a positive impact on brand attitude and that brand attitude, in turn, influences purchase intention positively.

Using multiple group analysis, our study reveals that there are significant differences in the effect sizes for the tourism, telecommunications, and pharmaceuticals industries. Consumers of the pharmaceutical industry rely more heavily on company-controlled communication instruments, as they might regard the company to be better qualified than other consumers to answer their questions; therefore, company-controlled communication instruments impact brand equity in this sector. In the tourism industry, on the other hand, consumers highly appreciate consumer-to-consumer communication and consult user-generated social media communication for information when making brand decisions. Finally, for the telecommunications industry, both firm-created and user-generated social media communication strongly influence functional and hedonic brand image, respectively.

To sum up, it is important that companies recognize the need to engage in social media and to carefully define a clear strategy for their engagement. While companies do lose control in some part through social media – as user-generated social media communication has an impact on brand equity – social media also offers companies numerous opportunities to listen to their consumers and to engage with them. Moreover, by creating unforgettable events and leaving indelible impressions on consumers'

minds, companies can actively initiate consumer word of mouth on social media platforms about their brand. Particularly, the joint implementation of traditional media and social media communications provides the optimal

marketing mix for positively influencing brand equity. Additionally, companies should integrate the industry-specific findings of this paper into their brand's social media policy.

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WHAT'S NOT TO LIKE? CONSUMER RESPONSES TO WORD-OF-MOUTH COMMUNICATION IN ON-LINE SOCIAL NETWORKS

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SUMMARY

Firms are increasingly emphasizing digital/Internet marketing as an important component of their promotional mix – and social network marketing has become a crucial aspect of that digital presence. Many companies now incorporate such vehicles as Twitter, YouTube, and Facebook product pages in an attempt to generate company interest and pass along product information. But little is known regarding the specific consumer responses to word-of-mouth (WOM) activity that constitute the essential component to such a strategy.

This research investigates how source, network, relationship, and message/content factors affect how consumers respond to a WOM communication in an online social network. More specifically, we examine consumer responses in terms of the traditional communication hierarchy of effects – that is, we investigate the drivers of “awareness,” “knowledge,” and “liking” of a product-related page. In traditional WOM, awareness and knowledge are typically garnered simultaneously through the same face-to-face interaction. In online social networks, however, awareness and knowledge involve separate processes. Awareness is achieved when a site member receives a communication regarding the existence of Product X. In this study we refer to such communications as “directive messages,” and concentrate upon messages that come from persons within the user’s network of “friends.” Knowledge is achieved by viewing product page content, and liking is indicated by joining the Product Network.

Because in our study the source of the persuasive communication was located within the Friend Network, as in traditional WOM we investigated how source characteristics [i.e., credibility (H1) and closeness (H2)] impacted communication response. Both source credibility and closeness are factors that pertain to a particular individual (i.e., friend). Credibility is related to informational (utilitarian) influence; closeness is related to normative (social) influence. We expected that credibility would impact both knowledge and liking, but that the impact of source closeness would depend upon the nature of the communication (uni-directional vs. bi-directional) associated with the specific social networking platform.

We also investigated the forms of informational and normative influence that are unique to online social networks – i.e., those that occur as a result of relationships (links) between other members of both the Friend and Product Networks. More specifically, we examined the *group* informational influence associated with network credibility, and demonstrated that consumers evaluate a network’s credibility based on the number of members in a Product Network (H3). We also examined the group normative influence associated with network closeness, and demonstrated that network closeness can be determined by whether there is overlap between the Friend and Product Networks (H4).

Finally as in traditional WOM, we addressed the persuasive influence of the WOM communication. As noted earlier, that communication may take the form of both an initial message directing the recipient to the product page (H5), as well as the product page content itself (H6).

In order to test our hypotheses, we constructed two online surveys. The first of these examined persuasive WOM communications on Facebook (n=231), the second investigated word-of-mouth communication on Twitter (n = 275). For Survey 1, participants were asked to recall a specific product or service-related Facebook page that had recently been suggested to them, and to respond to our questions relative to that particular page. Our dependent measures were: “Did you View the suggested Page” (indicating knowledge) and “Did you Confirm the suggested Page” (indicating liking) with yes/no possible responses. We assessed independent variables with measures similar to those reported in the literature (Vilpponen, Winter, and Sundquist 2006). In order to test our hypotheses, we regressed source closeness, source credibility, network closeness, network credibility, and directive message content on our “view” (i.e., knowledge-seeking) dependent variable, and those same variables as well as product interest on our “confirm” (i.e., liking) dependent variable. Binary logistic regression revealed that the omnibus tests of model coefficients were significant [View: $X^2(5) = 85.507, p < .001$; Cox and Snell $R^2 = .315$; Confirm: $X^2(6) = 75.565, p < .001$; Cox and Snell $R^2 = .284$]. Tests of independent variables confirmed our hypotheses. As expected due to the preponderance of

bi-directional communication on Facebook, the impact of source closeness on product knowledge was non-significant.

For Survey 2, participants were asked to recall a specific Twitter member that someone recently suggested they “follow” (i.e., as a source of product information), and to respond to our questions relative to that particular suggestion. Similar to the first survey, our dependent measures were: “Did you View the suggested Twitter information source’s page” (indicating knowledge) and

“Did you decide to follow the suggested Twitter information source” (indicating liking) with yes/no possible responses. Other measures were similar to Survey 1. Binary logistic regression revealed that our overall model was significant in the case of both View [$X^2(2) = 96.242$, $p < .001$, Cox and Snell $R^2 = .295$] and Decision-to-Follow (Liking) [$X^2(5) = 56.734$, $p < .001$, Cox and Snell $R^2 = .187$] dependent variables. Tests of independent variables also confirmed our hypotheses. We discuss the managerial implications of our findings in the full paper. References are available upon request.

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THE EFFECTS OF ONLINE REVIEWS ON CONSUMERS' RESPONSE: THE MODERATING ROLES OF REGULATORY FOCUS AND GENDER

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SUMMARY

Customer reviews of products have been posted on Amazon.com since 1995. This action has boosted a trend in online businesses. It has been found that allowing and encouraging consumers to post reviews can increase sales for online businesses (Fowler 2009). As a channel for consumers to express opinions on products, online review forms an important marketing tool to compete for consumer attention and visits (Chatterjee 2001). However, it is still not enough to answer why consumer behavior is different when they face the same online product review. Thus, this research investigates the moderators' effects on the relationship between online reviews and consumers' responses through the examining regulatory focus variable and consumers' genders.

Considered as an electronic word-of-mouth, online reviews can help consumers reduce perceived risk of negative consequences and influence their responses (Park et al. 2007). Thus, when information seeker find resonance with the review and can imagine him/her in the same situation described by the reviewer, the information seeker may perceive the review as more credible and trustworthy. Therefore, the main effect states that a more favorable consumer attitude toward reviews has a higher impact on consumers' responses than a less favorable consumer attitude toward reviews.

Regulatory focus theory states that consumers with a promotion focus are sensitive to the presence and absence of positive outcomes (Higgins 1997). They favor actions and pay less attention to details, given their strong preference for locomotion rather than waiting. On the other hand, consumers with prevention focus emphasize safety and avoidance of losses. Afraid of making incorrect purchase decisions, they often find it difficult to get valid information from abundant online reviews. Thus, consumers' decision-making is strongly influenced by the level of social-sharing among them. Therefore, hypothesis 2 state that the effect of consumers' attitude toward reviews on consumers' responses is influenced more by the promotion focused trait than by the prevention focused trait.

Gender differences appear in consumers' online shopping behaviors. Females are more likely to consider online privacies and securities and are more likely to

process information in a comprehensive way than males (Mayers-Levy and Maheswaran 1991). However, males are more likely depend on heuristics to minimize time and effort to make decision. Therefore, the following hypothesis 3 is proposed that the effect of consumers' attitude toward reviews on consumers' responses is influenced more by males than by females.

The experiment is a 2 (high vs. low attitude toward review) \times 2 (promotion-focused vs. prevention-focused) \times 2 (female vs. male) between group experiment. With 160 responses, the music player is used as an example of online searching product. Participants received the link to access the online experiment through their emails. A scenario was assumed that participants wanted to buy a new music player, however, they were short of information. Then online reviews about music player were provided to participants. After reading the reviews, participants finished the following questionnaires. To test the proposed effects, analysis-of-variance (ANOVA) is used to investigate the research model. There are no significant differences of consumers' attitude toward review on consumers' responses. Thus, hypothesis 1 of main effect is rejected. For the hypothesis 2, the interaction effect between consumers' attitudes toward review and the regulatory focus variable on consumers' responses is significant. A simple-effect test revealed that the positive effect of consumers' attitude toward review on consumers' response is stronger for promotion-focused consumers than for prevention-focused consumers. For hypothesis 3, the interaction effect between consumers' attitudes toward review and gender on consumers' responses is significant. Simple-effect test revealed that the positive effect of consumers' attitude toward review on consumers' responses is stronger for male consumers than for female consumers. Thus, both hypothesis 2 and hypothesis 3 are supported.

Understanding the two moderator effects provides a number of benefits for marketing executives. First, internet marketers have to design appropriate promotional materials and review formats in order to stimulate promotion-focused consumers' interests and purchase online products effectively. Second, it is important for online sellers to keenly watch their product target consumers by gender. Consequently, how consumers' internal factors influence their online behavior is an important and interesting topic for future research.

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INFORMATION SOURCE EFFECTS ON DEAL EVALUATION: WHO MAKES THE BEST MESSENGER?

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SUMMARY

Online word of mouth (WOM) is one of the most influential promotional vehicles. Companies are increasingly dedicating resources to WOM strategies designed to generate positive WOM or “buzz” about its products and promotions. As part of this, companies are using seeding campaigns to strategically make key consumers aware of promotions and encourage these customers to spread WOM about them to others (Kozinets et al. 2010). Thus, a critical problem faced by marketers is determining which consumers make the best messengers when seeded.

Prior studies have shown that the source of promotion information can influence a consumer’s evaluation of a product (e.g., Weiss, Lurie, and McInnis 2008; Bearden and Etzel 1982). For example, information from celebrities or market mavens influences evaluation of product information positively, particularly a message’s credibility (e.g., Trusov, Bodapati, and Bucklin 2010; Gershoff, Broniarczyk, and West 2001; Feick and Price 1987; Richins and Root-Shaffer 1988; Bone 1995). On the other hand, other literatures suggest that messages from new members in a community may also influence positively (Muniz and O’Guinn 2001). Therefore, the relative merit of these possible sources is unclear. Furthermore, since the literature on source effects has focused primarily on information about products, it is unclear whether the results will extend to information about promotions.

So, which of these consumers should a company seed a promotion with to maximize their effort to increase the likelihood of preference of promotions? The purpose of this study is to investigate the role of information source effects on evaluations of promotional offers or “deals” posted in online environments.

To address this research question, we gathered data on the evaluation of promotions posted on the highest traffic “hot deals” website on the internet. The data collection process involved three stages: data retrieval, sample selection, and data processing. In the first stage, data were retrieved for 11,354 promotions posted by 2,356 different members of the Hot Deals forum. Collectively, the promotions had been commented on 157,508 times and viewed 35,910,041 times during the 24 days of the first stage data collection. During this period, we collected data using a continuous process to ensure that the reputation score associated with the user that posted a

deal reflects their status at the time the deal was posted, and was not inflated by subsequent favorable responses to that deal. Next, we randomly sampled 400 deals and hand-coded the characteristics of each promotion.

The dependent measure was ‘user evaluation score’ of each deal, which ranges from -10 to +10. This score is the sum of “thumbs up” or “thumbs down” votes that any forum member can give. Independent variables include poster reputation score, status of membership, forum moderator endorsement, number of posting views, and various deal characteristics including type of discount, availability (on-line or brick and mortar store), time limited deals, quantity limited deals, refurbished item deals, clearance item deals, region limited deals, group only deals, and club member only deals.

For the analysis, we used ordinal logistic model since our dependent measure for the deal evaluation takes the form of an ordinal measure. The results show that promotions are evaluated more positively when they are presented by high reputation members. Furthermore, endorsement by a moderator also enhances evaluation. Interestingly, there was no ‘newbie’ effect on promotion evaluation in this analysis. Promotions not evaluated either more or less favorably when they are posted by a new member.

These results reveal both opportunities and problems for marketers who conduct promotional seeding campaigns. As our results suggest, consumers evaluate deal information more highly from users with higher reputations. Thus, promotions are more likely to receive positive reactions from consumers if marketers seed the promotion to members with high reputation scores. Similarly, marketers should cultivate the endorsement of promotions by forum moderators. Promotions that receive their “stamp of approval” are evaluated much more favorably, even when other characteristics of the promotion are held constant.

On the other hand, there is little value to the marketer in having new members serve as the messenger, as new members do not receive any special consideration. Furthermore, this suggests that marketers who create new accounts in order to serendipitously promote their own promotions will be at a relative disadvantage to those who seed high status members. However, new members do not harm evaluation.

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THE IMPACT OF SOCIAL LOYALTY AND SOCIAL WORD-OF-MOUTH ON SALES

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SUMMARY

We refer to people who are brands in themselves as personality brands. We build on the social identity approach to customer-brand relationships by examining the formation and outcomes of socially demonstrated loyalty toward personality brands, in the context of the music industry. Our study consists of a comprehensive longitudinal examination of the linkages between (1) the extent of visitor traffic to social media web pages of personality brands, (2) the extent of sampling undertaken, (3) the extent of socially demonstrated loyalty toward brands (SLOYALTY), (4) the extent of socially demonstrated word-of-mouth activity (SWOM), and (5) the overall sales for the brand. Our study contributes to the growing literature on word-of-mouth marketing in online communities and social media environments.

We analyze data from social media web sites like MySpace, Last FM, Facebook, and Twitter for a sample of 37 successful music artists collected over a 71-week period. We use the appearance of an artist's song in the publicly available Billboard Hot 100 chart as the criterion for selection of the personality brand into our sample. We classify the activity levels on each music artist's social media web page as follows: (1) SVISITS: The number of views or visits a brand's social media web page obtains in a given period, (2) SAMPLAYS: The number of times a free sample of the brand's product is consumed from the social media web page in a given period, (3) SLOYALTY: The number of people who announce to the brand, and hence to their social network peers, that they like or are a fan or follower in a given period, (4) SWOM: The number of online comments posted by self-proclaimed fans or followers, of a personality brand, on a social media web page in a given period. We limit the scope of our study to the volume of word-of-mouth. We obtain social media metrics for these personality brands from a music analytics web site. Our ultimate dependent variable SALES is

operationalized as the number of digital tracks sold by the personality brand in a given period. We obtain sales data for these personality brands from weekly reports provided by Nielsen SoundScan.

We examine, using time-series cross-sectional data, the relationships between the activity levels in social media web sites and their impact on the overall sales for the personality brand. The dependent variable in the first set of equations is socially demonstrated loyalty (SLOYALTY). The dependent variable in the second set of equations is socially demonstrated word-of-mouth (SWOM). The two sets of equations are specified at the social media website level. We then specify a single equation for the ultimate dependent variable sales. All the equations pertain to the same set of artists. Since the error terms and the dependent variables are likely to be correlated in these equations, the use of seemingly unrelated regression (SUR) is expected to increase the efficiency of the parameter estimates. We jointly estimate the parameters for all the equations. We also control for time invariant unobserved artist heterogeneity by including artist specific dummy variables. We control for the recency effect of a new product release, the size of the product portfolio offered by the personality brand, and the total size of the market in a given week.

We find that sampling activity drives the creation of social loyalty. We also find that social loyalty is a key driver of the volume of social word-of-mouth generated on a brand's social media web site. The volume of social word-of-mouth generated on a brand's social media web site is also linked to brand sales. Social loyalty also has a direct impact on sales. Valence and content of user comments, while important, do not have to be explicitly monitored in order for social word-of-mouth to influence sales in a positive manner. References are available upon request.

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THE QUALITY OF ELECTRONIC CUSTOMER-TO-CUSTOMER INTERACTION

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SUMMARY

On the homepage of German Fidor Bank their customers connect via the bank's own customer forum and they discuss practically anything: Fidor Bank's or other bank's products, any personal finance or banking topics in general and even non-banking related issues. This is pure customer-to-customer interaction (CCI) and as it occurs in an electronic service setting we call it electronic CCI (eCCI).

In today's world of a rapidly growing web 2.0 and social media usage eCCI is most powerfully gaining importance. In former times CCI mostly happened accidentally to customers through their physical presence on-site (Woodside and Sims 1972). Today, technology enables providers to embed web 2.0 and social media techniques in their service offerings or to even build innovative business models on eCCI occurring completely on purpose. Interaction then is the key part of value creation, e.g., on EBay or Facebook, and its quality becomes crucial. But in contrast to its relevance, the electronic part of CCI as well as its quality-related aspects are largely uncovered in the marketing literature (Libai et al. 2010). Both the acuteness of the above development and the corresponding research gaps identified drive us to focus on the conceptualization and operationalization of eCCI quality (eCCIq). This should enable product and service providers to more actively apply and purposefully manage eCCI for their own benefit, as we strongly believe eCCIq to have an impact on some of service marketing's key concepts, such as the service profit chain and service productivity.

We follow the generic research guidelines for the conceptualization and operationalization of complex constructs provided by Churchill (1979) and further described, implemented and developed by many other researchers. Therefore, we first provide a theoretical conceptualization of the eCCIq construct based on literature on related constructs such as service quality, e-service quality, (online) customer experience, customer's motivations and some more generic internet-related aspects. Furthermore, content and indicator specification also involves explorative interviews conducted with users of eCCI platforms, topic experts, marketing researchers and practitioners from providers advancing eCCI. The review of related constructs and interview protocols leads

to an initial set of 137 items. This includes items that are adopted from the scales developed within the literature on related constructs or explicitly named during the interviews, as well as aspects that are derived implicitly. After applying several purification steps the item set is reduced to 71 items.

The subsequent quantitative study is based on an online survey among users of eCCI platforms. The result is a final set of 7 factors and 32 items for eCCIq. The 7 factors that constitute the domain of eCCIq are "Content," "Security," "Hedonic," "Quantity," "Atmosphere," "Convenience," and "Social." Within the process reliability, validity, and model fit are assessed and a factor prioritization is provided. Thus Content, Atmosphere, Hedonic and Convenience seem to be the most important factors while Security, Quantity and Social are less important.

Thereby the contribution of this article to current marketing research is manifold. Since C2C relationships were the forgotten relationship in relationship marketing over a long period of time (Clark and Martin 1994), and CCI is the principal component of any such relationship (Martin and Clark 1996), the conceptualization and data presented here deepen their understanding in a very general manner. Furthermore, the extensive review of literature on C2C relationships, CCI and constructs related to eCCIq can assist any marketing scholars being active in this area. In more detail we tackle two of the main challenges in CCI research proposed by Nicholls (2010): first, the examination of "CCI-driven services" where "CCI is one of the main sources of value creation" and second, "eCCI" which is "CCI in an e-service context." The proposed factor model also provides the basis to conduct any further research on the impact of eCCI and its quality on service marketing's key concepts such as the service profit chain or service productivity.

In terms of managerial implications a likely reason for eCCI having received so little attention could be the feeling that their management lies outside the direct control of the business. However, this is not true for eCCI being actively embedded in innovative business models and it is not acceptable because eCCI and its quality can be of severe importance especially in certain service settings where it becomes the key part of value creation. Reacting on this shortcoming we provide results that enable firms or platform providers to more selectively

influence eCCIq by establishing behavioral parameters, framing eCCI encounters, selectively targeting customers, encouraging group formation and controlling the physical and social environments (Martin and Clark 1996). Most importantly they should focus on Content, Atmo-

sphere, Hedonic and Convenience. Any level of high quality eCCI achieved will have a positive impact on service quality and ultimately on profit. Finally, limitations and further research opportunities are outlined. References are available upon request.

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WHAT CUSTOMER REVIEWS INFLUENCE ONLINE PURCHASE DECISIONS? TOWARD A BETTER UNDERSTANDING OF ELECTRONIC WOM IN ONLINE-SHOPS

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SUMMARY

Millions of customers share product evaluations electronically via the web worldwide. Reviews can be found in different contexts like web-based consumer-opinion platforms (e.g., epinions.com), forums, weblogs, or as integrated online-shop features (e.g., at amazon.com). This new electronic form of WOM (eWOM) has therefore drawn special attention of both practitioners and marketing researchers (Sen and Lermann 2007; Chen and Xie 2008). Former research identified mainly motives for writing and reading consumer articulations on the internet (e.g., Hennig-Thurau et al. 2004; Hennig-Thurau and Walsh 2004) or explored selective elements like text-length and average ratings (Chatterjee 2001; Chevalier and Mayzlin 2006). However, little research has been done to analyze the contents of online reviews themselves. What are customers looking for, when they read an online review? Why do some reviews affect customers more than others? What are the main content related factors that influence the perception of an online product evaluation? This paper aims at providing some first theoretical and empirical analysis's regarding the identification of key content related dimensions and factors of online reviews.

Although online customer reviews have a lot of unique characteristics, their overall effectiveness is based on two classic dimensions: *source* (who is writing the review) and *content/text* (what is she or he writing) related elements (Arndt 1967). Based on previous research analyzing WOM and eWOM in the context of product references and buying decisions, five potentially relevant factors regarding the perception of online customer reviews and their perceived usefulness for purchase decisions could be derived. Source related factors are: recommendation rating (of a single given review) and the perceived consensus (comparing the contents of all relevant reviews). Content/text related factors are: Information comprehensiveness, strength of arguments and information accuracy. In order to measure the influence of these factors the two dependent variables of perceived usefulness and purchase influence were chosen.

As field of research for our study we chose online reviews posted within the framework of online shops.

This form of review is most common on the internet and widely used and expected by customers worldwide. Furthermore reviews in online shops are mostly standardized and are in contrast to reviews in, e.g., forums or weblogs directly connected to the buying process, as the customer reads them while being in an online shop. As a "blueprint" for our research we focused on reviews provided by Amazon. The online shop cannot only be seen as a pioneer in this field, Amazon reviews are also widely known and cover almost all relevant aspects of an online customer review (Chen and Xie 2008).

For our study we only invited customers of the German division of Amazon (amazon.de). Furthermore only participants were allowed to take part, when they had recently (within the last week) bought a product in the online shop that was influenced by one or more customer reviews. As the study was intended to mainly explore the influence of reviews that effect purchase decisions, participants were asked to provide a link (URL from Amazon.de) to the review with the most impact on their purchase decision. All following questions were than referred to this specific review.

The questionnaire was face validated twice using exploratory interviews (Malhotra et al. 1996) and pre-tested with 50 respondents. A total of 342 usable questionnaires were obtained in Spring 2011. All measures used in the study were adapted from existing scales and previous research. The wording of scales was adapted to suit online reviews. Items were rated on five-point Likert scales because they are more commonly used in Germany than the seven-point scales.

Data were analyzed in three stages: First, the various dimensions underlying online customer review perception were uncovered by a factor analysis using the principal component method with varimax rotation. The factor analysis produced the proposed seven factor structure that summarized 22 items with high (>0.7) up to very high factor loadings (>0.9); the factors' Cronbach's alpha were .816 up to .940.

To examine the hypothesized relationship between the text and source related factors, perceived usefulness and the buying decision, after EFA and reliability analy-

sis, a confirmatory factor analysis (CFA) using the LISREL 8 software was conducted. The hypothesized seven-factor measurement model representing review factors, usefulness and buying decision appears to fit the data reasonably well (CFI = 0.98; RMSEA = 0.045; $X^2/df = 1.7$; RMR = 0.032; GFI = 0.92; AGFI = 0.90). The results suggest that the hypothesized measurement model had a reasonable fit with the German data and supports significant relations between review characteristics and review usefulness

($R^2 = 0.55$) and review usefulness and the purchase decision ($R^2 = 0.37$).

With our study we were able to make the first steps identifying factors that not only significantly influence the perceived usefulness of an online review but also purchase decisions. Taking the limitations of our study into account, our causal model can help to understand how consumers use and process online product evaluations.

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FAILING TO FOLLOW YOUR OWN STAR: PREFERENCE FORMATION, DEVIATION, AND THE NEGATIVE INFLUENCE OF COMMUNITY-FEEDBACK ON SELF-DESIGNABLE PRODUCTS

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SUMMARY

Companies in various industries offer consumers the possibility of individually tailoring a product according to their personal preferences and past research provided evidence that the dominant driver of the customer value increment offered by mass customization (MC) systems is related to consumers expression of uniqueness and individuality (Franke and Schreier 2010). However, recent research underlined the role of social influence processes during these customization procedures (Franke, Keinz, and Schreier 2008; Moreau and Herd 2010) and companies such as Lego and Threadless offer not only highly sophisticated toolkits for individual user designs but also motivate consumers to post their design within a company-led community and to share and revise designs with other users. Thus, the previously isolated context of customization systems is changing and the integration of user communities is growing rapidly (Franke, Keinz, and Schreier 2008). This is of particular importance as it has been shown that also anonymous online recommendations may strongly influence the preferences as well as behavior of consumers (Chevalier and Mayzlin 2006; Godes and Mayzlin 2009).

However, although we see an increasing growth of online consumer-to-consumer interactions and proliferation of community-based business models, the way these inherent interactions affect the respective phases in consumers' MC decision- and design-process remains unclear (De Valck et al. 2009). In particular, (1) if and how already anticipated social evaluation may influence consumers' pre-decisional phase, (2) if and under what conditions consumers might be influenced in the core decisional phase by unknown community members, and (3) how these interactions finally influence individuals' subjective product satisfaction – since their final self-design may not be based on their own exclusive preferences – still has to be evaluated.

We address these research questions by applying an experimental research design in a virtual community environment. This experimental setting allows us to influence and manipulate the dimensions in question directly

(e.g., the difference between the initial user preference and community feedback), while controlling for potentially confounding other factors in a real setting (e.g., different nuances in the tone of a message). We programmed an online community framework that allowed us to systematically manipulate the information we presented to participants. As a particular application, we implemented our community framework as a virtual shopping environment with a jewelry product configurator as a particular application. We ran two experimental studies to assess how (1) already anticipated evaluations influence consumers preference for conspicuous self-designs, and (2) how direct feedback from other individuals affect consumers final choices and post-decisional evaluations of individual configurations.

As part of the first study, we analyzed how anticipated evaluations influence consumers' choice of uncommon product attributes. In this first experiment 327 female participants ($M_{\text{Age}} = 35, SD = 9.3$) were recruited from an online consumer panel and randomly assigned either to the group that was informed about receiving community feedback before configuration (pre-configuration condition) or to the group that was informed after the configuration (post-configuration condition). We predicted that consumers in the pre-configuration condition will make use of an acceptance heuristic and will choose less uncommon product attributes. As expected, Study 1 provided support that anticipated evaluations reduced the choice of uncommon attributes and this effect was amplified for consumers with high social susceptibility and low domain knowledge. This first study provided support that already subtle factors, such as anticipated evaluations, may significantly influence consumers' choices in MC systems. Study 2 investigated under what conditions individuals deviate from an initial preference. To analyze the influence of feedback provider characteristics, we recruited 1092 participants ($M_{\text{Age}} = 35, SD = 10.1$) from an online consumer panel and manipulated the experimental feedback on three distinct levels: (1) competence (stated verbally by either a pretended jewelry designer or a sales girl of a butcher shop) and (2) liking of the feedback-giving person (manipulated by warm feedback from a person with the same initial first letter vs. a more distant anonymous

feedback) as well as (3) the degree of deviation from consumers' initial preference (with either a more distant vs. close recommendation, compared to consumers initial preference (based on matrix manipulations of underlying gem index values)). Our analyses revealed, that consumers' final preference assimilated toward the given recommendation when receiving distant community feedback and that these deviations were amplified when providing feedback from a competent but less friendly person. Future studies may examine potential authority effects underlying this significant interaction between competence and liking of feedback providers.

Interestingly, follow-up analyses revealed that consumers with high deviations from an initial preference were significantly less satisfied with their final self-designed product and perceived the process of customization as increasingly complex. Thus, although

social interactions within online communities may help users to reflect their personal preferences and engage in discussions on individual self-designs, we found empirical support that these evaluation processes may result in far less desirable consequences than initially expected. In future studies, it would be interesting to examine if the low product satisfaction of influenced consumers remains constant over time. It might be suspected that because of further interactions with other feedback providers, consumers may adjust their previous negative valuation. In addition, it would also be important to see if this possible effect might be a function of the strength or intimacy of their relationship. Since we conducted all our experiments within a highly socially visible product category, it will be also important to extend future studies into less visible product categories to test additional boundary conditions of our revealed effects. References are available upon request.

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WHAT DRIVES EXPERIENTIAL PRODUCT REVIEWERS OF THIRD-PARTY WEBSITES?

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SUMMARY

The emergence of many third-party review websites provides a platform for existing users to share their opinions. These reviews are perceived as true and unbiased since reviewers are unpaid and not controlled by marketers. Yet much remains unknown about what motivates those reviewers to voluntarily share their experience with strangers online. This article explores the drivers of experiential product reviewers on the third-party websites who often spend considerable time and effort to write lengthy, detailed point-by-point comments.

The current study conducts a content analysis of a large amount of textual data from online reviews to better understand experiential product reviewers' activities. The online gaming industry provides a good context because consumers pursue subjective experiential perspectives. Textual data of individual user reviews were collected on several main massively multiplayer online role-playing games in the market from *Gamespot.com*, a popular third-party website. For each game, two of the authors compiled all reviews with at least several (e.g., 5) other community members agreeing with the review. A total of 93 individual reviews for seven games were recorded. The final file contains 45,527 words in total, and average review length was approximately 490 words. Most of the reviews offer considerable details, specifically commenting on five aspects, namely game play, graphics, sound, value and tilt. The content analysis follows the general procedures of grounded theory (Strauss and Corbin 1990).

These reviewers mention many different aspects of playing online games as experiential products. Several key aspects appear from analyzing the textual data. These aspects are organized into an exploratory model to identify the components of motivations, influenced by the product life cycle. The model proposes two antecedents, (1A) user characteristics and forum experience and (1B) stage of the game product life cycle, which have impacts on the three categories in the next level. The three categories, (2A) product/experience involvement, (2B) emotional involvement, and (2C) forum community involvement, influence each other and finally lead to forum contribution. Each category has three subcategories. Product/experience involvement includes *personal experience*, *perceived product attributes*, and *game community*. Emotional involvement has *message/event intrigue*, *anxiety reduction*, and *vengeance*. Forum community involvement has *altruism*, *self-enhancement*, and *reciprocity*.

These findings contribute to both marketing managers and scholars. This study identifies the reviewers' motivations to write online reviews and provides a better understanding of consumer activities related to consumer-generated media. Our results imply that firms should also pay attention to the online society. A recommendation for managers is to monitor online reviewers' emotional involvement and try to build toward a healthy forum community. References are available upon request.

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WEBSITE CHARACTERISTICS EFFECTS ON ONLINE CONSUMER INTENTIONS AND ONLINE PURCHASES: AN EMPIRICAL LITERATURE REVIEW

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ABSTRACT

This review provides characteristics and summarizes results of the empirical literature on website characteristics effects on online intentions and purchases. Search results in 56 studies. Results show that usefulness, attitude toward website, utilitarian and hedonic values are the main drivers of online intentions. Limitations and future research areas are discussed.

INTRODUCTION

Numerous studies have recently been published examining online consumer behavior. Cheung, Chan, and Limayem (2005) identify five major domains explaining online intentions and online purchases: individual/consumer characteristics, product/service characteristics, environmental influences, merchant and intermediary characteristics, and website characteristics. Determinants of online intention and online purchase due to website characteristics are analyzed in this literature review.

Consumers elicit certain values, beliefs, and emotions while shopping online due to website characteristics. These include hedonic and utilitarian value, usefulness, ease of use, enjoyment, flow, pleasure, arousal, and attitude toward website. Their effects on online intentions and online purchase have been exhaustively studied. However, findings are contradictory and there is no study that tries to integrate and summarize the results. It is not well known which website characteristics are strong determinants of online intentions and online purchases based on the accumulated empirical studies conducted so far on topic. Characteristics of these empirical studies in terms of year, country, study design, methodology, sample, and theoretical basis have not been reviewed. Therefore, this review aims:

1. To provide the characteristics of the empirical studies between 1999 and 2011 and to summarize the overall results of stated website characteristics effects on online intention, actual online purchase, and online impulse purchase.
2. To provide limitations in reviewed literature and areas for future research.

3. To provide new models aiming to fill the gap in the literature and to better explain online consumer behavior.

METHODOLOGY

Scope of the Review

This review focuses on the empirical literature concerning the effects of website characteristics; specifically hedonic and utilitarian value, perceived usefulness, ease of use, enjoyment, flow, pleasure, arousal, and attitude toward website on the online consumer intentions, online actual purchase, and online impulse purchase. Therefore, only empirical articles including one of the independent and dependent factors together are included in the review.

Identification of Studies

Electronic and manual searches were conducted to identify studies to be reviewed. Google Scholar search was used to identify studies in the initial stage with key words online marketing, online purchase intention, online impulse purchase, online purchase, hedonic value, utilitarian value, flow, and technology acceptance model. Electronic databases were used to access the articles found in Google Scholar. Other articles were identified manually. The search yielded 56 studies, which met two criteria: including the variables of interest; and being empirical in nature. Both marketing and information systems journals and conference proceedings were included in review. The identified articles were published in journals including *Journal of Business Research*, *Information & Management*, *Journal of Marketing*, *Journal of Retailing and Consumer Services*, *Journal of Interactive Marketing*, *Journal of Retailing*, *Information Systems Research*, *International Journal of Electronic Research*, and *European Journal of Marketing*.

Methodology

The vote counting technique is used to explain and summarize the results. The vote-counting technique summarizes positive, negative, and insignificant effects of each independent variable on dependent variables in a clear and convenient way (Hedges and Olkin 1980). A

critical value is used in the vote-counting technique in order to reject the null hypothesis of an independent variable with no effect on a dependent variable. Critical value depends on the ratio between the number of studies and the number of positive significant findings (Hedges and Olkin 1980). This paper applies a hybrid approach as applied by Zou and Stan (1998), whereby the vote-counting technique and narrative approach of literature review are used together.

KEY CHARACTERISTICS OF THE STUDIES

Content analysis is conducted to demonstrate the characteristics of the studies (see Table 1). Fifty-six studies reviewed in this paper are codified in terms of year, county of study, study design, sample type, sample size, website type, methodology, theoretical basis, independent, dependent, and moderating variables. Characteristics of the reviewed studies are explained below by each element.

Year

Since 1999, every year at least one study was published every year until today. Most of the studies were published between years 2003 and 2009. Specifically, six studies were published in 2003, 2004, and 2006, while eight studies were published in 2005, and seven studies were published in 2007 and 2009. Only two studies were published in 2008.

Country of Study

All studies reviewed were conducted in a single country. The USA was the most researched country. Out of 56 studies, 34 were conducted in the USA. However, the number of studies from Asia was not negligible. Eight studies were conducted in Taiwan, three in South Korea, and one in Hong Kong. This demonstrates the growing importance of online marketing in Asia. Seven papers researched particular European countries, two researched Canada, and one researched Australia.

Study Design

Most studies used surveys or online surveys for data collection. Only 11 of the 56 studies applied experiments. It can be concluded that surveys are the most preferred study design in analyzing the effects of website characteristics on online consumer intentions, actual purchase, and impulse purchase.

Sample Type

Most studies reviewed used undergraduate students samples for convenience. In addition, undergraduate students use Internet heavily, they are technology savvy, and

they constitute present and future online shoppers. Besides undergraduate students, 23 studies collected data from general Internet users and online shoppers together. Only one study used customers of an existing website (Koufaris, Kambil, and LaBarbera 2001).

Sample Size

The sample size of the studies varies from a low of 64 to a high of 2610 participants, while this high sample size is an exception. Most of the studies had a sample size between 150 and 300 participants.

Website Type

Website type indicates whether the study used: (1) an existing website, (2) created a new website for the study, (3) created a new website based on the elements of an existing website or (4) whether the study did not use any website. In the last option, the participants were generally requested to complete a survey based on their last purchase. Most of the studies (28/56) did not use any website. Seventeen studies used an existing website, five used the elements of an existing website to create a new one, and six created a new website. It can be argued that this demonstrates the preference of not using a website for the sake of convenience and saving time.

Methodology

Structural equation modeling (SEM) is the most applied methodology. Most of the studies tested models and only 10 studies included neither mediating nor moderating variables. This explains the choice of the researchers to use SEM as an analytical approach. It can be also concluded that model development and model testing is highly common in the online marketing literature studying the effects of website characteristics on online consumer intentions, actual and impulse purchase, and attitude. Regression analysis follows SEM as one of the most used methodologies. The other widely used analytical approach is ANOVA.

Theoretical Basis

Sixteen of the reviewed studies used the Technology Acceptance Model (TAM) as a theoretical basis. Twelve studies did not build upon any theoretical basis. Other studies have built their hypotheses and models upon various other theories and conceptual frameworks. There are 23 other theoretical and conceptual frameworks observed among the studies.

Moderation Effects

Besides the main independent and dependent variables, moderation effects are examined in this review.

TABLE 1
Characteristics of the Reviewed Articles
 (Studies between 1999–2009 are available from http://www.hec.unil.ch/irm/Research/rking%20Papers?set_language=en&cl=en)

Authors	Year	Country of Study	Study Design	Sample Type	Sample Size	Website Type	Methodology	Theoretical Basis	Independent Variables	Dependent Variables
Cheng, Wang, Lin, Vivek	2009	Taiwan	Survey	General Internet users	295	No website used	SEM	Sheth's five consumption values	UV, HV	PI
Ha, Stael	2009	US	Online survey	Undergraduate students	298	No website used	SEM	TAM	PEOU, PU, ENJY, ATT	PI
Hausman, Siekpe	2009	US	Online survey	General Internet users	266	Existing website used	SEM	TAM & Flow & Uses-gratifications	FLOW, ATT	PI, PAT
Jeong, Fiore, Niehm, Lorenz	2009	US	Experiment	Undergraduate students	196	New website based on existing one	Maximum-like likelihood estimation	Stimulus-organism-response model	HV, PLSR, ARO	PAT
Parboteeah, Valacich, Wells	2009	US	Experiment	Undergraduate students	264	New website based on existing one	SEM/MANOVA	Environmental-psychology orientation	UV, HV, PU, ENJY	IP
Wang	2009	Taiwan	Survey	Undergraduate students	341	No website used	SEM	N/A	UV, HV	PI
Wu	2009	Taiwan	Online survey	General Internet users	875	No website used	SEM	N/A	UV, HV	WOM, PAT
Liu, Forsythe	2010	US	Online survey	General Internet users	598	No website used	SEM	TAM	PU, ENJY	PUR
Lopez, Ruiz	2010	Spain	Survey	Undergraduate students	165	Existing website used	SEM	Dual-mediation hypothesis	UV, HV ATT	PI
Mazaheri, Richard, Laroche	2010	Canada	Online survey	Undergraduate students	2610	No website used	SEM	Pleasure-Arousal-Dominance	PLSR, ARO, FLOW, ATT	PI
Shih, Jin	2011	Taiwan	Online survey	General online buyers	150	No website used	SEM	Dual state view of affect and cognition	ENJY	PI

There were nine studies which analyzed moderation effects. Moderating variables observed in the studies were demographics, adoption duration, customer tenure (new vs. old), hedonic or utilitarian shopping orientation, product involvement, buying tendency (visual or verbal preference), value perception, online shopping experience, and shopping frequency.

THE EFFECTS OF INDEPENDENT VARIABLES ON ONLINE CONSUMER INTENTIONS, ONLINE PURCHASE, AND ONLINE IMPULSE PURCHASE

The results of this review are summarized based on the vote-counting method (see Table 3). None of the independent factors had a negative effect on online consumer intentions and attitude. TAM variables of perceived usefulness, perceived ease of use, and attitude are heavily used in understanding online consumer intentions. Positive significant results of perceived usefulness and attitude toward the website demonstrate the success of TAM in explaining online consumer intentions. Particularly, perceived usefulness and attitude toward website have been used exhaustively to explain purchase intention. Positive attitude toward website is the strongest factor, among all variables, for online purchase intention. Perceived usefulness is another strong factor in explaining online purchase intention and patronage intention. Perceived usefulness is also significant for the creation of positive attitudes toward website.

Effects of perceived ease of use and enjoyment on online intentions are less clear. The ratio of positive

results to insignificant results is low. In the studies reviewed, perceived ease of use has been shown to be a positive significant indicator of perceived usefulness and attitude rather than having direct effects on online intentions and actual purchase.

While attitude toward website and perceived usefulness have been known as influential factors in online intentions and purchases, there is lack of consensus regarding the effects of utilitarian value versus hedonic value. It has been argued that online shoppers are very goal-driven and therefore a focus is given to the utilitarian aspects of websites. Some studies have found utilitarian value to be more significant than hedonic value for online intentions and purchases (Overby and Lee 2006; Bridges and Florsheim 2008). Other studies state that even in utilitarian activities, hedonic aspects play an important role and they call for reconsidering the divide of hedonic and utilitarian systems, to a more balanced view toward websites that provide both utilitarian and hedonic value (Novak and Schmidt 2009). Findings of this review show that, overall, both utilitarian and hedonic values have positive effects on online intentions and purchases. However, the ratio of positive results to the total number of studies is higher for utilitarian value than hedonic value. It should be noted that utilitarian and hedonic values are not studied as exhaustively as TAM variables. Literature needs more studies to analyze effects of perceived utilitarian and hedonic values.

Flow, pleasure and arousal are mostly studied as determinants of impulse purchase intention and patronage intention. The hypotheses of the studies (Mazaheri, Rich-

TABLE 2
Main Independent and Dependent Variables

Independent Variables	Dependent Variables
ARO: Arousal	ATT: Attitude
ATT: Attitude	IP: Impulse purchase
ENJY: Enjoyment	PAT: Patronage intention
FLOW	PI: Purchase intention
HV: Hedonic Value	PUR: Actual purchase
PEOU: Perceived ease of use	WOM: Word of mouth intention
PLSR: Pleasure	
PU: Perceived Usefulness	
UV: Utilitarian Value	

ard, and Laroche 2010; Koufaris 2002; Hausman and Siekpe 2009) are often based on Mehrabian and Russels's (1974) Pleasure-Arousal-Dominance (PAD) framework and flow theory (Csikszentmihalyi 1990; Novak, Hoffman, and Yung 2000). Flow is also a significant determinant of online purchase intention. However, the number of studies including flow (telepresence), pleasure and arousal to explain online intentions, attitude, and actual online purchase is low.

Results demonstrate that there is a lack of studies analyzing actual purchase and impulse purchase. The difficulty of measuring actual purchase in online shopping might explain this phenomenon. There are only a few studies measuring actual purchase.

DISCUSSION, LIMITATIONS, AND FUTURE RESEARCH

In the last decade the literature on the effects of website characteristics on online purchase and intentions progressed significantly in terms of theory, framework,

and model development. This review presented over 20 frameworks, models, and theories upon which hypotheses and research questions were based. Although there were some studies without clear theoretical reasoning behind the hypotheses, the majority of the studies use explicit conceptual models. Without a doubt, TAM is the most applied conceptual model. However, apart from TAM, there is no conceptual model that is commonly used as a theoretical basis. Nearly all other conceptual models were used by one single article each. The application of other theoretical frameworks in this present field of online marketing should be further empirically tested in the future.

The conceptualization of the analyzed independent and dependent factors has also advanced in the literature. In general, there is a common agreement on the labeling of independent and dependent factors. However, there is some confusion between the variables of enjoyment and hedonic value, which are very similar concepts. Therefore, there is a need for a clear distinction between these two variables. Although the conceptualization of the reviewed independent factors is good, there are over 50

TABLE 3
Summary of the Findings

Independent Variables	No. Studies	Dependent variables													
		Purchase Intention		WOM intention		Patronage intention		Actual purchase		Impulse purchase		Attitude		Total	
		+	- 0	+	- 0	+	- 0	+	- 0	+	- 0	+	- 0	+	- 0
Utilitarian value	12	6				4		2		1		1	1	14	0 1
Hedonic value	14	4	2			4		2		1		3		14	0 2
Ease of use	17	3	2	1		1	2					11	2	16	0 6
Usefulness	21	9	2	1		4		1				10	3	24	0 6
Enjoyment	12	3	1		1	3	2	1		1	2	4		12	0 6
Flow	6	4				2				1		2		9	0 0
Hedonic Flow	1		1											0	0 1
Utilitarian Flow	1	1												1	0 0
Pleasure	7	1				4		1		2	1	1		9	0 1
Arousal	6	1				2	1		1	3		1		7	0 2
Attitude	16	13	2	1		3		1						18	0 2

other independent factors included in the reviewed studies with various names. For the sake of simplicity and for the scope of this review, these other independent factors are not listed. However, there is a need to conceptualize relevant independent factors.

Another limitation of the reviewed literature is the lack of cross-cultural research. There is no single cross-cultural research. The majority of the studies are conducted in the U.S. and the number of studies conducted in Asian countries has risen in recent years. However, there is a common assumption regarding the homogeneity of online consumer behavior. Cross-cultural research, in which culture is added as a moderating variable, should be conducted in order to assess cultural variance or invariance in online consumer behavior relative to website design effects.

One characteristic of the reviewed literature is the dominance of surveys in study design. In the majority of the studies, participants were requested to complete surveys based on their general online shopping experience or on their last online purchase. This is a big limitation in the literature as there is no vivid memory or experience analyzed regarding the effects of website characteristics. Therefore, computer lab studies should be conducted in which participants are directly exposed to websites to measure vivid online shopping experiences. Only 11 out of 56 studies conducted an experiment. More experiments may be performed to directly measure the effects of

specific website design elements individually.

Although there is a growing number of studies measuring online intentions, there are a few studies directly measuring the actual purchase and impulse purchase intention. Reliable measurement techniques should be developed in order to analyze online actual purchase and online impulse purchase. It has been found that consumers are more impulsive in online shopping than offline shopping (Donthu and Garcia 1999). Therefore, impulse purchase is an important phenomenon in online shopping context and it should be further investigated

Another characteristic of the reviewed literature is the lack of division between information systems (IS) and marketing disciplines. Being a new domain, e-commerce lies between information systems and marketing. This phenomenon is represented in the type of journals where studies are published. These two disciplines nurture each other and help e-commerce literature to mutually progress. It is commonplace for specialists in marketing and IS to coauthor articles. Hopefully in time, the direction of e-commerce literature will be better shaped and defined by marketing and IS scholars.

Proposed Models for Future Research

Two models are proposed based on the gap found in literature for future research. As stated earlier, there is no study analyzing the moderating role of culture. All of the

FIGURE 1
Model of Testing Cultural Moderation

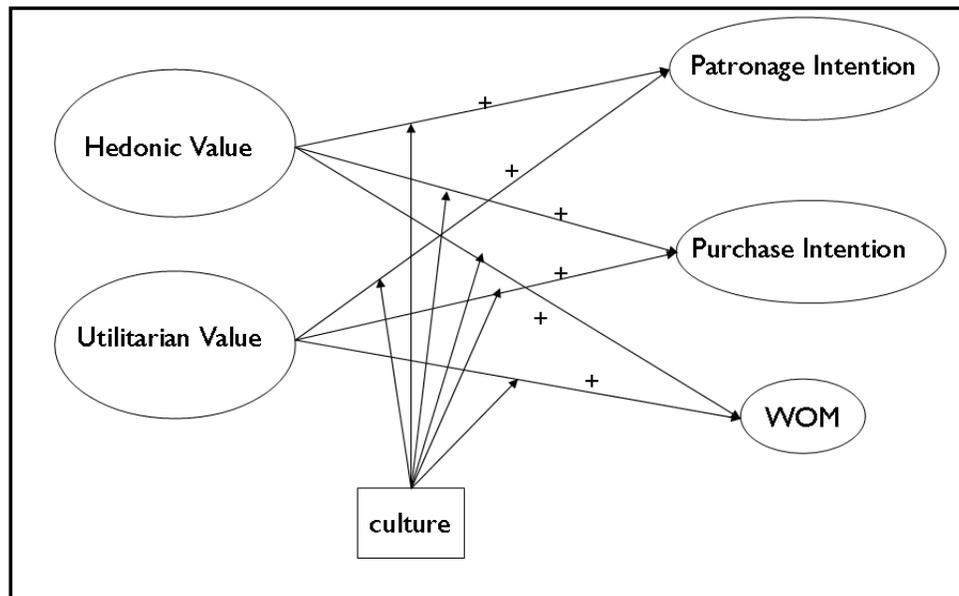
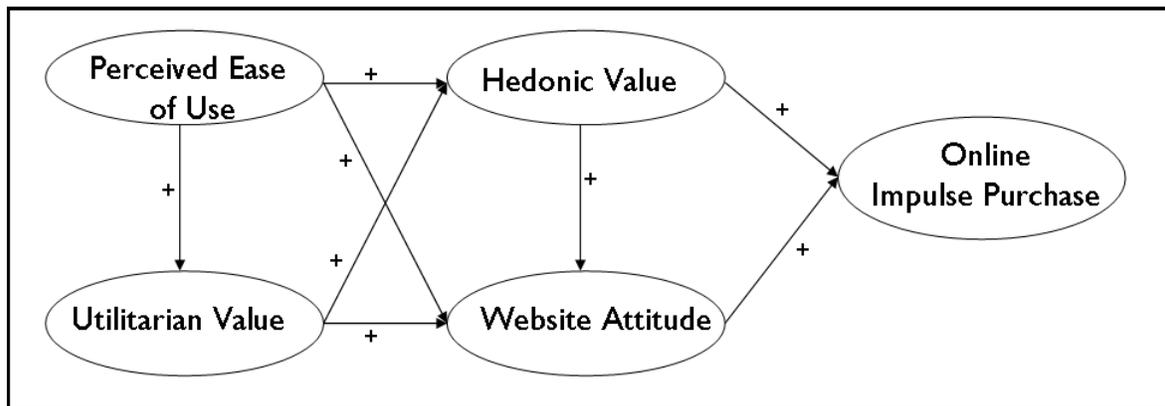


FIGURE 2
Model Explaining Online Impulse Purchase



studies are conducted in a single country and they assume the homogeneity of online consumer behavior worldwide. In addition, the number of studies measuring the effects of hedonic and utilitarian value together is low compared to number of studies measuring TAM variables. Therefore, this paper proposes a model (as depicted in Figure 2), in which the effects of hedonic and utilitarian value on WOM intention, purchase intention, and patronage intention are moderated by culture. Based on previous research (Usunier, Roulin, and Ivens 2009; Singh, Zhao, and Hu 2005), in online shopping settings, hedonic value is expected to be more influential for high-context and collectivistic cultures than utilitarian value, and vice versa. Therefore, moderation effect of culture in online impulse purchase context will be investigated with the same website design used as a stimulus for all countries.

Findings of the review also demonstrate that there is lack of research understanding the drivers of online impulse purchase. It has been found that impulse purchases account for about 40% of all online expenditures (for reasons such as easy access to products, purchase, use of credit cards, lack of social pressures, ease in delivery, etc.) (Verhagen and Dolen 2009). Therefore, it is necessary to better understand the effects of website characteristics on impulse purchase.

A second model is proposed in which hedonic value and attitude toward website are expected to positively affect online impulse purchase (Parboteeah, Valacich, and Wells 2009; Koufaris 2002; Adeelar, Chang, Lancendorfer, Lee, and Morimoto 2003). In addition, perceived ease of use and utilitarian value are anticipated to indirectly affect online impulse purchase through increasing levels of perceived hedonic value and positive attitudes toward website (Chen and Lee 2008; van der Heijden 2004; Barkhi and Wallace 2007).

Until now, studies have mainly focused on the pleasurable and enjoyable elements of online shopping such as flow, telepresence, pleasure, arousal, and dominance to explain online impulse purchase (Jung and Lim 2006; Menon and Kahn 2002; Khalifa and Shen 2007). However, no study has empirically tested the effects of perceived utilitarian value on online impulse purchase. This is surprising because it has been found that ease of use and utilitarian value elements (anonymity, easy access, selection, ease of payment, price and marketing promotions) also encourage online impulse purchase (Koski 2004). Therefore, this proposed model investigates the effects of utilitarian value, perceived ease of use, hedonic value, and website attitude together on online impulse purchase.

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HOW CAN E-TAILERS IMPROVE PATRONAGE INTENTIONS BY PROVIDING EXPERIENTIAL VALUES?

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SUMMARY

As online shopping moves toward being commoditized and reaches its maturity stage, e-retailers should add features to differentiate their sites from competition. Experiential marketing is an effective tool for businesses to achieve competitive advantage, avoid the commodity trap, and survive in the price war (Pine and Gilmore 1999). This work describes how e-retailers can enhance customers' patronage intentions through offering experiential values.

A number of past studies confirm that experiential values improve customer satisfaction, customer loyalty, and customer-brand relationships. Most of those studies, however, have mainly focused on industries with a strong leisure aspect such as travel and tourism, zoos, coffee shops, etc. Those industries belong to the primary experience sector, which includes firms that produce experiences as their main aim (Sundho 2009). There is a large need for investigating the impacts of experiential values in the secondary experience sector, which consists of firms that use experiences as add-ons to their traditional offerings (Pine and Gilmore 1998; Sundho 2009). The current research aims to shed more light on the positive outcomes of providing customers with experiential values in the secondary experience sector of e-retailing.

Although a very limited number of studies have shown that experiential values improve behavioral intentions of the customers toward the e-retailer, the *process* through which such impact takes place has not been much explored. To fill this gap, this paper suggests that offering

experiential values by an e-retailer impacts two main factors, i.e., perceptions of customers about the online store (e-retailer's website personality and e-retailer's assistive intent) and internal states of customers (website involvement), which in turn influence customers' attitudes and patronage intentions toward the e-retailer's website. This work is the first in the e-retailing context to link experiential values to those two factors of the process simultaneously in a model. Associations between experiential values and e-retailer's assistive intent, e-retailer's Website personality, and involvement in e-retailer's Website are investigated here for the first time in the literature.

Anonymous data was collected through a survey about the last online purchase of the respondents. Data from around 900 individuals strongly supported the study's research model and majority of the hypotheses. The findings confirm that different types of experiential values (aesthetics, playfulness, consumer return on investment, and service excellence) have dissimilar roles in enhancing customers' e-shopping experiences and contributing to the desired positioning of the e-retailer. In particular, service excellence and aesthetics were found to be the most influential dimensions of experiential values offered on the site. Accordingly, right combinations of those values should be used to create the desired positioning for an e-retailer. Theoretical and managerial contributions are discussed.

Key words: experiential values; e-retailer; website personality; assistive intent; website involvement. References are available upon request.

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DETERMINANTS AND OUTCOMES OF CONSUMER DIGITAL PIRACY BEHAVIOR: CROSS-CULTURAL VALIDATION

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SUMMARY

The driving forces behind digital piracy or consumer practice of illegally downloading files from the Internet represent a relatively recent area in academic research (Coyle et al. 2009). Even though it is a global phenomenon with significant impact, little consensus exists as to how to tackle the problem. Gaining deeper insights into social and psychological drivers of piracy across countries is especially promising in curtailing the phenomenon (Goles et al. 2008). While studies have identified several significant determinants, they have provided equivocal or limited evidence for the impact of socially charged factors, such as moral intensity and susceptibility to interpersonal influence. Moreover, subjective perceptions of risk and consumers' rationalizations of ethically questionable behaviors also call for more research attention. These issues, along with the dearth of focus in the literature on consumers beyond the U.S. and Asia (Eisend and Schuchert-Gueler 2006) prompted us to conduct a four-country study in the European Union.

Our synthesis of counterfeiting and piracy literature provides a basis for development of a conceptual model, in which we first propose three mechanisms of digital piracy behavior: (a) perceived personal risk at the individual level (H1-); (b) person's susceptibility to interpersonal influence at the interpersonal level (H2+); and (c) moral intensity at the societal level (H3-). Piracy behavior is conceptualized as intensity of piracy related actions, personal risk is defined as the extent to which the consumer believes that illegally downloading files will result in direct damage to the consumer, susceptibility refers to the extent to which an individual seeks compliance in a purchasing situation, and moral intensity is conceptualized as the extent to which the consumer believes that pirating digital content has a negative impact on the society at large. The next set of hypotheses relates to the antecedents of the rationalization, defined as techniques that consumers use to counter feelings of guilt associated with their past engagement in digital piracy. Two factors underlying rationalization are susceptibility (H4+) and moral intensity (H5-), while rationalization also serves as an outcome of piracy behavior (H6+). The final set of hypotheses focuses on the antecedents of piracy intention (conceptualized as the likelihood that consumers illegally download files from the Internet in the future). We hypo-

thesize that digital piracy intention has three antecedents: personal risk (H7-), rationalization (H8+), and behavior (H9+).

To test the conceptual model, a self-administered mail survey was sent to an initial random sample of 10,000 consumers in each of the following countries in the EU: Slovenia, Italy, Sweden, and United Kingdom. A raffle with various prizes was offered as an incentive. While the overall response rate ranged between 10 to just over 13 percent across countries, for the purpose of this particular study, several responses were eliminated, as only people actually using a computer were able to respond to the digital piracy questions. In total, we received 1425 usable responses. The sample structure was comparable across countries.

Construct measures in our model have been derived from the existing literature. The personal risk measure was adapted from the scale by Hennig-Thurau et al. (2007). Susceptibility to interpersonal influence measure was established by Bearden et al. (1989). The moral intensity items were previously applied by Singhapakdi et al. (1996). Actual piracy behavior was assessed by the number of units the respondent had illegally downloaded in the previous month. The rationalization scale was derived from the techniques of neutralization as identified by Skyes and Matza (1957). The digital piracy intention was assessed using a scale by Taylor and Todd (1995). To ensure meaningful comparison of the conceptual model in the four different countries, we assessed configural invariance of measures and metric invariance across countries (Steenkamp and Baumgartner 1998). The measures exhibited full cross-national metric invariance.

To test the conceptual model, we conducted multi-group analysis, with all measurement weights (factor loadings) restricted to be equal across countries. Structural model provides an excellent fit with the data (chi-square = 3,125, d.f. = 840, TLI = .936, CFI = .947, RMSEA = .025).

The results show most of our hypotheses received consistent support across the four investigated countries. In line with previous studies, perception of risk (H1) and moral intensity (H3) were found to significantly and negatively affect the reported piracy behavior in all four

countries (Sinha and Mandel 2008). On the other hand, the predicted positive effect of consumers' susceptibility on piracy behavior was non-significant across all four countries (H2). One possible explanation is the relatively low visibility of acquisition and consumption of the pirated digital material, given that the impact of reference groups should be stronger in the case of more conspicuous products (Batra et al. 2001). The other explanation pertains to the measure of susceptibility, operationalized as the extent to which the consumers' product and brand *purchase* decisions are influenced by others. Susceptibility was found to primarily impact consumers' rationalization for their piracy behavior (H4), and through it, their piracy intentions. This effect was positive and significant in Slovenia, Italy and U.K., but not in Sweden. Thus, respondents whose purchases were more influenced by others were more likely to come up with explanations for their behavior afterwards. The insignificant result in Sweden might be due to a much stronger impact of other determinants. Additionally, the results of our study lend support to the negative influence of moral intensity and the positive influence of past digital piracy behavior on

consumer's use of rationalization (H5 and H6). We found empirical support for the three remaining hypotheses related to piracy intent (H7, H8 and H9) across the four countries. That is, personal risk reduces consumer's intention to download files from the Internet, while using different post-hoc justifications and engaging in digital piracy in the past increase the likelihood of downloading files in the future.

Our findings show two areas may prove effective in changing an individual's digital piracy intentions: the perception of consequences for oneself (i.e., personal risk) and for the society at large (i.e., moral intensity), as these directly impact past piracy behavior, impinge on individual's ability to rationalize ethically questionable behavior and ultimately shape piracy intent. Considering constructs in our model consistently worked across the four-country samples from the EU, these findings suggest standardized rather than adapted marketing messages and public policy measures can be used throughout the unified market. References are available upon request.

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PERSONALIZATION OF COUPONS IN THE CONTEXT OF MOBILE SERVICES: THE ROLE OF REGULATORY RELEVANCE

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SUMMARY

This paper develops a theoretical framework of factors that a mobile service provider should consider when designing personalized mobile coupon offers. Mobile coupons (hereafter, m-coupons) are an important marketing application of mobile services. M-coupons are digital coupons sent to mobile devices that can be saved by consumers in their mobile phones until they decide to redeem them in a retailer's store (Dickinger and Kleijnen 2008). The context of the present paper is an m-coupon service implemented in shopping centers. To use this service, users first need to subscribe (e.g., by texting a code to a specified number), and then give permission to the mobile service provider whenever they enter the shopping center and wish to receive promotional offers. M-coupon offers are typically personalized on the basis of customers' demographics, purchase histories, or their stated preferences (Miceli et al. 2007).

The theoretical framework comprises as factors the type of product offered by the m-coupon, the congruity of the offer with the consumer's temporal needs and the consumer's shopping motivation. The paper defines temporal needs congruency as the congruity or incongruity of an offer with the consumer's current or future needs as recognized during the current shopping trip. The dependent variable is the intention to redeem the offered m-coupon.

It has been demonstrated that certain marketing cues, such as the expiry date of a coupon, prime certain types of regulatory focus, that is, they induce a prevention or a promotion focus. It has further been shown that the compatibility between the regulatory focus primed by marketing cues and the regulatory focus adopted by consumers results in a larger shopping basket than when the orientations are incompatible and that includes both promoted and unpromoted products (Ramanathan and Dhar 2010). Drawing on regulatory focus theory (Higgins 1997) and the notion of regulatory relevance (Aaker and Lee 2001), this paper proposes that consumers with a utilitarian shopping motivation respond differently to personalized m-coupon offers than consumers with a hedonic shopping motivation. The core premise of the paper is that while utilitarian shoppers prefer personalized m-coupons that are relevant to their focal shopping moti-

vation, hedonic shoppers are receptive to both relevant and less relevant offers. This difference is explained on the basis of the different regulatory relevance perceptions of hedonic and utilitarian shoppers.

Regulatory relevance occurs when a decision outcome is perceived to satisfy needs or concerns that are compatible with a person's regulatory focus (Aaker and Lee 2001; Avnet and Higgins 2006). Specifically, the present paper hypothesizes, first, that while a hedonic shopping motivation, hedonic products, and offers congruent with future needs prime a promotion focus, a utilitarian shopping motivation, utilitarian products, and offers congruent with current needs prime a prevention focus. Second, we posit that the compatibility between the regulatory focus primed by a consumer's shopping motivation and the regulatory focus primed by an m-coupon's cues results in an increased intention to redeem. Third, it is proposed that the latter effect is mediated by regulatory relevance.

The hypotheses were tested in two experiments among participants recruited from an online panel. The first experiment consisted of a 2 (shopping motivation: hedonic vs. utilitarian) by 2 (product type: hedonic vs. utilitarian) by 2 (temporal needs congruency: current needs vs. future needs) full factorial between-subjects design that varied the components of a hypothetical shopping scenario. Respondents started the task with reviewing a brief explanation of a typical m-coupon service. They were then asked to imagine themselves at a shopping center and using this m-coupon service. The dependent variables included three separate scales measuring regulatory focus as primed by shopping motivation, type of product category, and temporal needs congruency (1 = prevention focus, 7 = promotion focus). The results showed that those placed in a hedonic shopping motivation scenario (browsing around and having recreation) were more promotion focused than those placed in a utilitarian shopping motivation scenario (conducting certain shopping tasks such as grocery shopping) ($M_{HM} = 4.98$ vs. $M_{UM} = 4.41$, $F(1, 122) = 5.33$, $p < .05$). Also, the hedonic product (a movie DVD) primed more promotion focus than the utilitarian product (detergent) ($M_{HP} = 5.25$ vs. $M_{UP} = 4.54$, $F(1, 122) = 7.01$, $p < .05$). Further, offers congruent with the consumer's future needs (products that have been purchased recently) primed more promotion focus than

offers congruent with current needs (products that have not been purchased for a while) ($M_{CN} = 4.93$ vs. $M_{FN} = 4.45$, $F(1, 122) = 4.95$, $p < .05$).

The second experiment was similar in design to the first one except that the dependent variables included regulatory relevance and intention to redeem. The results showed that when consumers have a utilitarian shopping motivation, they perceive more regulatory relevance in a utilitarian product than in a hedonic product ($M_{UP} = 5.02$ vs. $M_{HP} = 4.41$, $F(1, 123) = 6.43$, $p < .05$), whereas when consumers have a hedonic shopping motivation, they perceive similar levels of regulatory relevance in both hedonic and utilitarian product categories ($M_{HP} = 5.20$ vs. $M_{UP} = 5.04$, $F(1, 126) = 1.62$, $p > .10$). Likewise, when their shopping motivation is utilitarian, respondents have a higher intention to redeem a utilitarian product than a hedonic product ($M_{UP} = 5.08$ vs. $M_{HP} = 4.32$, $F(1, 123) = 5.62$, $p < .05$). In contrast, when they are hedonically motivated, there is no significant difference in the participants' intention to redeem hedonic or utilitarian products ($M_{HP} = 5.73$ vs. $M_{UP} = 5.60$, $F(1, 126) = 0.570$, $p > .10$). Our results further showed that when consumers have a utilitarian shopping motivation, they perceive higher regulatory relevance in an offer congruent with their current needs than in one congruent with their future needs ($M_{CN} = 4.94$ vs. $M_{FN} = 4.51$, $F(1, 123) = 4.56$, $p < .05$), whereas when consumers have a hedonic shopping motivation, they perceive similar levels of regulatory relevance in offers that are congruent with their current or future needs ($M_{CN} = 5.11$ vs. $M_{FN} = 5.14$, $F(1, 126) = 0.643$, $p > .10$). Similarly, when their shopping motivation is utilitarian, respondents have a higher intention to redeem a current-needs-congruent offer than in a future-needs-congruent

one ($M_{CN} = 5.11$ vs. $M_{FN} = 4.31$, $F(1, 123) = 8.18$, $p < .005$). In contrast, when they are hedonically motivated, there is no significant difference in their intention to redeem offers that are congruent with current or future needs ($M_{CN} = 5.80$ vs. $M_{FN} = 5.52$, $F(1, 126) = 0.780$, $p > .10$). To test the mediating effect of regulatory relevance, as an underlying mechanism, the bootstrapping method suggested by Preacher and Hayes' (2008) was used. The confidence intervals for the effects via regulatory relevance of the interaction between shopping motivation and product type and of the interaction between shopping motivation and temporal needs congruency on intention to redeem did not contain the value zero. Hence, regulatory relevance mediates both these interaction effects.

To assess the external validity of our findings, we replicated our study using two different types of products. Specifically, instead of a movie DVD and detergent, we used a movie ticket and shampoo as hedonic and utilitarian product offers, respectively. The results of the replication study were similar to the results of the first study. On the whole, our findings suggest that while hedonic shoppers are open to offers from a wider range of product categories and temporal needs, utilitarian shoppers accept personalized offers from product categories related to their focal shopping goals and also to their immediate needs. Based on these findings, the paper recommends strategies to retailers who decide to utilize m-coupon services. Specifically, it is advised that retailers apply more personalization to m-coupons offered to utilitarian shoppers than to m-coupons offered to hedonic shoppers. References are available upon request.

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YOU ARE THE UNIVERSITY YOU ATTEND: COMPULSIVE BUYING AND COLLEGE-BRANDED MERCHANDISE

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SUMMARY

Universities play a major role in shaping young minds and influence not only professional, but also social and emotional development of young individuals. As such, belonging to a university can uniquely influence the development of one's identity and sense of self. University identity is built through the entire university experience. Accordingly, purchasing university-branded products bearing the name or logo of the university, or of the university's sports teams, can be seen as an expression of this identification. A group of consumers who are sensitive to buying and owning products that help create self-identity or self-image are compulsive buyers. To make themselves feel better and enhance their image and feelings of self-worth, these consumers engage in frequent episodes of buying products, such as clothing and accessories that can be seen as outward signs of their identity.

In this research, integrating knowledge in the areas of university identity and compulsive buying, we focus on a sample of university-affiliated group of consumers, such as current students, their parents, and other friends of the university to examine the extent to which they identify with the university and its sports team, their general tendency to buy compulsively, and consequently, their perceptions and purchase behavior of the university-branded products.

We identify four main consumer motives for buying university-branded merchandise: fitting in with the social group, self promotion, university promotion, and sports team promotion. Then we examine how compulsive and non-compulsive buyers differ with respect to these motives, as well as their feelings of identification with the university and its sports teams. We find that buying prestigious collegiate merchandise allows compulsive buyers to satisfy their key motives of fitting in and self-promotion by enhancing their expression of self-identity and group membership and increasing their self-esteem.

Our research shows that compulsive buyers have a lower tendency to identify themselves with a university (unless it is a case of negative reputation). Nevertheless, they do promote the university by purchasing university-branded merchandise, thereby helping their self-promotion and acceptance into the social group. Moreover, compulsive

buyers give more importance to the university-logo and the prices of university co-branded merchandise (collegiate licensed merchandise in licensing agreement with popular name brands, such as Nike or Polo), yet they are less price-sensitive for this type of merchandise (especially when they have an option of personalizing the products) in comparison with non-compulsive buyers.

The findings indicate that compulsive and non-compulsive buyers are equally likely to buy college-branded products to promote the university and its sports team, even though compulsive buyers experience a lower sense of identification with the university. Compulsive buyers tend to purchase university products to a higher degree to promote self than non-compulsive buyers; however, we also found that the level of self-promotion is not stronger than university promotion motive for either group of consumers. Overall, the research indicates that university belongingness, especially with regards to the college sports teams, plays an important role in shaping identity of compulsive buyers.

Identification with an organization, such as a university, is a likely antecedent, negatively related with compulsive buying tendency. Our findings suggest that fostering a sense of identification with a broader social group, such as a university community, might lead to decreased compulsive buying, due to enhancing one's self esteem, self-identity and decreasing their feelings of loneliness. This research contributes to the literature on university identity by investigating how universities can influence the development of consumer identity: through formulating feelings about the university institution as a whole and through identification with the university sports teams. Further, we contribute to the literature on compulsive buying by investigating factors shaping identity of compulsive buyers relative to non-compulsive buyers. We determine that buying prestigious collegiate merchandise (especially when branded with the university sports team logo or manufacturer's logo in addition to the university logo) allows compulsive buyers to satisfy their key motives of fitting in and self-promotion by enhancing their expression of self-identity and group membership and increasing their self-esteem. The research has important implications for universities, their athletic teams, and sales of university merchandise as well as for public policy.

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THE NEW ME: AN EXAMINATION OF THE ROLE OF ANTICIPATORY EMOTIONS IN ELECTIVE COSMETIC SURGERY DECISIONS

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SUMMARY

Cosmetic surgery is one of the fastest-growing medical practices in the world (Pentina et al. 2009). According to AACS President, Mark Berman, MD, “The cosmetic surgery industry continues to grow at a rate many people never thought it would reach”(AACS 2010, p. 1).

This growing demand requires a better understanding of the motivational mechanisms that can lead individuals to receive elective cosmetic surgery. Yet, little is known about the attitudinal and motivational drivers that facilitate cosmetic surgery decisions (Judge and Barish-Wreden 2009; Pentina et al. 2009).

Emotions can impose a motivating influence and affect attitudes and behavioral intentions (Baumgartner et al. 2008). However, no previous research has addressed the question of how emotions are experienced and how emotions motivate individuals to have a cosmetic procedure. Anticipatory emotions are currently experienced real affective responses to possible future events that have positive or negative implications for the self. Positive anticipatory emotions (e.g., hope) encourage the formation of behavioral intentions aimed at bringing about desirable future states, while negative anticipatory emotions (e.g., fear) lead to the formation of behavioral intentions aimed at avoiding undesirable future states (Baumgartner et al. 2008).

More specifically, The hope to look more attractive, be more favorable, and have a better social and economic status may influence individuals’ motivation differently (in terms of strength and direction of goal pursuit) from the fear of looking old, wrinkled, unattractive, far from beauty standards, or being teased, and discriminated against. Thus, we hypothesize:

H1: The level of (a) motivation and (b) likelihood to undergo a plastic surgery differs for individuals with dominant positive anticipatory emotions (i.e., hope) and those with dominant negative anticipatory emotions (i.e., fear).

Leone et al. (2005) stated that the effects of different emotions on behaviors are moderated by the regulatory focus most accessible to individuals. Regulatory focus theory (Higgins et al. 1996) considers two main motivational orientations or regulatory systems namely, promotion and prevention approach. Depending on their

focus, individuals are motivated to use different strategies (approach or avoidance) to achieve their desired states or distance themselves from their undesired states. In other words, Regulatory Focus influences how individuals pursue a goal or situate themselves in relation to a desirable or undesirable state. Thus, we hypothesize that:

H2: The level of (a) motivation and (b) likelihood to undergo a plastic surgery differs for promotion – Focused individuals and prevention-focused individuals.

Moreover, each regulatory focus controls both positive and negative emotional valence. Leone et al. (2005) argued that regulatory focus can moderate the impact of emotions on action evaluations. Referring to the concept of regulatory fit (Higgins 2000), they mentioned that an act will be evaluated more positively when the emotions associated with the prospect of that act match the individual’s motivational orientation (i.e., regulatory focus). In fact, promotion and prevention focused individuals differ not only in terms of the strategies they follow to achieve and outcome, but also in that the former regulate themselves in relation to ideal standards and aspirations (ideal self) whereas, the latter refer to standards associated with duties and obligations (ought self) (Boesen-Mariani et al. 2010). Consequently, promotion focus individuals should focus more on the anticipation of desired events to achieve them, stimulating positive anticipatory emotions (i.e., hope). Whereas, prevention focus individuals pay more attention to the anticipation of undesired events to avoid them, stimulating negative anticipatory emotions (i.e., fear). Thus, we hypothesize that:

H3: When experiencing hope (fear), promotion-(prevention-) focused individuals will be more (a) motivated and (b) likely to undergo a plastic surgery.

These hypotheses were tested following a 2(Regulatory focus: promotion vs. prevention) x 2 (anticipatory emotion: hope vs. fear) between subject factorial design. Chronic regulatory focus (Haws et al. 2010; Cronbach’s $\alpha = .842$ and $.717$ for promotion and prevention regulatory focus, respectively) was measured and hope and fear were manipulated using a reading. Acceptance of cosmetic surgery (Henderson-King and Henderson-King 2005) was captured by measuring the degree to which an individual would consider having cosmetic surgery (likelihood); acceptance of cosmetic surgery based on social

motivations (interpersonal motives); and, intrapersonal motivations (interpersonal motives). Body-esteem (Mendelson et al. 2001; $\alpha = .948$), was also measured as a control variable.

The result indicated that emotion manipulation was successful. The results of MANCOVA supported H_{1a} and indicated that participants who were in the hope manipulation condition were more likely to undergo a cosmetic surgery than those who were induced to have fear ($F(1, 80) = 9.873, p < .01$). However, there was no significant effect of emotions on social and intrapersonal motivations for having a plastic surgery ($p > .1$). Thus, H_{1b} was not supported. Contrary to H_2 the main effect of regulatory focus was not significant (Wilks' Lambda $F(3,79) = .519, p > .1$). In addition, the results indicated a significant interaction between anticipatory emotions and regulatory focus (Wilks' Lambda $F(3,78) = 4.759, p < .01$). In support of H_{3a} , under the hope condition, promotion-focused individuals were more likely to undergo a plastic

surgery than prevention-focused individuals. In contrast, under the fear condition, prevention-focused individuals showed greater likelihood to undergo a cosmetic procedure than promotion-focused individuals. Similar patterns were observed for intrapersonal motivations but not for intrapersonal motivations for plastic surgery, providing partial support for H_{3b} .

Overall, the results of the present study suggest that emotional congruity with the regulatory orientation most accessible to individuals can create a regulatory fit condition leading to increased motivation and likelihood to undergo a cosmetic procedure. The results of this study add to the regulatory fit literature and suggest that a fit between individuals' regulatory focus and their expected feelings for their goals (their anticipatory emotion) also results in a regulatory fit condition and experiencing such fit conditions make individuals more motivated in their goal pursuit activities. References are available upon request.

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THE EFFECTS OF PERSONAL AGENCY ON DISAPPOINTMENT

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SUMMARY

Expected desirable outcome motivate many, perhaps all behaviors. For example, students enroll in course sections based on the expected quality of the pedagogy of the instructors. Similarly, investors choose stocks based on expected returns. In this vein, Olson, Roese, and Zanna (1996) posit that “expectancy forms the basis for virtually all behaviors.” However, anticipated outcomes often do not come to pass, resulting in disappointment.

Disappointment, one of the most commonly-felt negative emotions, is defined as a psychological reaction to an outcome that does not meet expectations (Bell 1985; Loomes and Sugden 1986). It is experienced based on a comparison of expected and realized outcomes. The literature suggests that disappointment is unrelated to personal agency, that is, the responsibility for making a choice. Furthermore, it is related to “other agency” or random procedures over which one has no control (van Dijk, van der Pligt, and Zeelenberg 1999; Zeelenberg et al. 2000). The literature also reports the effects of personal agency on other related behavioral and attitudinal consequences, including escalation of commitment (for details see Staw 1997).

In this paper, we integrate findings from the escalation of commitment and emotions literatures to investigate the conditional effects of personal agency on disappointment. First, we highlight that during escalation of commitment, the required or normative outcome such as the profitability requirement of a project, or expected return of a stock, is held constant across possible levels of agency. The required or normative outcome arguably serves as a reference point for evaluating the realized outcome, i.e., the outcome achieved (Delquié and Cillo 2006). Consequently, decision makers should substitute the required or normative outcome as the expected outcome and compare it with the perceived realized outcome. Therefore, the effect of personal agency on disappointment may vary according to how it affects the realized outcome.

Next, based on the findings reported in the escalation of commitment literature, we note that when the adverse outcome of the decision is reversible, or the outcome of the foregone option is unknown, personal agency triggers cognitive dissonance (Festinger 1957) and creates positive and favorable perceptions of the realized outcome.

Consequently, decision makers should experience less disappointment than those who are affected by but did not make the decision that led to a poor showing. However, for a severely adverse outcome, personal agency does not trigger cognitive dissonance (Staw 1997) and, therefore, may not have any effect on disappointment. Finally, the emotions literature suggests that personal agency triggers self-blame or self attribution when the failure of the chosen option is irreversible and the superior outcome of the foregone option is known. Consequently, personal agency boosts particularly unfavorable evaluations of realized outcomes and, should therefore amplify disappointment.

The results from several studies support our hypotheses and suggest that the effect of personal agency on disappointment is moderated by the outcomes of the chosen option and the availability of counterfactual information concerning the superior outcome of foregone options. For that reason, we expect disappointment to mediate the effects of personal agency on downstream behavioral, attitudinal, and emotional responses accordingly.

The effects of personal agency on disappointment observed in our studies differ from the effect reported in extant literature. While we observe conditional effects of personal agency on disappointment, the literature generally suggests an absence of any effect (Frijda, Kuipers, and ter Schure 1989; van Dijk, Zeelenberg, and van der Pligt 1999; Zeelenberg et al. 2000). These two sets of contrary findings are possible to reconcile as follows.

Our review of literature suggests that researchers have adopted three strategies to investigate the effect of agency on disappointment. First, they have compared participants’ perceptions of disappointment that a protagonist would likely experience given different levels of personal agency (Zeelenberg, van Dijk, and van der Pligt 1998a). Second, they have asked participants to recall a situation when they have experienced these emotions; then, subsequently, they have asked participants to report retrospective appraisals in order to correlate the appraisals with emotions and personal agency (Roseman, Wiest, and Swartz 1994; Zeelenberg et al. 2000). Finally, they have differentiated the counterfactual thinking and attributions associated with these emotions (Zeelenberg et al. 1998). In contrast, we have compared the disappointment participants report immediately after a failure.

Readers may note that personal agency for making a choice is a necessary condition for dissonance reduction (Staw 1997). Therefore, when participants report their perceptions of a protagonist's emotions, they may not make adjustments for dissonance reduction. Furthermore, the literature suggests that study participants adopt different attributions when they report their perceptions about a protagonist's attitudes and emotions compared to when they report their own (Jones and Nesbett 1972). Finally, when participants recall a past event and report their

appraisals or emotions, the phenomenology associated with a "wistful" emotion which is retrospective in nature may be different from the phenomenology associated with a "hot" emotion which is prospective in nature and experienced immediately after an adverse outcome (Kahneman 1995). In summary, the differences between our results and those reported earlier are at least partially reconcilable on the basis of differences in the research methodologies deployed. References are available upon request.

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CONSUMERS' STRATEGIES TO COPE WITH OVERLOAD CONFUSION-INDUCED STRESS

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SUMMARY

When shopping for grocery products, today's consumers are often faced with an overchoice situation that occurs when the array of options exceeds the optimal number from a customer's point of view (Settle and Golden 1974). This perceived overchoice which is equivalent to overload confusion (Schweizer et al. 2006) – one dimension of the consumer confusion construct – can result in various dysfunctional consequences for the consumers. Apart from a decreased satisfaction with the chosen alternative (Iyengar and Lepper 2000) or with the store, negative emotions, e.g., anger (Mitchell et al. 2005) – a so-called stress emotion (Lazarus 1999) – can be elicited. Although previous research stated that perceived overchoice or overload confusion can cause stress (e.g., Mitchell et al. 2005), and despite the fact that potential confusion reduction strategies (e.g., delay or abandon the purchase decision) have been discussed theoretically (Schweizer et al. 2006), the concept of overload confusion has not been consistently linked to stress and coping theory. Therefore, the objectives of this study are threefold: First, we investigate if overload confusion evokes feelings of stress in terms of threat and challenge emotions in the context of grocery shopping. Second, we examine the mediating effect of cognitive appraisals as proposed by stress theory. Third, we analyze which coping strategies consumers use.

To test our hypotheses, which were derived from cognitive stress and coping theory (Lazarus and Folkman 1984), as well as from the results of previous research (e.g., Duhachek and Iacobucci 2005), two pre-tests and a main study with 313 respondents were conducted.

As far as the coping construct is concerned, hierarchical factor analysis showed that it consisted of two dimen-

sions that could be labeled "emotion-focused coping" and "problem-focused coping." While the former dimension was composed of coping strategies that target emotion-regulation, the latter consisted of strategies that serve to alter the stressor "overload confusion."

As hypothesized, analysis using structural equation modeling revealed, that overload confusion is further appraised by the consumer as being relevant or irrelevant (the so-called primary appraisal) and as taxing/exceeding the individual's resources/ability to cope or as not taxing/exceeding the individual's resources/ability to cope (the so-called secondary appraisal). The results for mediation analysis were, in part, contradictory to Lazarus' stress and coping theory: Cognitive appraisals (consisting of primary and secondary appraisal) only partially mediated the relationship between overload confusion and stress in terms of threat emotions and they did not mediate the relationship between overload confusion and stress in terms of challenge emotions. As hypothesized, threat emotions were elicited when coping efforts were appraised to be high and consumers predominantly engaged in emotion-focused coping strategies (e.g., seeking emotional support or denial) when they felt threatened. Contradictory to our hypothesis, also challenge emotions occurred when coping efforts were appraised to be high, but the empirical results supported our hypothesis that consumers use problem-focused coping strategies (e.g., action or brand loyal behavior) when they feel challenged. Due to the fact that consumers were more likely to experience negative threat emotions than feeling challenged when faced with an overchoice situation, retailers should at least eliminate redundant items and they need to think of their roles as agents of the consumers in the selection of products. References are available upon request.

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ADMIRATION: AN IMPORTANT DETERMINANT OF CELEBRITY EFFECTIVENESS

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ABSTRACT

This research examined celebrity admiration. A survey of 48 celebrities found that admiration was not related to attractiveness, but is related to similarity and identification. Next, an experiment with twelve constructed ads depicting six celebrities found that admiration was more closely related to similarity and identification than attractiveness.

INTRODUCTION

One of the most commonly employed strategies used to advertise consumer products is the use of a celebrity to endorse the product (Agrawal and Kamakura 1995). Celebrities are used frequently because we believe, and have evidence, both academic and proprietary, that celebrities are effective at selling products.

We can even make some educated guesses as to why that is. For at least 2,500 years, people have speculated on what makes a speaker persuasive. Aristotle proposed that ethos was “the speaker’s power of evincing a personal character. . .” (1941, p. 1318). He believed that ethos is the largest determinant of the success of a persuasive attempt. Therefore, Aristotle believed that a source that is high in status, yet still similar to the audience, is the best possible source of a message. A celebrity is often seen as having a combination of status and similarity.

Social scientists began to examine the importance of the spokesperson as far back as the 1950s. The Yale studies (Hovland, Janis, and Kelly 1953) tried to identify speakers who were successful and identify the traits that made them “credible.” Since the early studies, a considerable literature accrued in this area. Researchers have generally confirmed the importance of credibility as a critical factor in persuasion (e.g., Chaiken and Maheswaran 1994; Wu and Shaffer 1987). However, the definition of “credibility” often makes it difficult to develop a priori predictions of speaker attributes.

With regard to the academic literature, a celebrity endorser is “any individual who enjoys public recognition and who uses this recognition on behalf of a consumer good” (McCracken, 1989, p. 310). There are a variety of familiar studies which demonstrate that celebrities are effective. Kahmen, Azhari, and Kragh (1975) found that advertisements featuring Johnny Cash led to greater awareness of the ads and a more positive corporate image. Friedman, Termini, and Washington (1977) found that

wine ads with Al Pacino were rated higher than those with a company president, a typical consumer, or no source. Friedman and Friedman (1979) found that ads using Mary Tyler Moore as a spokesperson led to higher ratings of the ad, attitude toward the product, and purchase intention for products involving image or taste, and led to better ad and brand name recall regardless of the product. Atkin and Block (1983) found that the effects of celebrity-based alcohol advertisements were more effective than non-celebrity-based advertisements only with younger subjects. More generally, Graham (1991) found that celebrity charisma creates “sheeplike, highly motivated followers” (p. 105). Celebrities have been shown to be so powerful that when a famous person commits suicide it can increase suicide rates (Stack 1987, 1990) and cocaine use (Kleber 1988).

When applied to marketing and advertising, a variety of theories have been put forth (Erdogan 1999). For the purpose of this study three major theories of celebrity effects are most relevant – (1) credibility (2) attractiveness, (3) match-up, and (4) identification. Each of these proposes a slightly different reason for the effectiveness of celebrities. The theories themselves, the proposed mechanisms, and previous research on each is explained below.

One of the main theories of celebrity effectiveness stems from Aristotle’s idea of source credibility. According to this approach, credibility is critical to how an endorser is perceived (Erdogan 1999). Typical attributes of source credibility are trustworthiness and expertise. Again, varying constructions of source credibility often makes it difficult to demonstrate test or falsify these predictions (Erdogan 1999).

In 1985, Kahle and Homer predicted that celebrities would be more effective endorsers of beauty-related products because they are more attractive than non-celebrities. However, the results were not completely supportive of their prediction and instead it was found that both razor ads (a “beauty-related” product) and toothpaste ads featuring attractive celebrities resulted in more positive attitudes toward the ad than ads featuring less attractive celebrities. Thus, attractiveness of the celebrity can have an effect on attitudes toward the product and purchase intentions.

In 1990, Kamins proposed that celebrities are more effective than non-celebrities because they offer special

expertise. Misra (1990) described this effect as a “match” between the product and celebrity. To the extent that this expertise relates to the product, they are more effective. This is usually referred to as the “match-up hypothesis” (Kamins 1990). In support of the importance of match-up, research has shown that a celebrity with expertise about the product was significantly more effective than a non-celebrity expert (Buhr, Simpson, and Pryor 1987; Ohanian 1991). These results generally indicate that a celebrity is more effective than a non-celebrity when there is some level of expertise offered by the celebrity.

More recently, Brown and Basil (1995) proposed that celebrities are more effective than non-celebrities because people are likely to see the celebrity as a friend. Previous evidence supports the assertion that both friends and similar others are more influential than unknown others (Rogers 1995). As a result, this identification explains why celebrities are more effective than non-celebrities. This is usually referred to as the “identification hypothesis” (Basil 1996). Research by Basil and colleagues has examined the relationship between the level of identification and attitudinal and behavioral outcomes using several celebrities including Magic Johnson (Basil 1996; Basil and Brown 1997; Brown and Basil 1995), Mark McGwire (Brown, Basil, and Bocarnea 2003a), and Princess Diana (Brown, Basil, and Bocarnea 2003b). In all of these instances, the level of identification mediated behavioral outcomes. This mediation effect is not only supportive of the identification process, but also supports identification itself as the likely underlying mechanism.

Overall, the results of this research support the effectiveness of celebrities, and they offer their own explanations for the effectiveness of celebrities. But have they really captured the mechanism? One attempt to identify whether we had captured the various forms of credibility was attempted by Ohanian (1990). In her study, she suggested two general factors – credibility (expertise and trustworthiness) and attractiveness (familiarity, likeability, similarity, and attractiveness). Her results support attractiveness, trustworthiness, and expertise as separate components of credibility. However, as she acknowledges, these factors were derived from previous theoretical work, and there is no way of knowing whether these dimensions are exhaustive or not. Regardless of which method has been applied, then, we have been limited to our hunches concerning what makes a celebrity effective. But have we captured all of the reasons for their effectiveness, and have we identified all of the mechanisms?

An alternative approach to this question was to examine practitioners’ reasons for selecting celebrities. In one application of this approach, Erdogan, Baker, and Tagg (2001) found that practitioners reported selecting celebrities for a variety of factors, including their trustworthi-

ness, expertise, and image. Interestingly, the important factors for advertising agencies are similar to those posed by experimental studies. However, this may be partly because the practitioners had learned these theories in school, and it may be partly due to the fact that the questionnaire was constructed with these studies in mind.

ADMIRATION

One mechanism through which people can be effective in influencing others that seems to be missing from the research to date is admiration. To admire is defined in the dictionary as to “esteem, respect, or look up to.” Some research in social science has examined peoples’ admiration of heroes (Allen 1975; Arzhakova 2000; Gibbon 1999; Torbjor 1998). The idea of admiration is consistent with Aristotle’s opinion that identified status is an important determinant of credibility – to the extent that people admire or look up to another person, that person should be more successful. As evidence, research that has shown that celebrities who endorse multiple products may have their credibility and likeability harmed (Tripp, Jensen, and Carlson 1994). This decline in credibility can best be understood by understanding what is lost – some of the ability to look up to, or admire, the endorser.

Because almost all of the previous research has focused on celebrities such as movie stars and television celebrities, attractiveness, and identification have emerged as important predictors. However, if we were to choose a wider variety of celebrities than movie and television stars, and included politicians with legitimate power and intellectuals, it is quite possible that additional factors would emerge as other determinants of celebrity effectiveness – in this case, admiration.

Next, we will compare the admiration concept to the previous theories of celebrity effects. This will help us develop a test of the admiration concept.

ATTRACTIVENESS

Previous research has shown that attractiveness can have an influence on a whole range of judgments about people, often dubbed “halo” effects (Dion, Berschied, and Walster 1972; Wapnick, Mazda, Darrow 1998, 2000). One interesting halo effect that has received considerable study is that attractiveness is related to a person’s income (French 2002). Attractiveness may be one of the reasons that celebrities may be effective, too. Kahle and Homer (1985) put forth their theory that physical attractiveness would determine consumers’ attitudes and purchase intention of a consumer product. In a test of the hypothesis, they compared likeability versus attractiveness on subjects’ interest in purchasing a razor. The results supported the importance of physical attractiveness, but not likeability.

To the extent that admiration arises from attractiveness and that celebrities are physically attractive, attractiveness should result in higher levels of admiration.

H1: Attractiveness will predict the level of admiration of celebrities.

SIMILARITY

Bandura's "social learning theory" (1977) and "social cognitive theory" (1986) found that people are more likely to perform modeled behaviors when they see themselves as similar to the person modeling the behavior. These theories propose that when people see others as similar to themselves, they are more likely to imitate the modeled behavior, perhaps including purchasing a product.

In studying the diffusion process of innovations, Rogers found that similarity, or "homophily," enhanced the likelihood of a wide variety of suggested behavior changes (1995, pp. 18–19). In a study of celebrities, Williams and Qualls (1989), for example, found that black consumers identify with black celebrities, perhaps suggesting an increased likelihood of admiration. To the extent that admiration is related to similarity, we should find that:

H2: People will be more likely to admire celebrities who are more similar to themselves with regard to (a) Age, (b) Gender, and (c) Race.

PARASOCIAL IDENTIFICATION

Another potential source of celebrity power that has been proposed is called "parasocial identification." This phenomenon was first identified in the 1950s when two clinical psychologists, Horton and Wohl (1956), began noticing patients who felt an unrealistic sense of intimacy with television personalities. Research on the identification process has demonstrated that repeated exposure to media figures through the mass media creates a sense of friendship or intimacy in media users (Levy 1979). Audience members commonly look to media personalities as "friends" and those with whom they feel "comfortable." Evidence of parasocial relationships has been observed between television viewers and newscasters, talk show hosts, and soap opera stars (Levy 1979; Rubin and McHugh 1987). Therefore, this line of research suggests that one reason that celebrities may be effective is through a "faux" friendship from media exposure.

Parasocial relationships with media personalities can be said to exist when media audiences think or feel as if they know the media personalities to which they are regularly exposed (Rubin and McHugh 1987). Popular tabloids, magazines, television news–entertainment pro-

grams, and even the mainstream press offer information with which a person can follow his or her favorite celebrity. The mass media, then, may have a special ability to instill this perceived intimacy leading to identification and admiration (Fowles 1992).

The research which has examined parasocial identification has found that people often do have a sense of identification with celebrities. Adams-Price and Greene (1990) found that adolescents identify with celebrities, and Greene and Adams-Price (1991) showed that people's beliefs in a celebrity's personality were biased as a result of the identification process. Alperstein (1991) found that people's relationships with television celebrities could be described as a pseudo-social interaction in which viewers are "involved" in this relationship. The greater the identification, the more likely the person will see important attributes in the celebrity.

Basil (1996) proposed that a critical determinant of celebrity effectiveness is based on the fact that the public identifies with them as friends. Research has shown that identification does appear to occur through television viewing, print, and radio use (Basil 1996; Basil and Brown 1997; Brown, Basil, and Bocarnea 2002a). Further, this research appears to demonstrate that parasocial identification is a possible mechanism by which people desire to emulate celebrities (Basil 1996; Basil and Brown 1997; Brown and Basil 1995). Thus, a third possible explanation for celebrity power is parasocial identification. If identification is responsible for influencing consumers, we should find that:

H3: Media use will predict the level of admiration of celebrities.

STUDY 1

Methods

This study made use of two data sources to test the predictors of admiration. First, data on admiration levels, similarity, and media use were obtained from the ConsumerStyles survey. This is an annual survey mailed to 10,000 people across the country. A total of 6,065 responded to the survey for a 61 percent response rate. Second, physical attractiveness ratings were obtained by posting photos of the celebrities on picturejudge.com. This website was designed for people to evaluate the physical attractiveness of photographs of people, so this was a perfect outlet for this evaluation.

Measures

Admiration. Question 2 of the ConsumerStyles survey asked, "Below is a list of people who are liked and

admired by many Americans. Which ones, if any, do you admire?" Respondents were asked to "X" any of the 48 celebrities who followed.

Similarity. Three questions on the ConsumerStyles survey asked about respondents' age, gender, and race. These were used to examine the level of respondents' similarity with celebrities. Their age, gender and race were also recorded (Tiger Woods was the only case of multiple races, and for the purpose of increasing ethnic representation, was coded as black.) A dummy variable was coded so that when the respondent's age, gender, or race matched that of the celebrity, the appropriate dummy variable (age match, gender match, or race match) was coded as "1" (otherwise it was a "0"). In the case of age, this occurred if the respondent was born within ten years of the celebrity.

Physical Attractiveness. Photographs were evaluated by a large number of respondents on a website designed to evaluate physical attractiveness. Two photos of each celebrity were posted. The photos were gathered from the Web by searching for images on google.com. Several criteria were used for the selections. First, the photo had to be without copyright. Second, the photo had to be a color head-and-shoulder shot. Typically, this consisted of publicity stills. If a photo was not head-and-shoulders, it was trimmed to meet this criterion with sufficient resolution for the head-and-shoulders image. Third, the photo was trimmed to an 8 × 5 cm (3 × 2 inch) computer image. The first set of photos was posted in July 2004. The second set of photos was posted in August 2004. This insured that users would not see multiple photos of the same celebrity in close proximity to one another. In fact, in many cases, they were likely to be rated by different users. All images were available on the www.picturejudge.com website and users rated each photo on a 1-to-10 scale (the anchors were an image of ice or fire). The pictures were posted until the "celebrity" category was removed in 2005.

The physical attractiveness measures resulted from 66 to 303 responses per celebrity ($M = 196$ for females, 84 for males). The attractiveness ratings for the two photos were correlated very highly ($r = .89$). Considering that these were two different photos, this suggests that the measure of attractiveness was consistent across the two photos. For the purpose of this study, we were interested in the overall physical attractiveness of the celebrity, and not of a particular photo, so the separate attractiveness ratings for the two photos were averaged to a single "attractiveness" score.

Results

Across respondents, the highest level of admiration was for Bill Cosby (53%) and the lowest was for Matt Drudge (1.7%). To test Hypothesis 1, whether attractive-

ness predicted admiration, the unit of analysis was the celebrity ($n = 48$). As a result, both measures were continuous variables (from 0 to 10 in attractiveness, 0 to 100 percent admiration). For this analysis, a correlation between the mean attractiveness rankings and overall level of admiration was conducted. The correlation between attractiveness and admiration was not significant ($r = .007$, $p = .490$). This does not support H1. Splitting the celebrities by gender revealed no relationship between attractiveness and admiration for males ($r = .04$, $n = 11$, $p = .43$) or for females ($r = -0.15$, $n = 19$, $p = .32$).

For Hypotheses 2 and 3, the unit of analysis was the respondent. We examined whether or not the respondent identified with each particular celebrity. Because the dependent variable was dichotomous, 48 separate logistic regressions were conducted.

Hypothesis 2 predicted that similarity would lead to celebrity admiration. For H2a, the results show that age match was generally not significant (average $B = .05$, 26 of 48 in the predicted direction). For H2b, gender match was important (average $B = .41$, 42 of 48 in the predicted direction). For H2c, racial match was also an important similarity factor (average $B = .49$, 37 of 48 in the predicted direction).

Hypothesis 3 predicted that media use would predict celebrity admiration. The results of these regressions showed the largest effects for television (average $B = .19$), followed by magazines and newspapers (average B s = .13) and a small effect for radio (average $B = .09$), thus mostly supporting H3.

Discussion

First, the lack of a relationship between attractiveness and admiration suggests that admiration appears to be distinct from attractiveness. Attractive people are no more likely to be admired. Second, both racial and gender similarity were related to admiration (with respondents more likely to admire celebrities of their own race and gender); age, however, was not important. This suggests that similarity does appear to relate to admiration. Third, consistent with the identification hypothesis, respondents' media use was also predictive of celebrity identification. These results support the importance of the mass media in shaping admiration of the celebrities, in line with the parasocial identification hypothesis.

The lack of support for Hypothesis 1 (attractiveness), combined with support for Hypotheses 2 and 3 (similarity and identification) suggest admiration is probably a distinct factor from attractiveness (Ohanian 1990). However, the finding that a person is more likely to admire a celebrity who is similar to him or herself than one who is dissimilar suggests that similarity is important in determining admiration. Because our findings also found a

relationship with media use, this suggests that the media may play an important role in developing admiration. This may occur through a process by which people can follow their favorite celebrity, and suggests that admiration is related to parasocial identification.

An assumption of this paper is that admiration would be important in determining the effects of celebrities in advertising. There are many good reasons to believe that people should be more likely to listen to and heed the advice of someone they admire than someone they don't. An empirical test of the subsequent effects of admiration, especially its comparison to existing concepts such as attractiveness, expertise, and trustworthiness, on attitude formation and purchase intentions is the next study. Further, this is an opportunity to examine whether admiration is distinct from two typical persuasion measures – credibility and expertise.

STUDY 2

An experiment was used to test the effects of admiration, attractiveness, similarity, and identification on advertising effectiveness. Pretests were used to select celebrities who varied in attractiveness, credibility, and identification. Eight celebrities were selected.

The final study consisted of a 2 (celebrity credibility) * 2 (celebrity attractiveness) * 2 (celebrity identification) * 2 (match-up) mixed experimental design. For the eight celebrities, sixteen advertisements were prepared, half of which were designed to match the expertise of the eight celebrity spokespersons, and half of which had no match. Each subject then viewed eight ads – four of them matched and four mismatched. The between-subjects factor was which set of ads was seen. The eight products were all intended to be low-involvement products. The products or services included cologne, movies, nightclubs, political organizations, and TV programs. The original advertisements were modified by the addition of celebrities and their photos. For most of these ads, the celebrity and content were added to advertisements originally designed without a person. A sample ad is shown in Appendix 1.

Subjects. The final sample consisted of 50 people recruited from a university in western North America. Twenty-seven of the subjects (54%) were female, and twenty-three of them (46%) were male. Respondents' ages ranged from 18 to 53, with an average of 26 years. The majority of respondents were citizens (58%), but a number of other countries were represented – China (30%), England (2%), European countries (2%), Japan (2%), and other (6%).

Procedure. Respondents were given an informed consent before they participated in the experiment, telling

them the purpose of the study and asking them to sign "I understand" in the informed consent, but not to sign their name. Respondents who agreed to participate in the experiment were then given the questionnaire booklet. They viewed each advertisement and filled in the corresponding questions. After all eight advertisements, they then filled in the demographic questions.

Measures. Scales were used to assess the celebrity endorsers' credibility, attractiveness, and expertise were adapted from Ohanian (1990). Items were chosen according to the item reliability of the scale. To measure credibility, "dependable" and "trustworthiness" were selected (Cronbach's $\alpha = .87$). To measure attractiveness, "attractive" and "handsome/beautiful" were selected ($\alpha = .93$). To measure expertise, "expert" and "knowledgeable" were selected ($\alpha = .91$). These questions were given using a seven-point Likert scale. Two questions regarding celebrity endorsers' identification were selected from Basil's (1996) research on identification study of celebrity effects ($\alpha = .73$). As in the first study, a single item was used to measure admiration. In this case, the item was worded "I admire [celebrity's name]" on the same seven-point Likert scale.

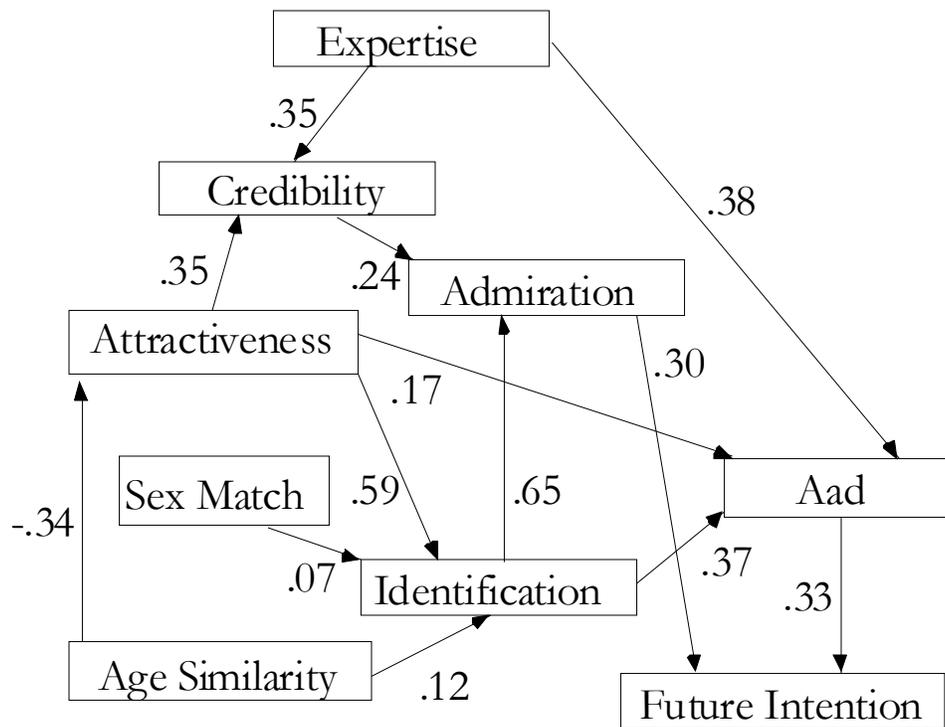
Ad outcomes were evaluated using (1) Aad and (2) Interest in learning more about the product or service. Subjects evaluated the ads using a seven-point semantic differential scale with endpoints of bad/good, negative/positive, and unfavorable/favorable (Davis 1995; $\alpha = .96$). Subjects also evaluated their interest in learning more using a seven-point Likert scale with two questions asking about their future interest in learning more about the products ($\alpha = .95$).

Results

Correlation, regression, and a structural equation analysis were used to examine the relationships between these variables. Hypothesis 1 predicted that attractiveness would predict the level of admiration of celebrities. There was a significant relationship between attractiveness and admiration ($r = .45$, $\beta = .44$, $p < .001$). However, this was mediated through identification such that attractiveness becomes insignificant when identification is included ($\beta = .04$, $p = .32$).

Hypothesis 2 predicted that similarity would predict admiration. For Hypothesis 2a, there was a significant relationship between age similarity and admiration ($r = .11$, $p = .01$). Age similarity was not related to admiration when it was the only variable in the regression ($\beta = .01$, $p = .96$) but became larger when identification was included ($\beta = .04$, $p = .09$). For Hypothesis 2b, gender similarity showed the predicted effect ($M = 3.6$ versus 3.3 , p [one-tailed] = $.04$); however, this effect was also eliminated when identification was controlled ($\beta = .03$, $p = .44$).

FIGURE 1
Structural equation model of experimental results



To examine the mediated relationships further, a structural equation model was conducted using AMOS 5.0. The results are shown in Figure 1.

Overall, this model shows a good fit (CFI = .767, RMSEA = .206). With regard to the specific relationships being examined, it also suggests that admiration is closely related to identification (path = .65) and attractiveness (path = .59). Admiration is also related to credibility (path = .24). The structural equation model suggests that admiration has independent effects on the intention to gather more information about the product or service in the future (path = .30). Overall, then, the path model suggests that admiration mediates the relationship between credibility and future intention, while identification has a direct effect on Aad. These results support the importance of admiration. Admiration is related to credibility, but more strongly related to identification.

Discussion

The results of the experiment support the importance of admiration in determining celebrity effectiveness. In this case, admiration is related to most of the same predictors as in the last study – age and gender match and identification. However, this study assessed not only the correlations between these variables themselves, but also their effects on typical outcome measures of attitude

toward the ad (Aad) and behavioral intention (to find out more). An important outcome was the effect that admiration of the celebrity had on the intention to find out more about the product or service mentioned in the advertisement. This finding seems consistent with the general idea of admiration as a means of establishing credibility for a product or service. When someone admired talks about a product, some of that admiration may transfer to positive thought about the product or service.

GENERAL DISCUSSION

Overall, the results of these two studies, conducted in very different ways, support the importance of admiration to advertising and marketing. Specifically, it appears that people admire celebrities for a variety of reasons. Admiration is related to age and gender similarity as well as credibility and especially to the level of identification with the celebrity. Therefore, admiration is likely to be an important attribute of celebrities, and should probably be used in their selection and evaluation.

More theoretically, the results are consistent with the importance of celebrity identification (Basil 1996). Here, we found that identification is a critical factor determining the effectiveness of a celebrity. Given the relationship between credibility and admiration shown in the second

study, there is some evidence that admiration may be a separate but closely related aspect of credibility.

In the case of the celebrities chosen here, attractiveness had no relationship with admiration for the variety of celebrities

chosen in Study 1. Attractiveness had some relationship in the case of the celebrities selected in Study 2, but this disappeared when identification was controlled. In both of these cases, however, the attractiveness that is experienced appears to depend on the level of identification with the celebrity.

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APPENDIX 1
Sample Ad



24 Hour Convenience.



dream

OVER 320 CLUBS NATIONWIDE
25 SAN DIEGO AREA LOCATIONS

go →

**"THIS IS THE BEST PLACE TO WORKOUT
I'VE FOUND"**
---- THE ROCK

6 Weeks of Fitness for only \$29
on a limited term one-club non-renewable membership. Offer expires 12/31/04.

800.204.2400
www.24HourFitness.com

Offer good with this ad only. Must use same club for entire term. No other discounts can be used with this offer. Must be at least 18 years old or 17 with parent. Incentives may be offered for meeting fitness goals. Personal Training and Kids Club available for an additional fee. Facilities and amenities may vary per location. Not all clubs open 24 hours every day. Promotion available at participating 24 Hour Fitness locations only. See club for complete details. ©2004 24 Hour Fitness USA, Inc. 368527233

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CELEBREALITY VS. REALITY STARS: HOW DO THEY AFFECT PRODUCT ENDORSEMENTS?

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SUMMARY

The objectives of this study are: to determine if consumers believe the events of reality and celebreality television are in fact real and if this affects their level of connectedness to the stars; to determine if this level of connectedness is associated with consumers' purchase intentions of products endorsed by the same stars; and to determine if there is a difference between consumers' perceptions of connectedness and reality for celebreality versus reality television personalities. This research contributes to product endorsement literature in two ways. With regard to theory, the study links existing reality television theory to product endorsements and provides a better understanding of the effects of celebreality and reality television stars' product endorsements on consumer behavior. With regard to management, the research findings have implications for companies contemplating celebrity endorsers for their brands and products. The term "celebreality" has been coined to describe celebrities that have revived their careers by participating in reality television. The main difference between celebreality and reality stars is that the former personalities were once famous for a particular talent.

A reality television show is defined "as any television show featuring non-actors under constant surveillance, reacting in spontaneous and unscripted ways to their environment" (Barton 1999). This study used the idea of connectedness as a valuable indicator of the strength and nature of relationships between a viewer and a television show. Connectedness is defined as "the level of intensity of the relationship(s) that a viewer develops with the characters and contextual settings of a program in the para-social environment" (Russell, Norman, and Heckler 2004). Of the six facets of connectedness, fashion, imitation, modeling, aspiration, and paraphernalia were considered, along with vicarious participation. This study seeks to extend this idea to both reality television programs and products endorsed by reality television stars. Given that celebreality stars had careers in particular areas (i.e., fitness, movies, and television), which may correspond directly with the product they are currently endorsing, this adds to the credibility of the link between the endorser and the product. Balance theory, which describes how an individual will align his or her attitude toward the object with that of the television star to achieve cognitive consistency (Heider 1958), was applied to

explain the connection between the consumer's admiration of the endorser and the product.

The survey sample frame for this research consisted of undergraduate students at a large university in the southwestern United States. The online survey consisted of 35 measurement items and seven demographic questions. All questions used five-point Likert scales. Respondents were also asked to share the number of hours they spend watching television each day (mean = 2.8 hours) and the number of hours they spend watching reality television each day (mean = 1.45 hours). Respondents were asked to specify their favorite reality television program, to share the name of their favorite reality television star from the show, and to respond to items for their specific television star and the corresponding reality television show. A total of 628 students completed the survey, yielding 571 usable responses. Data analysis consisted of: (1) assessment of the measurement scale for construct validity and reliability; (2) regression analyses to determine the predictors of purchase intention; and (3) multivariate analysis of covariance (MANCOVA) to compare groups (celebreality versus reality television stars).

This study supports the following hypotheses: (1) perceived reality is positively associated with the different dimensions of connectedness (adjusted $R^2 = .140$, $p < .001$); (2) the dimensions of connectedness are positively associated with purchase intention (adjusted $R^2 = .408$, $p < .001$); and (3) perceived reality is positively associated with purchase intention (adjusted $R^2 = .068$, $p < .001$). The low R^2 value for perceived reality and purchase intention indicated that connectedness is a strong mediator variable between perceived reality and purchase intention. The results indicated that there is not a significant difference between celebreality and reality television stars in terms of most of the dimensions of connectedness (aspiration, paraphernalia, personal identification, imitation, and modeling). Only fashion had a significant interaction between celebrity type and perceived reality (Wilks' Lambda $F(1,570) = 5.250$, $p < 0.05$).

One reason why fashion demonstrated a difference might be that the source credibility of celebreality and reality stars may vary. If marketers are considering celebrity endorsers for apparel, accessories, or beauty and grooming products or services, perhaps the celebreality star endorser may elicit a stronger connection, leading to

increased purchase intentions. The results indicated that as connection increases for a television star, so does purchase intention for products endorsed by that star.

In addition, this study provides empirical support for the positive association between consumers' connectedness and their purchase intention. The findings suggest that selecting a celebrity based on consumers' connection to the celebrity may lead to increased purchase intentions. Future research should include more diverse populations,

and the data in this study is self-reported. Future research may also compare multiple celebrity types, including athletes, actors of fictitious shows and movies, and reality television stars. Perhaps specific, celebrity-endorsed products may be incorporated into the study also, which allows for more concrete, direct measurements of purchase intention. In addition, future research may investigate different product categories for endorsements by reality television stars. References are available upon request.

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THE EFFECTS OF MUSIC ON THE TIME COURSE AND NUMBER OF BUY DECISIONS

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SUMMARY

Previous research regarding music and marketing has posited that major key music evokes lighter moods in people than minor key music (Webster and Weir 2005) and that faster music evokes more positive feelings than slower music (Stout and Leckenby 1988). Broekemier et al. 2008 reported that happy music increased shopping intention compared to sad music. Other research suggests that slower music evokes more bar sales in restaurants (Milliman 1986) than faster music and that slower music resulted in higher sales volume in a supermarket than faster music (Milliman 1982). Those studies are field studies or studies that do not use as a dependent variable a decision to buy an item. The present study reports on two well-controlled laboratory experiments that directly test the effects of tempo, key, and affective qualities of music on participants' buying decisions. A Buy/No Buy experimental paradigm was developed that measured the time course and frequency of Buy Decisions by participants viewing photographs of models wearing articles of clothing for sale. Both experiments were completely within-subjects repeated measures designs.

Experiment 1: 38 students and staff of Buffalo State College (33 women, 5 men) participated in the first experiment. The estimated mean age was 35 years. Separate female and male versions of the experiment were created. Two hundred fifty photographs each of female and male models modeling spring and summer fashions were downloaded from the website of a department store chain having no stores in the Buffalo area. The male and female photographs separately were randomly assigned to five equally sized groups resulting in five stimulus sets for each version.

Four songs were chosen for play during the experiment. All were instrumental songs from the rock era. All had similar instrumentation. One song was a fast tempo major key song, one was a fast tempo minor key song, one was a slow tempo major key song, and one was a slow tempo minor key song.

The experiment consisted of five parts that took place in one session. During each trial of the experiment one of the photographs of a clothing model appeared on the display. The participants' task was to decide if they would buy the item of clothing or not. They indicated their decision by pressing the appropriate button on a button box. This was not a speeded task. One of the songs was

played at a comfortable listening volume on close field monitor speakers that flanked the computer display and faced the participants during four of the five parts of the experiment. No music was played during the fifth part. This resulted in a completely within subjects design with five conditions: No Music, Fast tempo Major Key, Fast Tempo Minor Key, Slow Tempo Major Key, and Slow Tempo Minor Key. The order of presentation of the conditions was counterbalanced across participants. The dependent variables were Reaction Time to respond and number of Buy Decisions.

Results of Experiment 1: A paired-samples t-test was performed on mean reaction times. Mean Buy Decision times were significantly longer than Mean No Buy Decision times ($t = 6.722$, $df = 189$, $p < .001$, two-tailed; mean Buy reaction time = 1508 msec, mean No Buy reaction time = 1283 msec). A paired-samples t-test was performed on mean Buy and No Buy Decisions. There were significantly more No Buy Decisions than Buy Decisions ($t = -10.264$, $df = 189$, $p < .001$, two-tailed; mean Buy Decisions = 18.81, mean No Buy Decisions = 31.19). A nonparametric test of correlation was performed between the dependent variables on the entire set of responses. There was a significant positive correlation between Reaction Times and Buy/No Decisions ($\rho = .179$, $N = 9500$, $p < .001$, two-tailed). As reaction time increased so, linearly, did probability of a buy decision. The Buy/No Buy paradigm was sensitive to participants' preferences for clothing and established a time course for those decisions. Buy decisions are rarer and take longer than No Buy Decisions. However, no significant results were found for mode (key type) or tempo of music.

Carry-over effects are a weakness of the within subjects design and this may have happened in this experiment clouding the relative effects of music exposure and key type and/or tempo. The second experiment precluded one type of carry-over effect by always having the No Music condition first.

Experiment 2: forty-two students, faculty, and staff at Buffalo State College (34 women, 8 men, all different from Experiment 1) participated. The estimated mean age was 40 years. Three sets of 100 photographs the same as or similar to those used in Experiment 1 comprised the visual stimuli for this experiment.

Six songs of the rock era were selected for use in the experiment. Three were happy songs and three were sad

songs. Pilot testing with different subjects identified happy and sad songs in each genre. One pair of happy and sad songs each was selected from the musical genres Pop, Rock, and Country. All songs contained sung lyrics.

The equipment and procedure was the same as in Experiment 1. Experiment 2 had three conditions; No Music, Happy Music, and Sad Music. The No Music condition always occurred first to avoid carry over effects from music conditions. The Happy Music and Sad Music conditions were counterbalanced across participants. Participants indicated their preference for Pop, Rock, or Country music on a pre-experiment information form. The genre of the Happy/Sad song pair played during parts two and three of Experiment 2 matched participants' preference. The dependent variables were the same as Experiment 1.

Results of Experiment 2: Mean Buy Decision times were significantly longer than Mean No Buy Decision times ($t=3.647$, $df = 125$, $p < .001$, two-tailed; mean Buy reaction time = 1419 msec, mean No Buy reaction time = 1297 msec). There were significantly more No Buy Decisions than Buy Decisions ($t = -3.432$, $df = 125$, $p = .001$, two-tailed; mean Buy Decisions = 44.0, mean No Buy Decisions = 55.1). As in experiment one a non-parametric correlation test showed that as reaction time increased so, linearly, did Buy Decision probability ($\rho = .110$, $N = 12600$, $p < .001$, two-tailed). Mean Reaction Times were computed for the three conditions for each participant. There was a significant effect of Music Condition

($F(2.82) = 18.153$, $p < .001$). Planned comparisons showed that the reaction times for the No Music condition (mean = 1438 msec) were significantly longer than the Happy Music condition (mean = 1244 msec) and the Sad Music condition (mean = 1233 msec). The Happy and Sad Music conditions did not significantly differ from each other. Mean number of Buy Decisions were computed for the three conditions for each participant. There was a significant effect of Music Condition ($F(2.82) = 12.534$, $p < .001$). Planned comparisons showed that mean Buy Decisions for the No Music condition (mean = 48.6) were significantly higher than the Happy Music condition (mean = 43.7) and the Sad Music condition (42.4). The Happy and Sad Music conditions did not significantly differ from each other.

Conclusion: Exposure to music appears to inhibit buying behavior by shortening item viewing times. The result is fewer Buy Decisions. Emotional content of the music had no differential effect but overall exposure to music appears to be bad for sales. This may be because music demands attention from the participants (Bonnell and Hafter 1998) while the no music condition allows attention to be fully concentrated on the task. Attention is a limited cognitive resource (Johnston and Heinz 1978). When attention is divided among tasks the performance of each task may suffer. Thus a retail store or online catalog that plays ambient music may be distracting customers from the cognitive processes involved in making purchase decisions. References are available upon request.

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PLEASANT MUSIC'S RELATIONSHIP WITH PATRONAGE EXPERIENCE AND RETURN INTENTIONS IN RETAIL AND SERVICE ENVIRONMENTS

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SUMMARY

For over forty years, there has been growing interest with retail atmospherics as a strategic tool to help generate a competitive advantage. Kotler (1973–1974) proposed that atmospherics could gain attention from the competition, develop a compatible message with a specific target market, and generate “visceral” reactions which lead to consumer purchasing behavior in a retail environment. Turley and Milliman’s (2000) review of atmospherics research identified *music* as the most frequently studied variable compared to lighting, scents, color, temperature, and décor.

This is the first field study to investigate the relationship of *pleasant music* in retail and service environments with prior consumer patronage experience and return patronage intentions. Our current study addresses the recommendation by Herrington and Cappella (1994, p. 62) “to determine the relationship between background music and shoppers’ tendency to return to the retail establishment.”

In environmental psychology, Mehrabian and Russell (1974) found research support for a S-O-R (stimulus-organism-response) PAD model (pleasure, arousal, and dominance) which would lead individuals to approach or avoidance responses in an environment. Donovan and Rossiter’s (1982) research findings showed that “perceived pleasantness of the in-store environment . . . (was) the only significant predictor in the PAD equation . . . (representing) . . . 44 percent of intended approach-avoidance behaviors in the retail stores” (p. 49). Gardner’s (1985) conceptual model suggested that positively valenced (i.e., pleasant, happy) music would lead to positive consumer moods, which should generate positive evaluations and behaviors. From their meta-analysis of 150 research studies on background music in retail environments, Garlin and Owen (2006) concluded that even “the mere presence of music” has a positive effect on patronage as well as “felt pleasure” (p. 761). According to a review of music and consumer research by Kellaris (2008, p. 838), “music is frequently characterized in terms of subjective properties that are not constituent properties of music at all, but rather reactions resident within listeners (e.g., “*pleasant music*”).

Relatively few studies have focused on *pleasant music* in retail or service settings, most are lab experiments, and none have included the dependent variables in the current study. For example, research has shown that more *pleasant music* and more pleasant environments have been associated with: increased consumer cognitive activity when consumers spoke to sales people with weak arguments (Chebat et al. 2001), more positive attitudes toward the servicescape, sales people, and overall store evaluation (Dubé and Morin 2001), more positive consumer emotional responses to wait length and increased perceptions of the wait length (Hui et al. 1997), and more positive holistic attitudes toward the servicescape, which led to more positive service outcomes (Morin et al. (2007). *Pleasant music* (along with spatial layout and attractive interior design) was also found to be a significant contributor to patron satisfaction in mid-to upscale restaurants (Namkung and Jang 2008).

Our study proposed three hypotheses: More pleasant music in a retail or service environment will be related to (H1) more prior store patronage (i.e., experience shopping at this type of store before), (H2) greater experience visiting this type of store with more frequency (often shop there), and (H3) greater return patronage intentions (less store avoidance) for the future.

The constructs were measured with 5 point Likert scales from 1 = strongly disagree to 5 = strongly agree: (1) *Pleasant music*: “The music is pleasant,” (2) *Prior retail patronage*: “I have shopped in this type of store before” and (3) *Frequency of shopping at this type of store*: “How often do you shop in this type of store?” (a) never, (b) 1–2 times a year, (c) 3–6 times a year, (4) about once a month or more, and (4) *Return patronage intentions* (reverse-coded): “I would avoid returning to this store” similar to Caldwell and Hibbert (2002) and Eroglu et al. (2005). This study addressed Garlin and Owen’s (2006) recommendation for future research to include “field studies outside the laboratory (which) could increase our understanding of the background music phenomena” (p. 762). Our research is a field study with numerous types of retailers and service providers for more generalizable findings, which has been done by only a few studies (e.g., Donovan and Rossiter 1982; Areni 2003a, 2003b). Par-

ticipants were sent into stores and service environments of their own selection which had background music and completed a questionnaire after the visit. Eleven different types of organizations were visited with 61 percent classified as retail stores selling physical goods and 39 percent as service providers. Two hundred and forty eight (n = 248) questionnaires were collected in the U.S. from undergraduate and graduate students, with a median age of 25; 60 percent were female and 40 percent male. Results showed statistically significant findings in the expected directions, providing support for H1–H3. The correlations for *pleasant music* with the three variables were: .158 (p < .01) for H1 prior store patronage, .176 (p < .001) for H2 frequency of store visit, and -.228 (p < .001) for H3 future patronage intentions (“avoid returning to this store” reverse-coded). Similarly, simple regression analyses showed there were positive relationships for *pleasant music* with prior store patronage (H1) ($\beta = .158, p < .05$) and store visit

frequency (H2) ($\beta = .176, p < .01$), and there was a negative relationship for H3 of “avoid returning to this store” with *pleasant music* ($\beta = -.258, p < .000$). Our study’s results provide a new contribution to the literature by extending the theoretical understanding of relationships for *pleasant music* with consumer return patronage intentions, as well as prior store patronage experience with that type of store, and frequency of past experience shopping at that type of store or service provider. One managerial implication from this study for future research is the issue that *pleasant music* may be more suitable for most retail and service environments than simply “liked” music in regards to patronage. Our study’s findings can contribute to more effective utilization of music atmospherics as an important strategic tool for competitive advantage for retailers and service providers. References are available upon request.

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DOES PERSONALITY INFLUENCE PRICE PERCEPTION? AN EMPIRICAL STUDY

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ABSTRACT

Consumers' price perceptions are of immense importance for marketing. We tested the relationship between the Big 5 personality traits, and different price perception constructs ($n = 214$). Significant results were found for neuroticism, extraversion, and conscientiousness, supporting the hypothesis that personality traits qualify as relevant antecedents of consumer price perceptions.

INTRODUCTION

Academic and Managerial Marketing Issues

Price is a strong driver of profit, both through the turnover and cost side of the profit equation. As a consequence, understanding customers' price perceptions is overwhelmingly important for marketing management (Mizayaki 2003). In recent years, there has been increasing interest in perceptual and behavioral aspects of pricing (Homburg and Koschate 2005). A variety of constructs has been studied, such as customers' price search behavior (Carlson and Gieseke 1983; Urbany, Bearden, and Weilbaker 1988), customers' price knowledge (e.g., Rosa-Diaz 2004), or price awareness (e.g., Estelami 2005).

Several empirical studies provide insights into the structure and outcomes of price perceptions and behavior (e.g., Lichtenstein, Netemeyer, and Burton 1990; Lichtenstein, Ridgway, and Netemeyer 1993). Relatively little is known, however, about the antecedents of price behavior. Extant studies often focus on socio-demographic variables such as age or gender (e.g., Krishna, Currim, and Shoemaker 1991). Our research looks at the role of personality traits as potential predictors of price behavior (e.g., McCrae and Costa 1987). The remainder of this manuscript is structured as follows: First, we provide a literature overview and introduce the focal constructs. Second, we present our research design and results. Finally, we discuss implications, limitations, and avenues for future research.

LITERATURE REVIEW

Each consumer is characterized by distinct subjective price perceptions that are not necessarily in line with objective prices (Monroe 1973). The objective price is the

price associated with a product, the price that the seller has chosen, whereas the perceived price is based on the individual consumers' encoding. This encoding is not necessarily based on monetary units that classify a price as expensive or cheap (Jacoby and Olson 1977). Price perceptions influence consumer behavior as "[. . .] intervening variable between a stimulus and a response" (Monroe 1973, p. 78). Price cues are an important marketing stimulus. In response, consumers show behaviors. These behaviors depend "[. . .] on the perceptual process that an individual uses to give meaning to the raw material provided by the external world" (Monroe 1973, p. 70). Essentially, prices qualify as "raw material" – in addition to other stimuli that are available for purchasing decisions, such as the brand, packaging, or size (Monroe 1973). Altogether, price perceptions constitute an extensive and complex topic. The different constructs measuring price perception commonly used in scholarly research are introduced subsequently.

CONSTRUCTS OF PRICE PERCEPTION

Constructs that allow measuring the distinct dimensions and aspects of consumer price perceptions represent the groundwork for the study at hand. Of these constructs, coupon proneness, sale proneness, and price mavenism measure the perception of price in its negative role, while prestige sensitivity measures this perception in its positive role (Lichtenstein, Ridgway, and Netemeyer 1993).

The negative dimensions are linked to the economic sacrifice that has to be made in order to acquire a commodity or a service. The correlation between price and buying probability is, therefore, in most cases negative (Lichtenstein, Ridgway, and Netemeyer 1993). Coupon proneness is defined as "an increased propensity to respond to a purchase offer because the coupon form of the purchase offer positively affects purchase evaluations" (Lichtenstein, Netemeyer, and Burton 1990, p. 56). Coupon prone consumers often see coupons as extrinsic signals of a bargain. Accordingly, they do not compare the effective price paid using the coupon with the price of other offers (Zeithaml 1988). Sale proneness describes a consumers' higher probability of responding to a sale than to a regular offer (Lichtenstein, Ridgway, and Netemeyer 1993). Price mavenism is "the degree to which an individual is a source for price information for many kinds of

products and places to shop for the lowest prices, initiates discussions with consumers, and responds to requests from consumers for marketplace price information” (Lichtenstein, Ridgway, and Netemeyer 1993, p. 235). Price mavenism originates from the concept of market mavens. While these individuals like to be informed about the marketplace in order to communicate their knowledge to others (Feick and Price 1987), price mavens have similar interests regarding price as one dimension of the marketplace (Lichtenstein, Ridgway, and Netemeyer 1993).

However, price can also be perceived positively as an indicator of product quality or as a means to gain prestige. Accordingly, in this context, the correlation between price and buying probability is positive. Prestige sensitive consumers have “favorable perceptions of the price cue based on feelings of prominence and status that higher prices signal to other people about the purchaser” (Lichtenstein, Ridgway, and Netemeyer 1993, p. 235).

The previous descriptions display the complexity of consumers’ perceptions of prices in their negative and positive role. As the research at hand will show, personality traits qualify as relevant antecedents of these complex perceptions.

PERSONALITY TRAITS

Price perceptions are subjective constructs with high relevance in purchasing decisions. However, little research has attempted to identify potential antecedents. The purpose of this paper is to provide insights into the role that personality traits have on price perceptions. In order to identify the possible impact of personality traits as antecedents of price perceptions we draw on a widely accepted (Digman 1990) conceptualization of consumers’ personality structure developed in psychology. The conceptualization comprises the character traits of neuroticism, extraversion, openness to experience, agreeableness, and conscientiousness. These dimensions are often referred to as the “Big Five.” For each individual, these dimensions are more or less pronounced and, hence, have different effects (Costa and McCrae 1985). Because of their relative stability over time (Costa and McCrae 1988; McCrae and Costa 1997), the five dimensions are interesting potential antecedents to consumer price perceptions.

Neuroticism “represents the presence and effects of negative affect” (Digman 1990, p. 422). It “contrasts emotional stability and even-temperredness with negative emotionality, such as feeling anxious, nervous, sad, and tense” (John and Srivastava 1999, p. 121). In previous studies, adjectives most commonly used to describe the neuroticism dimension are worrying, insecure, self-conscious, and temperamental (McCrae and Costa 1987).

Furthermore, neurotic consumers tend to behave impulsively in terms of overeating, smoking, or drinking excessively (Costa and McCrae 1980). Extraversion can generally be understood as the opposite of introversion (Eysenck 1947). It “implies an energetic approach to the social and material world and includes traits such as sociability, activity, assertiveness, and positive emotionality” (John and Srivastava 1999, p. 121). McCrae and Costa (1987) report the adjectives sociable, fun-loving, affectionate, friendly, and talkative as loading the most on this dimension. Further agreement can be found in the literature regarding cheerfulness, activity level, assertiveness, and sensation seeking as elements of extraversion (Revelle et al. 1980). In McCrae and Costa’s study, the adjectives loading the most on openness to experience are original, imaginative, broad interests, and daring (1987). “Openness to experience (versus closed-mindedness) describes the breadth, depth, originality, and complexity of an individual’s mental and experiential life” (John and Srivastava 1999, p. 121). Fantasy, aesthetics, feelings, actions, ideas, and values are other manifests of openness (Costa and McCrae 1980). Agreeableness is the opposite of antagonism (McCrae and Costa 1987). “Agreeableness contrasts a prosocial and communal orientation toward others with antagonism and includes traits such as altruism, tender-mindedness, trust, and modesty” (John and Srivastava 1999, p. 121). Based on the adjectives loading the most on the disagree pole, “antagonistic people seem always to set themselves against others. Affectively they are callous and unsympathetic; behaviorally they are uncooperative, stubborn, and rude” (McCrae and Costa 1987, p. 88). Conscientiousness can be understood as being governed by conscience or to act carefully and thoroughly (McCrae and Costa 1987). It includes human characteristics such as “altruism, nurturance, and emotional support at the one end of the dimension, and hostility, indifference to others, self-centeredness, spitefulness, and jealousy at the other” (Digman 1990, pp. 422–424). The adjectives best characterizing conscientious people are scrupulous, hardworking, ambitious, energetic, and persevering. The last four adjectives characterize proactive attitudes (McCrae and Costa 1987).

RELATIONSHIPS BETWEEN PERSONALITY AND PRICE PERCEPTIONS

In our study, we analyze the relationships between the Big 5 personality traits and the price perception constructs coupon proneness, sale proneness, price mavenism, and prestige sensitivity. Subsequently, we derive the hypotheses about the relationships between the different dimensions of both constructs. Unless indicated otherwise, the explanations ground on the previously employed research, (e.g., Lichtenstein, Ridgway, and Netemeyer 1993; McCrae and Costa 1987).

Neuroticism

Neurotic people tend to be worrying, insecure, self-conscious, and temperamental. Special price attractions, such as coupons and sales, can therefore provide orientation and reduce insecurity. Using coupons helps neurotic consumers to gain certainty about their purchase decisions. Coupon proneness is the propensity to follow a purchase offer due to the coupon form. The coupon documents price advantages in written form and reduces insecurity. Therefore, we hypothesize:

H1a: Neuroticism has a positive influence on coupon proneness.

Consumers who are coupon prone respond to a coupon rather than to a regular offer. They see less risk in a coupon-based promotion as compared to a non-coupon promotion. In a likewise manner, the reduction of price risk makes neurotic consumers more sales prone:

H1b: Neuroticism has a positive influence on sale proneness.

As neurotic consumers are relatively insecure in terms of correct behavior in interactions with other individuals, they do not dare to initiate discussions with fellow consumers about prices. Nor do they easily recommend shops or brands for their attractive prices, a behavior that would be typical for price mavens:

H1c: Neuroticism has a negative influence on price mavenism.

To compensate or hide their insecurity, anxiousness, and nervousness, neurotic people seek strategies allowing them to occupy a stable position in society. External symbols of success and wealth can be an instrument in this regard. Hence, we expect neurotic consumers to buy more expensive and prestigious products that signal a higher status to other people:

H1d: Neuroticism has a positive influence on prestige sensitivity.

Extraversion

Extraverted consumers are sociable, fun-loving, affectionate, friendly, and talkative. "Extraversion implies an energetic approach to the [...] material world" (John and Srivastava 1999, p. 121). Extraverted consumers want to enjoy life and seek excitement. While they do not attempt to save every penny of their budget, they find it thrilling to hunt for good prices. Therefore, it is reasonable to assume that extraverted consumers let their purchase decisions rely on coupon or sale offers for the fun of bargain hunting. Therefore, not necessarily the cheap

price but the excitement of searching for a great offer helps them meeting their desire for fun activities:

H2a: Extraversion has a positive influence on coupon proneness.

H2b: Extraversion has a positive influence on sale proneness.

Price mavens like to be informed about prices and to exchange their knowledge with others. Also, they are talkative and outgoing, as well as prone to an energetic approach to matters of materialism, just as extrovert consumers are:

H2c: Extraversion has a positive influence on price mavenism.

Outgoing individuals that spend a lot of time with friends and acquaintances are aware of the prestigious effect of using certain products or services. However, as they are more focused on intangible values such as social ties and friendships, they do not care too much about the prestigious effects of certain purchases. For this reason we assume:

H2d: Extraversion has a negative influence on prestige sensitivity.

Openness to Experience

Consumers that are open to experience are imaginative, original, and intelligent. They have broad interests and are courageous. When considering product offers, their independent and thorough view of things helps them evaluate the offers and make decisions based on their knowledge. External triggers such as price attractions have a little chance to affect their purchase decisions. Therefore, we state:

H3a: Openness to Experience has a negative influence on coupon proneness.

H3b: Openness to Experience has a negative influence on sale proneness.

Intelligence is another attribute of open consumers. Being able to give advice about prices grounds on conclusions derived from accumulated knowledge and observations. Open consumers with their broad interests are therefore a reliable source for price information and their courageous character makes them prone to share these with other people:

H3c: Openness to Experience has a positive influence on price mavenism.

Products with a higher price have a higher prestige and open consumers are aware of this correlation. However, instead of being inclined to this effect, they have more demanding claims toward products. As the product's originality is more important than its prestige:

H3d: Openness to Experience has a negative influence on prestige sensitivity.

Agreeableness

Positive feelings such as trust, straightforwardness, modesty, and tender-mindedness characterize agreeableness. Agreeable consumers are very price conscious. They feel more at ease with low spending for them and do not mind extra burdens to search for the lowest prices. While driven by their modesty, these individuals feel less guilty about spending money when the products are on sale or discounted through a coupon. For this reason, positive relationships with coupon and sale proneness are expected:

H4a: Agreeableness has a positive influence on coupon proneness.

H4b: Agreeableness has a positive influence on sale proneness.

Price mavens like giving advice about where to get the best offers. They are well informed and convinced about their competences. Agreeable individuals are modest and tender-minded, and uncomfortable when being asked for their recommendation about a subject. Therefore, we suspect the relationship to be negative:

H4c: Agreeableness has a negative influence on price mavenism.

Agreeable individuals feel similar discomfort when purchasing prestigious and expensive products that make them stand out in a social group. Because of the signals prestigious items send to other people, agreeable consumers associate discomfort with prestigious purchases:

H4d: Agreeableness has a negative influence on prestige sensitivity.

Conscientiousness

Conscientious consumers are hardworking, ambitious, energetic, and persevering. Consumers with high ratings on the conscientious dimension follow norms and rules and are rather careful and accurate. Also, they are more reliable than other individuals. Being thorough and well-organized means that conscientious consumers easily hold on to the oftentimes tangible documents repre-

sented coupons. Therefore, they are likely to use the coupons when shopping:

H5a: Conscientiousness has a positive influence on coupon proneness.

The accurateness and reliability of conscientious consumers makes them valuable sources of price information. Also, they sometimes show compulsive tendencies in their behavior, leading, for example, to a continuous need to be well-informed about where to get the best prices. Even though agreeable consumers are more prone to share their knowledge, we assume a positive relationship between conscientiousness and sale proneness as well as price mavenism:

H5b: Conscientiousness has a positive influence on sale proneness.

H5c: Conscientiousness has a positive influence on price mavenism.

The proneness to stick to norms and rules as well as carefulness are traits that make conscientious consumers sensitive to the signaling effect of prestigious products. They tend to avoid standing out from a social group because of either using too many or too few prestigious products. This postulates that conscientious consumers are aware that higher priced products have a higher prestige:

H5d: Conscientiousness has a positive influence on prestige sensitivity.

Brand Attachment and Product Category Involvement

We test for brand attachment and product involvement as moderators in the above described relationships. Brand attachment is a psychological variable that represents a relationship of psychological proximity and of durable and unalterable affectivity with the brand. It is not particularly related to the functional attributes of the brand, and it can be relative to a period of life. Attachment differs from other affective relationships, such as emotion. Emotions are more intense and brief, while attachment represents an enduring long term relationship (Lacoeuilhe 2000).

Product involvement is "a person's perceived relevance of the [product] [...] based on inherent needs, values, and interests" (Zaichkowsky 1985, p. 342). Products with which people are highly involved directly influence the well-being of the consumer. A consumer with high product involvement will put more effort into the purchasing search (Bloch, Sherrell and Ridgway 1986).

Both constructs influence the strength of the assumed relationships between personality traits and price perceptions and are therefore important to consider.

MAIN STUDY

In the following section we outline the research design that we used to explore how personality traits help predict price perceptions.

Research Design

We questioned 214 respondents in an online survey. We recruited the respondents via a flyer distribution in public areas. The nationality of all participants was German. The youngest participant was 25 years old and the average age was 35 years. About one half of the sample was women and the other half men. To measure the Big 5 personality traits we used the revised NEO-PI, the Neuroticism-Extraversion-Openness Personality Inventory (Costa and McCrae 1985, 1989; Rolland 1998). On the basis of Rammstedt and John's work, we translated the scale into German. The German scale qualified to be valid

and reliable (Rammstedt and John 2005). For the Big 5 personality factors Cronbach's alphas were all good. To measure the price perception constructs we employed the scale of Lichtenstein, Ridgway, and Netemeyer (1993). We translated the items into German in a double-blind process. Afterwards, we compared and discussed the independent translations of measurement items with professional translators as well as the research team. The values for Cronbach's alpha were all above .8 documenting the reliability of the scale. In order to control for the influence of product involvement, we asked the participants to name their favorite chocolate brand. Chocolate is relatively cheap, non-durable, and can be purchased in retail stores. We chose chocolate because it is an everyday commodity that anybody can relate to. In the questionnaires we stated that chocolate had to be bought for oneself. We tested the consumer's level of involvement when buying chocolate by using a modified product involvement scale (Zinkhan and Locander 1988). The reliability of the construct was fully acceptable (George and Mallery 2003). Furthermore, we surveyed the respondents' level of brand attachment to their favorite chocolate brand. We used a German translation of the validated five

TABLE 1
Parameter Estimates for Consumer Price Perceptions

		Model Fit:	Estimates		
		Adjusted	(std. Beta)	Std. Error	Sig.
		R-Square			
Model 1:	Dependent Variable: Coupon Proneness	.205			
	Neuroticism		.364	.103	.001
	Extraversion		.248	.097	.011
	Conscientiousness		.309	.110	.005
	Brand Attachment x Neuroticism		.248	.087	.005
	Product Involvement x Neuroticism		.235	.095	.014
Model 2:	Dependent Variable: Sales Proneness	.071			
	Neuroticism		.230	.107	.032
	Extraversion		.305	.101	.003
	Conscientiousness		.804	.349	.022
	Brand Attachment x Conscientiousness		-.241	.109	.029
	Product Involvement x Conscientiousness		-.300	.125	.017
Model 3:	Dependent Variable: Price Mavenism	.226			
	Neuroticism		.136	.061	.027
	Extraversion		.357	.170	.037
	Brand Attachment x Extraversion		-.117	.051	.022
Model 4:	Dependent Variable: Prestige Sensitivity	.270			
	Openness		-.255	.116	.029
	Brand Attachment x Openness		.134	.048	.006
	Product Involvement x Openness		.148	.046	.002

TABLE 2
Overview of tested Hypotheses and Results

Big 5 Personality Traits	Hypothesis	Expected Effect	Identified Effect
Neuroticism	H1a: Neuroticism has a positive influence on coupon proneness.	+	+
	H1b: Neuroticism has a positive influence on sale proneness.	+	+
	H1c: Neuroticism has a negative influence on price mavenism.	-	+
	H1d: Neuroticism has a positive influence on prestige sensitivity.	+	n.s.
Extraversion	H2a: Extraversion has a positive influence on coupon proneness.	+	+
	H2b: Extraversion has a positive influence on sale proneness.	+	+
	H2c: Extraversion has a positive influence on price mavenism.	+	+
	H2d: Extraversion has a negative influence on prestige sensitivity.	-	n.s.
Openness to Experience	H3a: Openness has a negative influence on coupon proneness.	-	n.s.
	H3b: Openness has a negative influence on sale proneness.	+	n.s.
	H3c: Openness has a positive influence on price mavenism.	-	n.s.
	H3d: Openness has a negative influence on prestige sensitivity.	-	-
Agreeableness	H4a: Agreeableness has a positive influence on coupon proneness.	+	n.s.
	H4b: Agreeableness has a positive influence on sale proneness.	+	n.s.
	H4c: Agreeableness has a negative influence on price mavenism.	-	n.s.
	H4d: Agreeableness has a negative influence on prestige sensitivity.	-	n.s.
Conscientiousness	H5a: Conscientiousness has a positive influence on coupon proneness.	+	+
	H5b: Conscientiousness has a positive influence on sale proneness.	+	+
	H5c: Conscientiousness has a positive influence on price mavenism.	+	n.s.
	H5d: Conscientiousness has a positive influence on prestige sensitivity.	+	n.s.

items brand attachment scale which we adjusted according to the respondent's favorite brand (Lacoeuilhe 2000). Scale reliability turned out very well with Cronbach's alpha rating approximately .8. Finally, we inquired demographic criteria such as gender, age, nationality, level of education, and income.

Major Results

Our results are encouraging and prove that personality influences the way people perceive prices. Even though space restrictions do not allow presenting detailed analysis, we provide an overview of the most relevant results. To explore how personality traits influence price perception, we performed a stepwise regression analysis and used the parameter estimates (standardized Beta coefficients) from the results to predict the dependent variables coupon proneness, sales proneness, price mavenism, and prestige sensitivity.

In Model 1, coupon proneness is positively influenced by neuroticism ($\beta = .364, p < .01$), extraversion ($\beta =$

$.248, p < .05$), and conscientiousness ($\beta = .309, p < .01$) (see Table 1). The relationship between neuroticism and coupon proneness is furthermore moderated by brand attachment ($\beta = .248, p < .05$) and product involvement ($\beta = .235, p < .05$). In Model 2, the adjusted R-square with sales proneness as dependent variable is low (.071). Nevertheless, the parameter estimates of neuroticism ($\beta = .230, p < .05$), extraversion ($\beta = .305, p < .01$), and conscientiousness ($\beta = .804, p < .05$) support the relationship between personality traits and sales proneness. The relationship is negatively moderated by brand attachment ($\beta = -.241, p < .05$) and product involvement ($\beta = -.300, p < .05$).

Model 3 displays that price mavenism is positively influenced by neuroticism ($\beta = .136, p < .05$) and extraversion ($\beta = .357, p < .05$), whereas the moderating effect with brand attachment and extraversion is negative ($\beta = -.117, p < .05$). The last Model 4 predicts prestige sensitivity. The model shows a negative influence of openness ($\beta = -.255, p < .05$). Brand attachment ($\beta = .134, p < .01$) and product involvement ($\beta = .148, p < .01$) moderate this

relationship positively. Demographical characteristics such as gender did not predict any of the price perception constructs. Table 2 provides an overview of hypotheses and results.

GENERAL DISCUSSION

The present study enlarges extant knowledge about perceptual aspects of pricing. Although we used a relatively small non-student sample, some interesting relationships between personality traits and price perception were identified. With larger samples, some of the non-significant effects of our data set may turn out to be significant. Such findings are relevant for academic research as well as for managerial decision making. Theoretical implications concern the identification of a potentially relevant set of

antecedent variables for price perceptions. Future research should attempt to analyze the role of personality for price perceptions and, hence, price behavior in different product categories and national settings. This would ensure that the links identified here can be reproduced. Results from studies linking personality traits to price perceptions allow managers a better understanding of price behavior. If certain personality traits favor specific price behaviors, managers may use them in order to segment markets and design specific communication strategies for specific personality types. This is an opportunity for companies to make their communication more efficient and to better understand their consumers' reactions to prices. However, further research is needed to justify more precise managerial recommendations, as a geographically limited sample was used for the study at hand.

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ASYMMETRIC PRICE RANGE EFFECTS ON VERTICAL EXTENSIONS

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SUMMARY

Vertical line extensions, both step-up and step-down, are common occurrence in consumer products. For example, Timex recently launched its luxury high-end Valentino line. On the other hand, many companies use downscale extensions to increase the overall sales volume. For instance, a number of luxury watch brands recently introduced watch collections with lower price points, like TAG Heur's affordable watch the Aquaracer Calibre 5. Previous literature on vertical extensions has investigated how number of products in the line (Dacin and Smith 1994), the direction of the extension, brand concept (Kim, Lavack, and Smith 2001), and perceived risk (Lei, de Ruyter, and Wetzels 2008) affect extensions' evaluation. Common to this literature is the use of models based on adaptation-level theory, which states that all relevant price information is integrated into a single prototype value and used in consumer judgments of price (Helson 1947; Mazumdar, Raj, and Sinha 2005). In the current research we argue that, while adaptation-level theory can be viewed as a useful simplification to understanding consumers' evaluations, it misses out important contextual influences caused by a brand's price range. Drawing on research on range-frequency theory (Mellers and Cooke 1994; Parducci 1965) we investigate the effects of price point distance and parent brand's price range on evaluations of vertical extensions. Our reasoning leads to two important predictions that we test in a series of three experiments.

First, we argue that price distance has an asymmetric effect of extension evaluation. We propose that for upward extensions, evaluations decrease as price distance increases. In other words, a new product that is a little more expensive than a company's usual range of prices will be better received than one that is considerably more expensive. In contrast, for downward extensions, evaluations will be unaffected by price distance. In other words, the impact of the parent brand on a step-down extension will be same regardless of whether the new product a little below the brand's price range or a lot below. Second, we argue that extension distance is not relative on the parent brand's average price. Rather it is influenced by the width of range of prices. For step-up extensions, wide parent brand's price range will lead to more favorable extension's evaluations than narrow parent brand's price range. This leads to the counter-intuitive

proposition that a brand that only manufactures high-end products may have more difficulty introducing an upward extension than one that has a broader positioning manufacturing mid and high-end products. Consistent with our first proposition, range size affects upward extensions, but not downward.

Study 1 was an online study that tested our predictions that price distance is impactful in high risk situations, namely upscale extensions, but not on low risk scenarios, namely downscale extensions. Participants read a brief scenario describing either two car manufacturers introducing a step-down extension, or two car manufacturers introducing a step-up extension. Upon reading the scenarios, respondents were asked to evaluate companies' price positions and relative risk perceptions on seven-point scales adapted from Kaplan, Szybillo, and Jacoby (1974). We found that evidence that there is a difference between upward and downward vertical extension risk perception. We also found that for upscale extensions, the bigger the distance between the parent brand and its extension, the bigger the risk perceived by the consumer. On the other hand, when extending downwards, consumers' perception of risk of the extension is the same regardless of its price point distance of the parent brand.

Study 2 was conducted to test the hypothesis that vertical extension evaluations are dependent on the price range size of the parent brand and not on average price. Participants read a brief scenario providing a brief description of the core brand and its extension and price information. Next, respondents assessed their perceptions regarding the price information of the parent brand and then they evaluated the extension favorability and willingness to buy. This experiment supports the predicted effect of price range width on evaluations of vertical extensions such that, evaluations of step-up extensions are more favorable in wide versus narrow condition. On the other hand, we did not find any significant difference between wide and narrow price ranges in evaluations of step-down extensions. Our manipulation of range keeping the average fixed was important to contrast range-frequency theory to adaptation-level theory; however, it allowed room for a potential alternative explanation. Therefore, experiment 3 was designed to rule out this alternative explanation providing stronger evidence for our predictions.

Study 3 was aimed to test the robustness of the findings of experiment 2 by using a different manipulation of parent brand's price range. While in experiment 2, average prices were kept constant. In experiment 3, we manipulate the parent brand's price range in a way that step-up extensions of narrow price ranges have higher price averages, leading to a more stringent test of our predictions. We found only stronger support for our predictions. As hypothesized, evaluations of step-up extensions are more favorable in wide versus narrow condition even when the narrow condition has a higher price average. We also replicate results of the previous experiment for step-down extensions such that no significant difference was found between wide and narrow conditions. Finally, our results reveal that participants do perceive price point distance to be relative in step-up conditions

and that individuals rely on the parent brand's price range and not on its end-prices to make evaluations of the extension.

The three studies presented provide strong evidence that evaluations of step-up extensions are affected by the parent brand's price range and that the effect of price point distance is influenced by perceived risk associated with the extension. First, we argue that price distance has an asymmetric effect of extension evaluation. Secondly, we have not only shown that extension distance is not relative on the parent brand's average price but also that the parent brand's price range has a much stronger effect on evaluations of upscale extensions than the parent brand's average. References are available upon request.

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SEEING DOLLAR SIGNS: THE INFLUENCE OF CONSUMER SHOPPING MOTIVES ON PERCEPTION OF STORE PRICE IMAGE

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SUMMARY

Prior research suggests that store price image, defined as a consumer's overall perception of a store's price level, OSPI, (Alba, Broniarczyk, Shimp, and Urbany 1994; Desai and Talukdar 2003; Lourenco 2010) is an important factor in patronage (Alba et al. 1994; Baker, Parasuraman, Grewal, and Voss 2002; Desai and Talukdar 2003; Lourenco 2010; Simester 1995; Tang, Bell, and Ho 2001) and purchasing decisions (Dickson and Sawyer 1990; Hamilton and Chernev 2010; Lourenco 2010; Lourenco, Gijlsbrechts and Paap 2007). Store price image has become increasingly important with the proliferation of smart phone usage, which is "changing the ways consumers shop" (ScreenMedia Daily 2011). Consumers can now view product offerings, access price information and make inferences about the overall price level of a store without ever stepping foot inside the retail environment (Katz 2011). The use of mobile shopping applications has ushered in "a new era of price transparency" (Bustillo and Zimmerman 2011) and is recognized as one of the top ten retail trends of 2011 (Chain Store Age 2011).

Given that consumers can now make judgments about a store's overall price image without entering the retail environment, it is critical that marketers understand the factors that influence the formation of OSPI and how OSPI influences the expectations consumers' have regarding the retail atmosphere, henceforth referred to as atmospheric expectations. Relatively little academic attention has been devoted to examining how store price image is formed, and more specifically how consumers select product prices to use as cues of a store's price image (Hamilton and Chernev 2010; Lourenco, Gijlsbrechts, and Paap 2007). Department stores stock thousands of SKU's (Shin 2005). Therefore, it is illogical to assume the prices of all products are weighed equally, or even accounted for (Alba et al 1994; Desai and Talukdar 2003), when a consumer categorizes a store as "expensive" or "cheap" (Hamilton and Chernev 2010). This begs the question, how do consumers decide which products to use as cues in making inferences about a store's price image? Further, how does OSPI influence the atmospheric expectations a consumer has about the retail environment?

Using cue utilization theory (Cox 1967), we argue that the predictive value assigned to an individual product

price is a function of a consumer's primary shopping motive. Specifically, we argue that given price information about a set of products, the experiential and sensory stimulation needs of hedonic motivated shoppers (Holbrook and Hirschman 1982) result in an overweighing of affect rich hedonic dominant products. In contrast, the systematic, practical needs of utilitarian motivated shoppers (Holbrook and Hirschman 1982) result in an overweighing of utilitarian dominant products. This shopping motive attribute congruency results in the assignment of higher predictive values to products dominated by attributes that are compatible with a consumer's primary shopping goal. When asked to make an inference about a store's price image based on a set of product prices we posit that consumers will bias inferences towards the prices of the products that are congruent with their primary shopping motive.

In study one, we use scenarios adapted from Kaltcheva and Weitz (2006) to prime participants with either hedonic or utilitarian shopping motives. Subsequently, participants are told that using the shopping app on their Smartphone they find images and price information about a set of four products, which are available at two stores: "R" and "S." At store "R," the prices of the two hedonic dominant products are approximately 20% higher than the mean expected price as reported in a pretest, and the prices of the two utilitarian dominant products are approximately 20 percent lower than the mean expected price as reported in a pretest. At store "S," the prices of the two hedonic dominant products are approximately 20 percent below the mean expected price and the prices of the two utilitarian dominant products are approximately 20 percent above the mean expected price. The sum the four products is equal at both stores. We counterbalanced the order of the products and the store price information to control for order effects.

As predicted, we find that evaluations of OSPI are biased by the prices of products that congruent with the participant's primary shopping motive. More specifically, hedonic motivated participants rated store "R," the store with the hedonic products price 20 percent higher than the mean expected price, as more expensive than utilitarian participants ($M_{\text{hedonic}} = 55.55$, $M_{\text{Utilitarian}} = 48.41$; $F(1,73) = 5.054$ $p < .05$). In contrast utilitarian motivated participants rated store "S," the store with the utilitarian products 20 percent higher than the mean expected price,

as more expensive than hedonic motivated participants ($M_{\text{hedonic}} = 50.55, M_{\text{Utilitarian}} = 57.46; F(1,73) = 5.488 p < .05$).

In study two, we manipulate OSPI and measure atmospheric expectations and initial patronage intentions. Next, participants are asked to take a “virtual tour” of a store. Finally, we measure confirmation of atmospheric expectations and re-patronage intentions. We find that store price image significantly influences atmospheric expectations ($M_{\text{Cheap_OSPI}} = 4.19, M_{\text{Expensive_OSPI}} = 5.07; F(1,120) = 20.636 p < .01$). We also find that confirmation of atmospheric expectations partially mediates the relationship between OSPI and re-patronage intentions.

Collectively, the results of our studies suggest that a consumer’s primary shopping motive may influence the product prices that consumers use as cues of OSPI. Based on this finding, managers of retailer-shopping apps may want to consider screening users on the reason for their shopping trip before displaying product offerings or price information. Finally, given that consumers form atmospheric expectations based on OSPI, and confirmation of these expectations influences future patronage intentions, managers would be well advised to carefully manage the price information conveyed to consumers. References are available upon request.

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PRACTICE WHAT YOU PREACH! CONSUMERS' PERCEPTION AND ACCEPTANCE OF A PRICE INCREASE JUSTIFIED BY A COMPANY'S SOCIAL COMMITMENT

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SUMMARY

Consumers' perceptions of price increases and their subsequent reactions are topics of great relevance for research and practice. The concept of perceived price fairness has been identified as an important psychological factor influencing consumers' judgments about higher prices (Kahneman, Knetsch, and Thaler 1986 a,b). Several studies demonstrate that consumers who evaluate a price increase as unfair are generally unwilling to pay this increase, and this can have a direct negative effect on the company's profits (Campbell 1999a). Moreover, perceived unfairness of a price increase can lead to consumer boycotts and other negative consumer reactions (Xia, Monroe, and Cox 2004). One typical reason for companies to increase prices are rising costs. In this context, expenses associated with corporate social responsibility are a cost factor that is currently becoming increasingly important as consumers demand companies to pay attention to issues such as the environment or the fair production of their products. The question that comes up is whether consumers are ready to contribute to the additional costs by paying higher prices? And if they confirm their willingness to accept higher prices, will they actually pay more at the point of purchase or will there be a difference between what they say and what they do - a so-called attitude-behavior-gap? Therefore, the present study aims to investigate the consumer reactions to a price increase that has been justified by a company's social responsibility pledge and to compare the consumers' intentions to their actual behavior.

As fair trade is a widely discussed topic in the field of corporate social responsibility (De Pelsmacker et al. 2006), we chose the example of a company's introduction of a fair trade scheme for the purposes of the present study. In order to analyze the consumers' perception of a price increase resulting from a company's social commitment and in order to validate their actual reactions, we conducted three separate studies. In the first two studies, we use an experimental design to investigate the impact of the coffee's price increase due to the higher costs attributed to the company's fair-trade engagement on the consumers' perception of price fairness and, consequently, on the consumers' behavior regarding their attitude toward the company and their repurchase intention. In Study 3, we investigate the actual purchase behavior of the partici-

pants at the point of purchase by using a field experiment to validate the consumers' stated intentions in a real-world setting with real data.

Study 1 and 2 were carried out using an online questionnaire. Here, the scenario technique applied is a widely used procedure in price fairness research. In Study 1, participants of the online-questionnaire were randomly assigned to one of two scenarios describing a price increase for coffee (20 cents). Findings show that the price increase that was justified by the company's commitment to fair trade significantly increased perceived fairness, compared to the situation where no justification was given by the company. Additionally, the price increase that was supported by the fair-trade justification led to a higher repurchase intention and to a significantly better attitude toward the company than an increase with no justification.

In Study 2, we built on the results of Study 1 and deepened our analysis by investigating the impact of different price increases due to a company's social commitment. Thus, we replicated Study 1 with one additional treatment group using a scenario describing an increase of 40 cents for fair trade and compared the results of the new scenario with the results of Study 1. The results highlight that even the greater increase of 40 cents still leads to a significantly higher perceived price fairness than an increase of 20 cents with no justification. Additionally, it is very interesting that there is no significant difference in the fairness perception between the two groups with the different fair-trade price increases (20 cents vs. 40 cents). These findings are also true for the repurchase intention and the attitude toward the company after the price increase.

As the actual purchases of ethical products, in general, and fair trade products, in particular, do often not match with the stated consumer intentions (Castaldo 2009) – a phenomenon known as the attitude-behavior-gap – we conducted a third study that aimed at assessing consumer behavior within a real-world setting in order to verify the consumers' stated perceptions and intentions gained in Study 1 and 2. We set up a real-world experiment in cooperation with a local coffee store. During a five-week period, a local coffee store offered a "fair trade" café latte of the same brand as usual but with a price 40

cents above the conventional caffè latte. The purchase decision of the participants of our first two studies could be tracked electronically. Hence, it was traceable who visited the coffee store. The results demonstrate that consumers who stated their willingness to pay an additional 40 cents for fair trade actually bought the fair trade caffè latte with that price premium.

Finally, our results reveal that a price increase due to the company's social commitment is perceived as fair and

does not have a negative impact on the consumers' subsequent intentions such as their purchase behavior. Furthermore, their actual behavior reveals no difference to their stated intentions. The findings imply that the perceived fairness of a price increase really seems to influence the real purchase behavior of the consumers subsequent to a price increase. Consumers who accept a price increase do not only state a willingness to pay more but actually choose to pay more in the purchasing situation. References are available upon request.

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PRICE COMPLEXITY AND PERCEPTIONS OF PRICE FAIRNESS: THE MODERATING EFFECT OF NEED FOR COGNITION

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SUMMARY

Research has shown that excessive information load in today's complex multi-brand, multi-attribute choice tasks can lead to negative consumption experiences and dysfunctional decision making with possible adverse consequences for firms (e.g., Gourville and Soman 2005; Iyengar and Lepper 2000). So far, research investigating such dysfunctional decision making attaches only little attention to the notion that the complexity of the choice task may not only be product-related but may be ascribed to the complexity of prices. Prices can be inherently complex depending on the degree of cognitive effort necessary to process the price information. The extent to which customers are capable of handling such cognitive effort and processing information is subject of the information load paradigm (Miller 1956, Malhotra 1982) stating that individuals' processing capabilities are generally limited and that excessive information load can lead to poor decision making and dysfunctional performance (Malhotra 1982; Suri, Long, and Monroe 2003).

While information load has been studied in a product context, (e.g., Gourville and Soman 2005; Huffman and Kahn 1998; Iyengar and Lepper 2000), its role in pricing research is still scarce. Scholars have addressed widespread pricing practices that imply splitting up all-inclusive prices in different price components, hereby creating complexity: partitioned pricing (e.g., Burman and Biswas 2007; Hamilton and Srivastava 2008; Xia and Monroe 2004), multi-dimensional pricing (e.g., Estelami 1997, 1999) and multipart pricing (e.g., Iyengar, Jedidi, and Kohli 2008). Such price complexity research in behavioral pricing literature demonstrates that customers have difficulties to evaluate complex prices (Estelami 1997). The general view is, however, that dividing a price can in fact have a positive impact on consumer perceptions of value and purchase intention (Burman and Biswas 2007), but this research has mainly studied partitioning into a very small number of components (Carlson and Weathers 2008). Indeed, Xia and Monroe (2004) acknowledge that the extent of price partitioning has an inverted U-shape effect on purchase intentions (see also Carlson and Weathers 2008). However, to our knowledge, none of the studies investigating negative effects of price partitioning tactics

explicitly call on information load to explain effects on customers' reactions.

Based on previous studies using information load to explain price evaluations (e.g., Maxwell 2005) we use price fairness as a dependent variable. Thus, we investigate the effect of price complexity on customers' price fairness perceptions. The more complex it is to calculate the final price for an offer, the higher will customers be loaded with information. Hence, we expect the customers' information load to increase with increasing price complexity. Based on an equity-theoretical approach we assume, furthermore, that this experience of price complexity and its induced information load is linked to perceptions of price fairness. With the use of information load as a conceptual foundation of our research, we have to acknowledge findings that there are specific customers who are seeking for information load and enjoy dealing with complex situations (e.g., Levin, Huneke, and Jasper 2000): customers high in need for cognition (NFC) (e.g., Kim and Kramer 2006; Suri and Monroe 2001). Hence, we integrate NFC as a moderating effect on the relationship between price complexity and perceived price fairness. Finally, based on the hierarchy-of-effects model (Lavidge and Steiner 1961), we examine the effect of price fairness on the overall customer attitude toward the offer (e.g., Bobinski, Cox, and Cox 1996; Lichtenstein and Bearden 1989). In addition, to test the importance of price fairness in this pricing context a mediation of the perceived price fairness between price complexity and attitude toward the offer is examined. This Study is of major interest for pricing managers, especially of service providers, as it provides avenues for optimizing pricing strategies by trading off firms' benefits of multi-component prices with possible negative effects resulting from customers' perceived price fairness and attitude toward the offer.

Our Study used a simple one-factorial between-subjects design with three conditions of price complexity (low vs. medium vs. high). Price fairness, attitude toward the offer as well as NFC were included as latent constructs. Respondents were randomly assigned to one of the treatment conditions. The data was collected in an online experiment. Participants were told to evaluate a special mobile phone deal in order to help a friend asking for

advice. We presented an artificial (i.e., “the friend’s”) consumption pattern that was designed such that the total price per month always added up to 50 € in all three treatment conditions. In the low price complexity condition, the tariff basically constituted a flat rate offer in which internet access, calls and messages as well as the handset were included in a monthly payment of 50 €. In the medium price complexity condition, the tariff consisted of a monthly payment plus consumption-dependent price elements for calls and messages. In the high price complexity condition, the tariff consisted of a monthly payment, some consumption-dependent price elements for calls and messages, a special discount and a onetime payment for the handset. Overall, the effective sample consists of 309 participants (112 in the low, 99 in the medium and 98 in the high complexity condition.

First, we found evidence that information load can serve as a theoretical underpinning to account for adverse effects of price complexity. Second, we showed the importance of perceived price fairness in the context of

complex prices. Price complexity negatively influences customers’ price fairness perceptions in a service context. This result is in contrast to the general view that partitioned prices lead to more favorable customer evaluations (e.g., Morwitz, Greenleaf, and Johnson 1998). Third, we identified NFC to be an important personality variable in cognitively effortful tasks. Other than Burman and Biswas (2007) who show that individuals low in NFC do not evaluate partitioned and combined prices differently due to heuristic processing, we found that for customers low in NFC the degree of price complexity significantly influences the perceived price fairness. In contrast, customers with a high NFC do not seem to be influenced by price complexity in their perception of price fairness. In fact, we observe that for extremely high NFC the effect of price complexity on price fairness is even reversed. Customers high in NFC actually perceive value in a cognitively demanding tariff. Last, we found a negative effect of price complexity on attitude toward the offer, and we found this relationship to be complementarily mediated by price fairness. References are available upon request.

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PRESTIGE FOR NARCISSISTS: PRODUCT PRICE OR STORE IMAGE?

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SUMMARY

Narcissism as a dysfunctional form of overly high self-esteem and a grandiose view of the self (Campbell and Foster 2007) has been widely discussed and investigated in the field of clinical and social psychology for more than half a century. Narcissism is formally defined as a persistent pattern of grandiosity, self-focus, and self-importance (American Psychiatric Association 1994). Narcissists are preoccupied with dreams of success, power, beauty, and brilliance. According to Campbell and Foster (2007), one of the most important aspects of narcissistic personality is self-regulatory strategies and how narcissists spend a good deal of effort to make themselves look and feel positive, special, successful, and important. This study examines the self-regulatory behavior of narcissists in response to two important factors affecting consumers' purchase decision – product price and place. More precisely, the goal is to empirically investigate whether product price and store image affect perception of product quality in narcissists and nonnarcissists differently, and whether or not this perception would be applied similarly in purchasing decision. To achieve this goal, four hypotheses were developed and tested in an experiment.

Methodology

The sample included 183 students from two Southwestern public universities in the United States. A 2 (narcissism: low vs. high) \times 2 (store image: low vs. high) \times 2 (price: low vs. high), between subjects, full factorial design was used in this study. To minimize potential suspicions, a cover story was used such that the questionnaire included two separate studies on decision making and personality. Participants were randomly assigned to one of the four scenarios designed to manipulate store image and price level. Dependent variables in this study are perceived quality and purchase intention and were randomly counterbalanced to eliminate possible order effect. In order to be able to further investigate findings of the study, participants were asked to indicate their overall expectations of the quality and price of the products at a low-end (or high-end) clothing store as well as their perception of price-quality relationship. Store prestige was also measured to check the manipulation of the store image. Participants then filled out a battery of person-

ality items in which the short version of the NPI scale (NPI-16; Ames, Rose, and Anderson 2006) for measuring narcissism was embedded. Participants were finally asked to indicate their demographic information.

Findings and Discussion

The findings of this study, confirming the expectations, showed that both store image and product price are strong predictors of perceived product quality. It was also found that, regardless of the price, for high-end stores, narcissists' perception of product quality is higher than that of nonnarcissists. The findings were even more interesting for purchase intention. Based on the results of this study, store image, in general, is a significant predictor of purchase intention for both groups whereas price level is not. Confirming expectations, the findings also indicated that narcissists showed higher purchase intention than their nonnarcissist counterparts when store image is high, while in low-end stores the pattern is reversed and nonnarcissist' purchase intention is higher.

Based on these results, it could be concluded that higher perceived product quality does not necessarily lead nonnarcissists to purchase the product from a high-end store while the pattern of perceived quality and purchase intention is similar for narcissists. One plausible explanation for these seemingly counter-intuitive findings is that the overall expectation of higher prices in high-end stores, which was also confirmed in this study, outweighs the notion of perceived quality of a specific product in nonnarcissists' decision making process, leading them to purchase less frequently. On the other hand, these higher price expectations, and consequently higher status associated with price, motivate narcissists to purchase the product more frequently from high-end stores than low-end stores, regardless of a specific product's price. This line of reasoning implies that for narcissists, the general image attributed to the store has a stronger effect than the price-related image for a particular product. In addition, for this group of consumers, higher perceptions of product quality could be explained using cognitive dissonance (Festinger 1957) and motivated reasoning (Kunda 1990) theories, both of which are confirmed in this study. References are available upon request.

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PRICE RAISE OR QUANTITY DECREASE: CHOOSING THE OPTIMAL PRICE INCREASE STRATEGY FOR CONSUMER GOODS

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SUMMARY

Pricing managers have two strategic options at hand to implement an intended unit price increase: They can either opt for a nominal increase in price or choose an equivalent quantity reduction. Both strategies are known to yield strong consumer reaction and most likely a considerable drop in demand. Hence, the question how managers should implement a price increase for their products poses a tough challenge. Prior academic research has addressed this question sparsely. To the best of our knowledge, there is only one exploratory empirical study that has used market data for a general comparison of those two strategies – without considering contingency variables such as the product category or the absolute price level. Based on this literature, we attempt to broaden our knowledge on the implementation of price increases: We conceptually discuss specific contingency variables that determine which price increase strategy (nominal price increase or quantity reduction) induces the least consumer reaction. We further empirically examine this research question in two experiments among 2,367 consumers.

Standard economic theory predicts that consumers' response to either a quantity reduction or a nominal price increase should be the same given an equal unit price. However, previous literature suggests that firms should rather choose a quantity reduction than a nominal price increase when increasing their unit price. In a first study (choice setting), we show for a set of nine products that contrary to the prediction of standard economic theory, consumers are not indifferent between the two alternative price increase strategies. By means of a second study (market-simulation), we show that whether consumers' prefer a nominal price increase or a quantity reduction depends on several product related antecedents. As antecedents of consumers' reaction to the alternative price increase strategies we discuss and analyze the starting

price level, the relative size of the price increase, the product type, and the availability of a benchmark quantity.

Based on our findings, managers should rather choose a nominal price increase strategy for utilitarian products while for hedonic products a quantity reduction is more recommendable. Concerning the amount of price increase, we find that for low amounts of price increases consumers show the same decrease in buying intentions for the alternative price increase strategies. For higher amounts of price increase (e.g., 20%), however, we would rather recommend the quantity reduction strategy as consumers are more sensible to nominal price increases. Similarly, for low price products consumers show higher buying intentions when using a nominal price increase strategy compared to a quantity reduction. For high price products in turn, the respondents of our study show a smaller decrease in buying intentions if the quantity is reduced compared to an equivalent nominal price increase. Thus, we would rather recommend a nominal price increase for low price products and a quantity reduction for high price products. For products where consumers have benchmark quantities in mind (such as milk, farina or cigarettes), managers should be especially cautious with quantity reductions. Our study shows that in this case a nominal price increase is more advisable. We conclude that as a manager, you need to apply different price increase policies for different product categories and consider the tendencies observed in the present study.

However, when deciding on the price increase strategy, managers need also to consider the costs and logistics of quantity change or price change. While a price change can be easily implemented by changing the price tag, a quantity reduction might involve costly package change. This internal factor was not considered in our study as we focused on the external perception of price increase strategies by consumers.

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THERE IS NOTHING PERMANENT EXCEPT CHANGE: ANALYZING INDIVIDUAL PRICE DYNAMICS IN “PAY-WHAT-YOU-WANT” SITUATIONS

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SUMMARY

In contrast to conventional seller-supplied pricing, participative pricing instruments actively involve customers in the pricing process, positively affecting customer satisfaction (Chandran and Morwitz 2005) and demand (Kim, Natter, and Spann 2009). Pay-what-you-want pricing (PWYW) is the most extreme form of participative pricing, because customers alone specify prices. Sellers must accept any price, even if it is below their costs or zero (Kim, Natter, and Spann 2009). Thereby, PWYW pricing poses a major threat to sellers despite the potential benefits it offers.

Neoclassical theory predicts that customers take full advantage of the PWYW offer and pay zero prices. However, the Dictator Game (Forsythe et al. 1994), which constitutes an experimental game which is theoretically analogous to PWYW, reveals that dictators on average do not keep the whole endowment to themselves but share with the (powerless) receivers (Forsythe et al. 1994). Also, pioneering research on PWYW pricing (Kim, Natter, and Spann 2009) indicates for one-shot applications that most people pay prices above zero. These results offer tentative evidence for the profitability of PWYW as a pricing instrument. However, prior research has largely neglected the dynamics of prices paid in PWYW even though “the dynamic effects of PWYW on consumers ... represent a worthwhile avenue for further research” (Kim et al. 2009, p. 56).

This study is the first to examine the dynamics in prices paid in “pay-what-you-want” situations over multiple customer–seller transactions on an individual customer level. Analyzing such individual price dynamics is worthwhile since customers’ pricing decisions may undergo (unconscious) change. Given repeated customer–seller transactions in most practical PWYW applications, the authors assume that (1) customers’ price determination is subject to change owing to downward reference price adaptation and that (2) individuals differ with respect to the underlying sources of price dynamics. Identifying factors

that determine individual price trajectories allows sellers to assess PWYW profitability for a given customer base.

Pricing research has widely recognized that customers evaluate the adequacy of so-called seller-supplied prices (Kamins, Drèze, and Folkes 2004) on the basis of mental references (Monroe 1990). These so-called internal reference prices (IRP) are memory-based and provide price information that customers apply as benchmarks in subsequent price encounters (Kalyanaram and Winer 1995). IRPs also serve as anchors when determining prices in participative pricing (Kim, Natter, and Spann 2009). As IRPs are strongly related to customers’ willingness to pay (Northcraft and Neale 1987), the authors posit that IRPs mark the upper limit of customers’ PWYW price range.

Turning to the lower limit of prices to pay, the PWYW rules would allow customers to pay zero prices. The authors, however, argue that most customers refrain from exploiting PWYW to the full extent. This is because customers are aware that paying zero prices induces a loss for the seller, which makes it impossible to sustain the PWYW offer. A lasting PWYW offer, however, allows customers to regularly pay below conventional market price. Consequently, frequent shoppers in particular should be interested in a sustained PWYW offer and actually consider sellers’ outcomes when determining the price to pay. Concerning the precise value that marks customers’ lower price limit, research shows that customers derive ideas of fair prices on the basis of cost estimates (Sinha and Batra 1999). The principle of dual entitlement (Kahneman, Knetsch, and Thaler 1986) suggests that customers accept sellers to use cost-related arguments to justify prices (Dickson and Kalapurakal 1994). Thus, the authors posit that cost estimates constitute the lower limit of the range of fair prices.

The basic premise of this research is that the range of fair prices decreases as customers adjust their IRPs to the reduced price they previously paid. A considerable number of studies on IRP dynamics have found “convincing

empirical evidence that past prices are considered when consumers form reference prices” (Kalyanaram and Winer 1995, p. 165; Monroe 1990). Consequently, IRPs decrease because they partly reflect recent price experience (Mazumdar, Raj, and Sinha 2005), which causes a decrease in the range of fair prices. For the lower limit of the range of fair prices – that is, cost estimates – the authors do not expect significant change over time. Owing to confirmation bias, customers rely on the semantic information which complies with the initial anchor (Nunes and Boatwright 2004). To address individual price dynamics in PWYW, the authors introduce the customers’ “preference for fairness” (PFF) which marks a time-invariant individual difference factor.

In view of a decrease in the range of fair prices due to decreasing IRP, the authors theoretically reason for a downward slope in prices paid. Given the power to determine prices in PWYW, customers will set a price below the normal seller-supplied price (but within the range of fair prices) in the first transaction. The lower price paid in the first transaction ($PP_{j,t}$) affects the IRP of the subsequent transaction ($IRP_{j,t+1}$). In view of time-invariant PFFs, this decrease decelerates over time because prices paid in the first transaction calibrate IRPs to a level that already reflects customers’ fairness discounts. To ensure the generalizability of the model, the authors integrate relational aspects, i.e., customer satisfaction and loyalty intentions to predict individual vari-

ance in prices paid (Homburg, Koschate, and Hoyer 2005) over and above the PFF. The authors also take into account the customers’ price consciousness (Sinha and Batra 1999) because of its negative impact on prices paid in Kim et al.’s 2009 study.

To empirically validate the framework, the authors conduct a field study with 966 customers that focuses on the aggregate and individual dynamics in prices paid over customers’ multiple purchases. Using latent growth modeling, the authors find significant but declining decreases in prices paid. Also, they identify a steady state, from which subsequent prices paid and IRPs do not change significantly, following logarithmic growth. Further, they identify stable individual difference factors and aspects defining the customer–seller relationship that predict steeper or more gradual declines in prices paid: Customers’ preferences for fairness and price consciousness as well as their overall satisfaction with the seller alleviate price declines.

Accordingly, sellers need to be aware that implementing PWYW for frequently purchased products and services does not ensure profits over repeated transactions. Thus, the analysis of repeated customer–seller transactions delivers valuable additional insight over and above previous research on one-shot PWYW applications (Kim et al. 2009) and studies on aggregate dynamics in PWYW prices (Kim et al. 2010).

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EFFECTS OF PRODUCT VIRTUAL EXPERIENCE ON CONSUMERS' WILLINGNESS TO PAY IN PARTICIPATIVE PRICING MECHANISMS

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SUMMARY

A new participative pricing mechanism, pay-what-you-want, has recently generated much interest from both researchers and practitioners. Studies have shown that pay-what-you-want pricing can lead to an increase in overall revenues (Kim, Natter, and Spann 2009; Fernandez and Nahata 2009). Prior literature has mainly focused on the service sectors in brick-and-mortar stores. Little is known about whether this pricing strategy can be successfully extended to an online platform given the distinct differences (e.g., sensory attributes) between the brick-and-mortar and online Internet shopping environments. The objectives of this research are to investigate the feasibility of adopting the pay-what-you-want pricing mechanism on the Internet and to examine factors that might influence consumers' willingness to pay.

Participative pricing has become more common with the increased prevalence of Internet marketing. Consumers generally prefer the participative pricing experience (e.g., auctions and name-your-own-price) over fixed-price shopping, which suggests that the strategy may attract consumer attention and generate increased customer numbers (Haws and Bearden 2006; Kim et al. 2009). Therefore, we hypothesize that consumers who are exposed to websites with pay-what-you-want pricing will show a higher purchase intention than consumers who are exposed to websites with fixed-pricing strategy.

Prior literature has studied the effects of virtual product experiences on improving consumers' online shopping experiences. Li et al. (2002) showed that three-dimensional advertising (i.e., zoom in/out, rotate product images) significantly increases consumers' product knowledge and brand attitudes than does two-dimensional advertising (i.e., product images). However, three-dimensional advertising might not be sufficient and effective in improving consumers' online experience for products for which zoom in/out and rotate product images functions provide little information, such as music CDs, movie DVDs, and books. The cue-summation theory suggests that video demonstrations benefit users' learning more than static pictures, when all presentation cues are in relevant to product performance (Jiang and Benbasat 2007). Therefore, we predict that consumers who are

exposed to websites with visual virtual experience (i.e., rich media) will express higher product knowledge, higher purchase intention, and higher prices paid than will consumers who are not exposed to such websites.

In pay-what-you-want mechanism, previous research showed that most consumers chose to pay less than the product's regular price. Pricing research suggests that when consumers are relatively uncertain about prices for a product category, their acceptable price ranges tend to be relatively narrow (Monroe 2003). The anchoring and adjustment heuristic proposed by Tversky and Kahneman (1974) suggests that people, under uncertainty, often use an initial value (anchor) as a reference point and then adjust it upward or downward accordingly to form their final estimation. In pay-what-you-want pricing, online retailers might be able to enhance consumers' pricing knowledge by providing additional pricing information (i.e., list a suggested retail price) to consumers. Consumers would use the suggested retail price as an anchor and adjust it to reach their own final price. Therefore, we hypothesize that consumers who are exposed to websites with listed suggested product retail prices will be willing to pay a comparatively higher price for a product than consumers who are not exposed to the suggested retail prices.

Two studies were conducted to investigate these hypotheses. Study 1 examined the effect of consumers' virtual experience on their willingness to pay. Fifty-seven undergraduate students were randomly assigned to the conditions of a 2 (price format: pay-what-you-want vs. fixed price) x 2 (virtual experience: with product video vs. without product video) between-subjects factorial design. A movie DVD was selected as the test product in the studies. The movie DVD fixed price was set at \$19.99, an average retail price in the market. Participants first read a short scenario asking them to consider purchasing a movie DVD online. All participants were then shown the same movie DVD product page with product images (zoom in/out) and product written description but with a different price format (pay-what-you-want/fixed price) and virtual experience (with/without two minutes movie trailer) that was randomly assigned to them. At the end, participants were asked to evaluate the 7-point Likert scales dependent measures of product knowledge, pur-

chase intention, and final price paid. The findings revealed that participants who were exposed to the website with pay-what-you-want pricing had a significantly higher intent to purchase than participants who were exposed to the website with fixed-pricing strategy. Within the pay-what-you-want price group, participants who were exposed to websites with product video expressed intention to pay a higher price than did participants who were not exposed. Consumers who were exposed to visual virtual experience expressed higher product knowledge than did consumers who were not exposed.

Study 2 investigated the effects of virtual experience and reference price on consumers' willingness to pay. Fifty-four students participated in a 2 (virtual experience: with vs. without product video) x 2 (reference price: listed vs. unlisted) between-subjects factorial design. The experimental procedures were the same as in Study 1. The manipulation of virtual experience and reference price

was randomly introduced via the webpage with product image and product written description. The listed suggested product price was \$19.99. The findings indicated that consumers who were exposed to the listed suggested price website expressed a higher price paid than the consumers who were not exposed. Consumers who were exposed to visual virtual experience expressed a higher price paid than did consumers who were not exposed.

In summary, the findings suggest that consumers had positive perceptions toward pay-what-you-want pricing and preferred this approach more than fixed pricing strategy on the Internet. Visual virtual experience enhanced consumers' product knowledge and increased consumers' perceived price paid. Moreover, online websites providing suggested retail prices and using pay-what-you-want pricing enhanced consumers' willingness to pay for a higher price. References are available upon request.

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DOES PRODUCT EXPERTISE AFFECT THE NEED TO TOUCH PRODUCTS? AN ONLINE SHOPPING EXAMINATION

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SUMMARY

Touch is an important source of information for consumers but little is known about its role in consumer decision making and preferences (Peck and Childers 2003b). Since currently haptic information cannot be reproduced in these media, traditional retail shopping may be preferable to online retail settings, at least for some customers. NFT is conceptually defined as a preference for extracting and utilizing information through the haptic system. For some people, haptic information is chronically more salient. These high-NFT people are more likely to use haptic information for product evaluation. Because of the preference for haptic information, haptically-motivated consumers are likely to be more frustrated when shopping if they cannot experience products directly. Thus, one can argue that in situations such as online shopping where individuals cannot touch the products before making purchase decisions, low-NFT individuals who are less haptically motivated, may be more likely to purchase products as compared to high-NFT individuals. Therefore, it is hypothesized that:

H₁: More haptically-oriented consumers (i.e., high-NFT) will have lower (a) purchase intention and (b) product confidence over the Internet compared to those who are less motivated to obtain haptic information (i.e., low-NFT).

Furthermore, the amount and type of information acquired in consumer information search for purchase decisions vary among different individuals. Previous research indicates that product experts seek more information than novices (Selnes and Howell 1999). Selnes and Howell (1999) suggested that product expertise affects both the amount and the type of information sought to make purchase decisions. They argued that there is a distinction between written information (acquired through reading) and sensory information (acquired through senses such) and that the degree of expertise reduces reliance on written cues and increases reliance on sensory cues. Thus, product experts rely more on sensory information in as compared to product novices. One can argue that in the online shopping situations where sensory information such as touch is not accessible, product experts may have lower purchase intentions since these consumers rely on sensory information more than novices. Therefore, it is hypothesized that:

H₂: Individuals with higher levels of product expertise will have lower (a) purchase intention and (b) product confidence over the Internet compared to novices.

In addition to differences in the amount and type of information sought by experts and non-experts, the way information is processed also varies. Empirical evidence suggests higher levels of expertise increases the ability of analytical product information processing and decreases the reliance on holistic processing (Maheswaran and Sternthal 1990). In holistic information processing, consumers attend to only one or two major attributes such as price or design and therefore possibly ignore some other attributes that may be relevant to the product (de Bont and Schoormans 1995). Building on these ideas, it could be argued that for the high-NFT consumer, a lower level of product expertise should lead to less detailed information processing and more holistic processing and thus, less reliance on touch related information in a way that is quite similar to what experienced by low-NFT consumers. Compared to non-expert consumers, when expertise is high and NFT is also high, the holistic information processing expected for non-experts may not be observed. These expectations are expressed in the following hypotheses:

H₃: Under online purchase condition, product expertise will moderate the effects of NFT on (a) purchase intention and (b) product confidence. Individuals with high product expertise and high-NFT will have less purchase intention and confidence than will high expertise and low-NFT individuals. However, for individuals with low product expertise and low-NFT, purchase intention and confidence will be higher than when expertise is low and NFT is high.

As opposed to the online condition, when consumers are in a traditional store and thus, haptic information is easily accessible, irrespective of the level of expertise, high-NFT consumers are expected to have higher purchase intention and product confidence. We hypothesize that:

H₄: Under offline purchase condition, a high-NFT individual will have higher (a) purchase intention and (b) product confidence than a low-NFT person for both high and low product expertise levels.

These hypotheses were tested using a 2 (NFT: high vs. low) x 2 (product expertise: high vs. low) x 2 (shopping condition: online vs. offline) between-subjects factorial design in which the shopping condition was manipulated and NFT and product expertise were measured. Since it was necessary to use a product category with a high degree of innovation in terms of new brands, models, and features to test product expertise (Selnes and Howell 1999), “laptop computer” was selected as the target product. Moreover, prior research has shown that electronic equipment such as computer keyboards are among the products in which touch plays an important role in purchase decision making (Peck 1999). The results indicated that the manipulation of shopping condition was successful. A 2 (NFT) x 2 (product expertise) MANOVA was run to test for the main effect of NFT on purchase intention (H_{1a}) and product confidence (H_{1b}) in the online shopping condition and the results supported these hypotheses. In support of H_{2a} , there was a significant main effect of product expertise on

purchase intention ($F(1,77) = 30.428, p < .001$) and product confidence ($F(1,77) = 21.633, p < .001$); Wilks' Lambda $F(2,76) = 15.516, p < .001$). Under online shopping conditions, there was a significant two-way interaction between NFT and product expertise, supporting $H_{3a \& b}$. When shopping offline, however, no such two-way interaction was observed ($H_{4a \& b}$).

The results of the study indicate that lack of expertise can reduce the reliance on haptic information and thus, increase the purchase intention of products over the Internet. This study extends research on need for touch and its effect on consumer behavior as well as literature on the relationship between product expertise and information processing. Moreover, this research attempt to respond to Workman's (2010) call for research on the role of haptic information in consumer behavior and decision making. References are available upon request.

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DOES SEXUAL HUMOR WORK ON MARS, BUT NOT ON VENUS? EXPLORING CONSUMER ACCEPTANCE OF SEXUALLY HUMOROUS ADVERTISING BY GENDERED BRANDS

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SUMMARY

Perhaps one of the more memorable advertising campaigns in recent history was Clairol Herbal Essences' "Totally Organic" campaign. The humorous campaign featured women "going delirious with pleasure while using the shampoo" (Cardona 1999, p. 20). Launched in 1994, this advertising helped transform Herbal Essences from "a moribund relic of the 1970s" (Howard 2004) to the second-leading brand in both the shampoo and conditioner categories. The campaign generated controversy alongside of sales, and was derided for its use of female sexuality by both family groups (e.g., the American Family Association) and – in spite of its apparent success – some industry experts. One execution was named the Worst Commercial of 2001 by Adweek, whose editors opined "it's been said before, but it bears repeating: shampoo doesn't give you orgasms . . . campaigns don't go on for years, as this one has, unless they sell products, but there's no accounting for taste. When she says 'Yes! Yes! Yes!' all we say is 'Make it stop!'" (Dill 2002, p. 20).

This decade-long campaign ran counter to both conventional wisdom and prevailing thought from advertising executive suggesting that sexually humorous advertising is appropriate for masculine-gendered brands communicating with male consumers, but not feminine-gendered brands targeting females. Not surprisingly, male-oriented advertising has employed sexual humor for decades. Given the status of sexual humor as a core type in many humor theories (e.g., Sigmund Freud's) and the history of sexual humor in advertising, we believe a formal examination of the topic to be a timely addition to the consumer literature. This need is bolstered by a suggestion by the preponderance of psychology-based research that clear-cut sexual humor appreciation differences along gender lines may be an outdated notion (Lampert and Ervin-Tripp 1998). However, while psychological research on sexual humor has focused on humor appreciation (*is this funny?*), humorous advertising is meant to be more than just funny. A higher-order objective in choosing an advertising platform is the generation of positive attitudes toward the advertisement and the sponsoring brand. A consumer will clearly view any sexual humor present in an advertisement as coming from

a distinct source (the advertising brand), and thus a consumer's acceptance or rejection of sexually humorous advertising might not only take into account whether they enjoy the humor, but its fit with specific elements of the brand personality (Aaker 1997), such as brand gender (Grohmann 2009), as well as the brand's category. Fundamental gender-based processing differences (e.g., Meyers-Levy and Sternthal 1991) also suggest that female consumers may be more likely to penalize low-fit situations than would males.

In this research, we integrate extant research examining sexual humor with that of brand personality. In our main studies, we measure male and female consumers' sexual humor appreciation and resultant attitudes in response to masculine-gendered and feminine-gendered advertisements, respectively. We find that while males and females don't exhibit differences in appreciating sexual humor (*is this funny?*), masculine-gendered brands do achieve superior attitudinal results with male consumers vis-à-vis feminine-gendered brands' with female consumers. We then explore the ability of a female-oriented brand to overcome these apparent differences, finding that a feminine-gendered brand with a gender-atypical brand personality can indeed effectively utilize sexual humor when communicating with female consumers.

The current research suggests that the efficacy of sexual humor in advertising is more complicated than what conventional wisdom might suggest. Specifically, in line with more recent views on sexual humor in psychology (Lampert and Ervin-Tripp 1998), and perhaps contrary to conventional wisdom, it shows that males and females tend to respond similarly to sexual humor (*how funny is this?*). However, in line with conventional wisdom, sexual humor based advertising is more likely to generate positive attitudes (*do I like this advertisement/brand?*) when a masculine-gendered brand is communicating with male consumers, than when a feminine-gendered brand is communicating with female consumers.

However, a deeper exploration suggests that the underlying cause of the difference between the responses of male and female consumers toward sexually humorous advertising is not their own respective genders, nor the

genders of the focal brands. Instead, the acceptability of sexual humor based advertising seems to be contingent on its fit with the personality of the sponsoring brand. Respondents of both genders tended to respond favorably when

such advertising was matched with a typically masculine brand personality's traits, irrespective of the dominant gender of the brand. References are available upon request.

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ORDER EFFECTS OF SAMPLING SIMILAR VERSUS DISSIMILAR EXPERIENTIAL PRODUCTS

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SUMMARY

Marketers often allow consumers to sample experiential products that are rich on sensory aspects, before making purchase decisions; examples of such sampling opportunities include products such as food/beverages, fragrances, and video/audio clips. While consumers often sample a single product, they also on other occasions sample a sequence of experiential products before making a purchase decision. Importantly, sometimes these sampled products are similar to each other on sensory aspects, such as on taste/color (e.g., Diet Pepsi and Diet Coke) and sometimes the products are dissimilar to each other on sensory aspects (e.g., Diet Pepsi and Sprite Zero).

Despite the existence of such sampling practices, it is not clear as to how the order in which different types of experiential products (similar versus dissimilar) are sampled influences consumer choices. We propose that in a sequence of two products, when the sequentially sampled products are similar to each other on sensory aspects (e.g., taste, color, or smell), there will be a more favorable evaluation of the product sampled first. In contrast, when the sequentially sampled products are dissimilar, there will be more favorable evaluation of the product sampled last. However, when a consumer is very hungry, they will have more favorable evaluation of the product sampled first. To the best of our knowledge, this is the first research to examine these issues.

There has been very limited research examining order effects of sampling products that are high on sensory and experiential aspects (Biswas et al. 2010; Mantonakis et al. 2009; being the notable exceptions). Interestingly, these two studies report opposite results in terms of order effects of sampling experiential products. For instance, Mantonakis et al. (2009) examined the order effects of sequential sampling of wines and found that the participants demonstrated primacy effects, whereby they preferred the wine sampled first. In contrast, Biswas et al. (2010) found recency effects, whereby experiment participants indicated stronger preference for the experiential product (e.g., beverages/music) sampled last. The find-

ings of our research help resolve the apparent inconsistency in the findings of these prior studies.

In essence, we examine order effects of sampling experiential products and the moderating effects of similarity of the products in the sequence. In order to further investigate the underlying process, we also examine the effects of distraction and the effects of an induced goal in the form of hunger. We test our hypotheses with the help of three experimental studies. We use food products (beverages and chocolates) because these products are experiential in nature and are high on sensory aspects (Shiv and Nowlis 2004). Study 1 examines how the level of similarity/dissimilarity between experiential products in a sequence influences order effects of sampling. The results show that when the products are dissimilar, there are recency effects; however, when the products are similar to each other, there are primacy effects. Study 2 examines how reduced processing motivation might affect the results observed in Study 1. The results of Study 2 show that the effects observed in Study 1 are moderated by consumers' distraction levels; that is, distraction attenuates the effects observed in Study 1. Finally, Study 3 examines the effects of an induced situation where processing motivation is likely to be higher. Specifically, Study 3 examines the effects of hunger on evaluation of sequential experiential products. The results of this study reveal that the effects observed in Study 1 hold under low levels of hunger but there are only primacy effects when consumers are very hungry.

In conclusion, the results of three experiments show that the order in which consumers sample experiential products and the level of similarity between the products influence consumers' choices. When sampling a sequence of two experiential products such as flavored beverages or chocolates, consumers prefer the first product in the sequence when they are similar, but prefer the second product when they are dissimilar. The order effects of sampling similar versus dissimilar products are attenuated when consumers are highly distracted due to reduced cognitive capability. Also, when the sequential products are sampled under high levels of hunger, consumers prefer the first sampled product. References are available upon request.

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ROAD TO PERDITION? THE PHENOMENON OF CONSUMER RELATIONSHIP FADING

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SUMMARY

Consumers form emotional and enduring relationships with their preferred brand in much the same way as they form relationships with human beings. It is commonly accepted that building and nurturing strong consumer-brand relationships will financially pay off for firms by enhancing consumer loyalty, increasing the likelihood of continued purchase in the future, and by inducing positive word-of-mouth. As a consequence, much research has been devoted to investigate how relationships with (profitable) consumers can be maintained. Despite efforts by companies to maintain and nurture relationships with consumers, research continuously reports high levels of defection. The common assumption in the literature is that defection must be triggered by clearly identifiable negative incidents. Therefore, substantial research has been devoted to assessing consequences of service failures as well as ways to recover failed consumers.

The scope of the service failure/recovery research has been limited to assessing cases in which a negative incident had happened and as a consequence, consumers intend to complain or to switch or have already done so. However, defection rates are considerably higher than service failure rates. It seems that consumer relationships to companies or brands almost naturally fade. Because there are no obvious reasons for switching, “recapturing” these consumers is challenging, if not impossible.

Against that background, our research complements the relationship marketing literature by investigating the consumer-brand relationship fading process. We try to better understand the phase *before* consumers actually switch, the phase in which they gradually disengage with or lose interest in their provider company or brand. We term this the consumer-brand relationship fading phase or short: *relationship fading*.

Drawing back on the marital disaffection literature and using thirty-five real-life consumer-brand relationship fading stories, we find that similar to interpersonal relationships, consumer-brand relationships pass through the stages of disillusion, disaffection, and crossroads over a long period of time. Our interviews have shown that

over-promising is the key driver that is likely to transform a committed consumer into a *disillusioned* one. Due to a series of rather minor negative incidents, dissatisfaction develops. Consumers seem to be rather surprised to discover the negative sides of their relationship to the brand. Apparently, the brand has blurred a clear and objective assessment of what it can and cannot deliver. Moving on to the stage of *disaffection*, consumers develop feelings of frustration, mainly triggered by the brand’s inability to adequately deal with a series of negative events. As a consequence, they start considering alternatives. Interestingly, consumers seem to compare the negative sides of the brand to the seemingly superior alternative (provider brand related factors). This can be interpreted as an upfront rationalization of a potential future brand switching. In the *crossroads* stage, consumers increasingly lose interest in the brand, accompanied by feelings of indifference. Competitor offerings are perceived as increasingly attractive and a more concrete desire to switch develops (competitor related factors). However, there is still a chance to recover consumers as they would offer “one last chance” to rectify what went wrong. Clearly, the process of disengagement has not led to switching; yet, the likelihood of it happening increases.

Our research has important implications for relationship management. It underscores the critical importance of understanding the cognitive-emotive process consumers pass through before arriving at a decision of terminating an affective relationship with a brand. It emphasizes that consumer relationships do not dissolve abruptly, but solely fade. Understanding the nature and reasons of consumers’ responses to dissatisfaction during the relationships may be especially instructive for managers in identifying possible triggers that may initiate the process of relationship dissolution. Future studies on the magnitude of the relational variables, the intensity of emotions and their underlying drivers across different stages of the fading process will provide useful information to managers to identify effective restoration efforts initiate timely implementation of the efforts. In addition, a proper understanding of the drivers of relationship fading could assist managers in classifying their consumers into different levels of risk and prioritize their restoration efforts in a timely manner. Consequentially, future research could

focus more on behavioral correlates of relationship fading drivers. Would it be possible to classify fading customers into one of the three stages managers could customize their relationship re-vitalization effort. With limited mar-

keting budgets in mind the restoration of the relationship becomes probably more efficient than waiting for a clear failure followed by subsequent recovery. References are available upon request.

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CROSS-SELLING IN SERVICE RECOVERY ENCOUNTERS: STAYING UNDER THE CUSTOMER'S RADAR TO AVOID SALESPERSON STEREOTYPE ACTIVATION

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SUMMARY

To enhance revenues and foster customer relationships, firms increasingly try to cross-sell during their costly inbound customer service calls. Customer service representatives (CSRs) are in an excellent position to offer additional products and services and hence cross-sell during the service recovery encounter. By solving and anticipating customer problems in a sincere manner, CSRs' high-touch response proves that the firm cares about customers' repatronage, thereby enhancing customer confidence and satisfaction. Nevertheless, cross-sell attempts may easily backfire and render problem solving ineffective. Consequently, the CSR-customer interaction could yield negative customer perceptions about the service recovery encounter, leading to customer hostility and damaged relationships. Therefore, customers often perceive service and sales at odds with each other and experiencing them during one encounter might drive customers away from the company.

To better understand what happens during service recovery encounters with cross-sell attempts, we turn to research on stereotype-based impressions in brief interactions between customers and salespeople and service employees. Stereotyping helps customers to quickly understand other people and provides a sense of predictability and orderliness. In case of product failures, self-protection goals are triggered that motivate customers to stereotype to protect their interests from further threats. As providing service recovery is typical for helpful service employees and selling for distrustworthy salespeople, a CSR's recovery behavior may motivate customers to use a positive service employee stereotype and their subsequent cross-sell attempt may trigger a negative salesperson stereotype. Such a CSR is a multiply categorizable person with the potential to evoke conflicting stereotypes in different service encounter stages. Research into multiply categorizable people studies how people categorize a person who reveals multiple categories simultaneously upon person exposure. Yet an activated category can dissipate during interactions. Thus, we lack an understanding of the situation in which people learn a person's other conflicting category memberships after their first categorization. Furthermore, prior research is

inconclusive on how cognitive load (CL), often present in service recovery encounters, impacts stereotype-based impressions.

To address this gap, we conducted five experiments in different service recovery encounter situations. Study 1 shows that whether a cross-sell attempt triggers a negative stereotype strongly depends on the *level of interaction quality* during recovery provision. High interaction quality evokes the positive service employee stereotype that prevents a cross-sell attempt from triggering a negative salesperson stereotype. Yet when interaction quality is moderate, the cross-sell attempt triggers the negative salesperson stereotype. This pattern of stereotyping occurs in both cognitive load conditions. Study 1 also shows that interaction quality during recovery provision positively affects purchase intention. Furthermore, results demonstrate the different ways in which activated stereotypes affect purchase intention. For participants with low CL, the stereotypes biased the thoughts about the cross-sell offer which in turn influenced their purchase intention. For high CL participants, the effect of stereotypes on purchase intention was direct in nature. A replication study validates the results of study 1 and provides some support for the generalizability of the effects. The pattern of effects did not change with CSR gender, which allows us to rule out that (in)congruity between gender and stereotypes drives our findings. Study 2 further confirms our findings and also provides evidence for recategorization under high cognitive load. Thus, positive service employee stereotype activation results from high interaction quality during recovery provision. Even under high cognitive load this stereotype produces confidence levels that sufficiently fulfill the self-protection goal, preventing the activation of the otherwise highly instrumental salesperson stereotype. Study 3 shows that recategorization can occur fairly effortless. Results show that recall performance is not impaired in the moderate interaction quality – cross-sell attempt present condition. Furthermore, study 3 also confirms that warmth drives the instrumentality of the stereotypes.

In sum, this study outlines conditions in which CSRs' cross-sell attempts are prevented from triggering a negative salesperson stereotype and hence, remain under cus-

tomers' self-protection radar after service failures. Results of five experiments show that CSRs' high-touch response during recovery provision induces customers to positively stereotype, which increases cross-sale success and encounter satisfaction even beyond recovery – only encounter levels. Yet without such response, cross-sell

attempts tend to fail and seriously harm CSRs' proper recovery efforts. These effects occur even if customers are cognitively engaged, which demonstrates the ease with which they categorize CSRs as friends or foes and accordingly revise or keep stereotype based impressions.

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UNIFIED FRAMEWORK OF THE EFFECTS OF RELATIONSHIP QUALITY UNDER SERVICE FAILURE: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

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SUMMARY

Extant literature has two conflicting perspectives (buffering perspective versus amplifying perspective) on the effects of relationship quality on customer responses to service failure for a long time. Researchers have yet to provide a unified theory to reconcile both perspectives. This research first extensively reviews empirical studies

regarding the effects of relationship quality under service failure. Second, by integrating interdependence theory and reciprocity theory, this research proposes a unified framework to analyze when and why buffering and amplifying effects would occur and how amplifying effects can shift to buffering effects. Theoretical and managerial implications are also discussed.

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DON'T TOY WITH US! PARENTS' REACTIONS TO TOY PRODUCT RECALLS

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SUMMARY

The surge of product recall incidents in recent years has been accompanied by increased research attention to the effects of recalls on market performance and consumer perceptions. Such research is anchored in the product failure literature (Dawar and Pillutla 2000; Folkes 1984; Wang et al. 2011), which indicates that consumer reactions to faulty products depend on interpretations of company responsibility, based on defects' causality and controllability. Consumer responses include emotional (anger, desire to inflict damage to firm), redress (replacement or refund), apology expectations, changes in attitudes toward the company and changes in buying behavior (Bechwati and Morrin 2003; Folkes and Kotsos 1986). Firms' handling of product problems can range from denial and involuntary product recall (weak responses), to voluntary recall and super-effort (strong responses; Siomkos and Kurzbard 1994). The product recall literature (De Matos and Rossi 2007; Mowen et al. 1981; Siomkos and Kurzbard 1994) shows that negative consumer perceptions typically arise after reading a recall announcement, but the negative impact can be diminished if there is brand familiarity and if perceptions of company responsibility are low.

Our study extends this work by proposing that product recalls can be viewed not only from the disaster-mitigation perspective, but also as opportunities for firms to reap market benefits by forging better relationships with customers. We show in the context of products with major problems for which the company is responsible, that a recall done right can shield the brand from damaging effects. More importantly, recalls for minor flaws produce benefits that outweigh costs to the brand, increasing rather than decreasing consumers' likelihood to buy products from the company in the future. This implies that certain types of recalls are actually advantageous for firms in terms of brand perceptions.

Our study offers a number of theoretical and practical contributions. First, we are bringing to the research forefront an important factor previously unexplored in recall studies: the type of product problem (i.e., major versus minor problem). While the level of perceived product danger has been identified as a critical aspect for consumers (Dawar and Pillutla 2000; Siomkos and Kurzbard 1994), existing research has explored major problems that

pose life-threatening risks (or at least serious risks of injury and general harm). Minor problems, whereby the product's potential to harm consumers is relatively low, have not been explicitly studied, perhaps due to researchers' assumptions that effects on attitudes and purchase behaviors would be negligible. For businesses, there may be a parallel assumption that defects with minor consumer consequences may not justify the costs associated with a recall (as it would bring unnecessary/unwanted publicity while incurring costs to the firm). However, our study indicates that such assumptions are unwarranted.

Second, beyond studying recalls' impact on consumers' attitudes and purchase intentions, we also investigate the neglected aspect of information search. Prior studies have typically exposed participants to product recall scenarios, and examined respondents' reactions to information as given (Dawar and Pillutla 2000; Klein and Dawar 2004; Siomkos and Kurzbard 1994). However, the possibility that consumers might search for additional information after reading a recall announcement has not been considered. The paucity of the literature is puzzling, especially in the web-age of endless possibilities for consumer learning. Consumers may not limit themselves to being passive receivers of product recall news, and whether or not they search for more information likely has implications for their responses to recalls and for company communication strategies.

Third, our work extends the product recall literature to a category that has yet to receive research attention: children's toys. While a number of recall studies have focused on big-ticket items associated with high involvement (e.g., automobiles; De Matos and Rossi 2007; Hoffer, Pruitt, and Reilly 1994), toys represent an interesting category as such products are usually low-cost but still involve concerns for children's safety (as Mattel, the world's largest toy-maker, has learned from its recalls of faulty toys; Ainsworth-Vincze 2010). Surprisingly, given the implications of these products for children and the plethora of news articles and reports of toy recall incidents (e.g., Birchall 2010; Casey and Zamiska 2007; McIlroy 2007; Xu 2010; Warner 2008), theoretical or empirical studies on this topic are lacking. We address the research gap by surveying parents with young children from U.S. and Canada in a 2 (product problem: major vs. minor) x 2 (company response: strong vs. weak) between-subjects study.

Participants read a recall announcement describing either a toy defect causing potential choking hazard (major problem) or a plush quality issue making the toy less soft than expected (minor problem). In the strong company response scenario, the problem was discovered by the firm, which recalled the product immediately, assumed full responsibility and was seeking steps to prevent the incident from happening again. In the weak company response condition, the problem was discovered by a reporter and the company stated that it stands by its products and has no further comments at the time.

We found that parents were more likely to search for additional information regarding toy recalls when a major (vs. minor) product problem was portrayed in the announcement. We also observed, regardless of problem

type, more favorable attitudes and higher purchase intentions when the company response to the problem was strong rather than weak. Furthermore, the minor problem/strong company response condition generated significantly more positive attitudes and purchase intentions compared to each of the other three conditions (i.e., major/strong, major/weak, and minor/weak). The examination of attitudes after learning about a recall as compared to attitudes before the recall revealed that the difference was negative only in the two weak conditions, suggesting that damaging effects of product failure on brand image can be mitigated with strong recall responses. These and other results highlight potentially beneficial effects of voluntary recalls on brands. References are available upon request.

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THE EFFECT OF SELF-CONSTRUAL ON CONSUMERS' ATTRIBUTION TO PRODUCT-HARM CRISES: THE MODERATING ROLE OF COMMITMENT

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SUMMARY

Product-harm crises mark the content of negative publicity, as communication messages that hamper positive brand evaluations and pose marketing strategy dilemmas (Ahluwalia, Burnkrant, and Unnava 2000). The combination of increasingly complex products, more stringent product-harm legislation, more demanding customers, and anti-brand communications of civil society groups that highlight corporate “wrong-doing” have made product-harm crises frequent occurrences (Patterson 1993; Trentmann 2007; Yu 2007).

Past research supports that there are individual differences that mitigate the undesired effects of negative publicity from a marketers' perspective. Whether or not a consumer attributes a publicized failure to the product's characteristics rather than external events and reports less favorable brand impressions is determined in part by the consumers' thinking style (Monga and John 2008) and commitment (Ahluwalia, Burnkrant, and Unnava 2000; Ahluwalia, Unnava, and Burnkrant 2001). We conjoin these lines of inquiry and extend them by suggesting that a key explanatory concept, consumers' self-construal as “independent” or “interdependent” has been elided. The omission of self-construal in prior research in this domain may reflect its conceptual overlap and presumed comparable effects to thinking style (Krishna, Zhou, and Zhang 2008; Nisbett et al. 2001). We define self-construal as a consumer's sense of interdependence or independence in relation to a broader context of people, objects, and/or events. Although self-construal may be studied as a relatively stable trait, it is also a state that can be influenced by contextual cues, such as when a threat to a person's family or community prompts an “interdependent” self-construal as an act of identity maintenance (Markus and Kitayama 1991). It is conceptually distinguishable from thinking style which, beyond being a trait rather than state variable, also articulates the consumer's perception of the object (rather than the self) in relation to a broader context.

Further, while we draw from attribution theory to argue for the inclusion of the commitment concept in accounts of consumers' responses to product-harm crises,

we theorize that it is distinct from and interacts with self-construal. Consumers who are highly committed to a brand and possess a relationship with it may respond to the brand's product-harm incident in a manner akin to attribution theory's self-service bias phenomenon (Fry and Gosh 1980; Kashima and Triandis 1986; Zuckerman 1979). That is, comparable to the process of making an internal attribution for success while blaming personal failure on external factors, brand loyalists may be inclined to make external attributions for a brand to which they are committed. Commitment references a relationship with a given object (a particular brand), and relies on relational history and experience with the brand. In contrast, a self-construal as interdependent, if cued, can conjure a broader relational network of the individual as a member of family, racial groups, and nations, and the consumer culture associated with these communities. Stated differently, commitment is expected to prompt a reaction to a product-harm crisis by an attributional process in which the brand is viewed as an extension of the self (i.e., the self-service bias). Interdependent self-construal is expected to operate by an attributional process in which the self is seen as a member of a community, such that contextual thinking is activated. The preceding discussion suggests that commitment would be expected to moderate the effects of self-construal on attribution and brand evaluation.

In Study One, we demonstrate that self construal priming interacts with commitment to influence consumers' external attribution to a publicized product-harm incident and brand evaluation. Specially, under low commitment, the interdependent (vs. independent) self-construal priming leads to more external attribution to a publicized product-harm incident, and consequently the brand evaluation is more favorably. Under high commitment, the independent and interdependent self-construal priming lead to equal external attribution to a publicized product-harm incident, and the brand evaluation is equal. In Study Two, we further offer evidence the inner mechanisms that underlie these effects: The attribution for low-commitment consumers is much more rational, and self-construal play a great role in consumers' attribution/brand evaluation; while for high-commitment consumers the attribution is much more emotional, and the special emo-

tion of surprise play a role in consumers' attribution/brand evaluation, overriding the effect of self-construal. Thus, this study brings emotion theory (O'Shaughnessy and O'Shaughnessy 2003) into consumers' attribution mechanism, giving an appropriate explanation on the moderating role of commitment. Then in Study Three, we replicated the basic effects in Study One and Two. More

importantly, we demonstrate that the identified interaction of self-construal and commitment is further moderated by context salience. In all, our findings have a great value for guiding marketers' communication management efforts such that product-harm incidents do not escalate to become product-harm crises. References are available upon request.

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THE EFFECTS OF MULTIPLE FRONT-OF-PACKAGE NUTRITION DISCLOSURES ON FOOD PACKAGE EVALUATIONS

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SUMMARY

A number of nutrition summary symbols and sources of nutrition information have been implemented on the front of food packages to promote healthier food choices, garnering much attention from researchers (e.g., Andrews, Burton, and Kees 2011; Feunekes et al. 2008). They range from icons to logos to rating systems, but most do not provide specific quantitative nutrition information; rather they are simply front of package (FOP) summary symbols that indicate if a product has cumulatively met certain nutrition criteria or not (hereafter referred to as integrative summary disclosures). Some examples of these integrative summary disclosures include the National Dairy Council's 3-A-Day and Smart Spot by PepsiCo.

More recently, the Facts up Front FOP Labeling System has been proposed by the Food Marketing Institute (FMI) and the Grocery Manufacturers Association (GMA) as a voluntary initiative among food and beverage manufacturers. Facts up Front is a labeling system that takes certain important nutrient information—calories and three “nutrients to limit”: saturated fat, sodium, and sugars—from the federally mandated Nutrition Facts Panel on the back of packaging and summarizes it on the FOP (FMI 2011). The goal of this research is to use a processing fluency theoretical framework to compare the effects of a Facts up Front labeling system (hereafter referred to as a multi-nutrient quantitative disclosure) with those of an integrative summary disclosure. Of particular interest is their influence on consumer evaluations of perceived package information fluency and trustworthiness when they are presented in isolation and when they are combined.

Results from an online 2 (multi-nutrient quantitative disclosure present vs. absent) X 2 (integrative summary disclosure present vs. absent) between subjects online experiment with 363 adult consumers revealed that the presence of a FOP integrative summary disclosure moderated the effect of a FOP multi-nutrient quantitative disclosure on the perceived fluency of surrounding FOP information. Specifically, when the integrative summary disclosure was present on the frozen pizza stimuli, the perceived fluency for packages containing a multi-nutrient quantitative disclosure was higher than when the

summary disclosure was unavailable. Thus, fluency was lower when the multi-nutrient quantitative disclosure was presented independently than when it was presented in unison with an integrative summary disclosure. This finding suggests that the summary symbol assisted respondents with the interpretation of the specific quantitative nutrient information provided by the Facts up Front.

The results of this study also indicated that the presence of a FOP multi-nutrient quantitative disclosure moderated the effect of a FOP integrative summary disclosure on the perceived trustworthiness of total FOP information environment. Specifically, when the FOP multi-nutrient quantitative disclosure was present, the perceived trustworthiness for packages containing an FOP integrative summary disclosure was higher than when the multi-nutrient quantitative disclosure was unavailable. Trustworthiness was lower when the integrative summary disclosure was presented independently on the FOP, but when coupled with a multi-nutrient quantitative disclosure, trustworthiness significantly increased. Furthermore, trustworthiness was higher when both disclosures were used than when neither was used. Overall, the results of these interactions indicated that both perceived fluency and trustworthiness of FOP information were higher when both nutrition disclosure formats were used simultaneously than when either was used independently.

These results show how alternative FOP disclosure systems can complement one another by compensating for weaknesses of the individual systems (Andrews et al. 2011). By carrying products that are perceived to be more easily processed and more trustworthy, retailers may boost their reputations among their consumers. Similarly, food manufacturers that provide consumers with more easily processed nutrition labels may be able to boost the credibility of messages about their food packages. Because FOP nutrition information in the form of an integrative summary symbol or multi-nutrient quantitative disclosure is typically encountered before similar nutrition information on the side or back of the package (Kozup, Creyer, and Burton 2003), this more easily processed FOP information can serve to confirm or contradict previously held beliefs about a product's healthfulness (e.g., Tony's Cheese Pizza) or that of an entire product category in general (e.g., frozen pizza). Manufac-

turers providing “traditionally healthy” products such as fruit cups or salad greens may reinforce their customers’ previously held and easily accessible beliefs about their products’ healthfulness. Similarly, manufacturers providing products deemed as “traditionally unhealthy” – but may in all actuality be more nutritious than competing

brands in the category – can help to curb consumer misperception about their products by proactively providing easily understandable FOP nutrition information for their customers to process and compare against other brand alternatives. References are available upon request.

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COMMERCIAL INTIMACY: EXAMINING INTIMATE EXPERIENCES WITHIN SERVICE ENCOUNTERS

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SUMMARY

Marketing, both in practice and in research, has increasingly focused on the service-centric flavor of interactions between service providers and end consumers, developing a growing body of work that seeks to understand service encounters and provides insight into how such encounters develop, influence decision-making processes, and affect the behaviors and satisfaction levels of both consumers and service providers. A service encounter, as defined by Surprenant and Solomon (1987), is a “dyadic interaction between a customer and a service provider” (p. 87). As such, they are distinctly human interactions and require that the participants in these interactions fit into socially defined and interdependent roles (Solomon et al. 1985).

Taking this as their cue, marketers have explored dyadic service experiences as well as the factors that can and do affect the attitudes of consumers (Dabholkar 1992) and the satisfaction consumers have with service providers (Meuter et al. 2000). Guiry (1992) and Ligas and Coulter (2001) examined the roles that each party in the interaction play. The former investigated how interpersonal interaction affected consumer satisfaction with the experience, and the latter examined the roles consumers play in dissatisfactory service encounters. Ostrom and Iocabucci (1995) considered the friendliness of service providers as a critical attribute of a service experience that consumers use to evaluate an experience, and Locke (1996) examined how service providers respond to displays of emotions from clients. Others studied the influence of culture and purchase motivation on the consumer evaluation of service encounters (Mattila 1999), the importance of nonverbal communications in such interactions (Gabbott and Hogg 2001; Sundaram and Webster 2000), and the part that social distance (Goodwin and Frame 1989) and mutual understanding between service providers and consumers (Mohr and Bitner 1991) play within the service encounter.

Such studies have initiated an investigation of intimacy in the interactions between service providers and consumers in service settings. Stern (1997) used intimacy theory to present an analysis of how certain intimate components apply to marketing and, in particular, advertising communications. The components she presented as

integral are communication, commitment, caring and giving, comfort (compatibility), and conflict resolution and trust. Price, Arnould, and Tierney (1995) also presented dimensions of service encounters—duration, affect, and proxemics—two of which are common components of intimacy. Price and Arnould (1999) further moved the conversation toward the intimacy contained in service encounters in their study of commercial friendships, specifically analyzing the friendly relationships that exist between hairstylists and their clients over an extended period of time. Griffith (2003) also explored intimacy within consumption settings, viewing it as a product of “shopping related interpersonal experiences” (p. 267).

Evidence increasingly suggests the existence of *commercial* intimacy, an intimate interaction between the two parties involved in the dyadic relationship of service provider and consumer service encounters. Like the commercial friendships investigated by Price and Arnould (1999), commercial intimacy is bound by a particular context—a service encounter—and influenced by proximity of individuals within interactions. Unlike commercial friendships, which build over time and number of interactions, commercial intimacy is potentially a single-event experience, contained within a single encounter or in several encounters in succession, which may build toward the establishment of a commercial friendship.

This intimacy may be an important factor in determining the satisfaction a customer receives from a particular interaction, the loyalty he or she feels toward a particular organization, and the commitment that drives further consumption. However, given the variety of definitions available to marketers from the sociology literature and the bountiful list of possible intimate components, what constitutes intimacy within service encounters is difficult to determine. Furthermore, differentiating commercial intimacy from relational intimacy is also a difficult task.

In this paper, I propose a definition for commercial intimacy. It is the process of interaction between service provider and consumer within a single-event service encounter, and it possesses a number of positive elements, namely affective, cognitive, and physical components. This exchange of closeness between the individuals involved is reciprocal, though not necessarily symmetrical, and may be underlined by symbolic (or actual) gift-

giving moments “seen as extensions of the giver’s self [in] a way of symbolically forming and demonstrating attachment to another” (Belk and Coon 1993).

To that end, the purpose of this paper is to extend marketing knowledge of service encounters by exploring the nature of the intimate experience as an interaction between a service provider and a consumer in a non- or pre-commercial friendship event. I begin with an examination of the sociology literature to define intimacy and

identify the components that constitute commercial intimacy. Next, I outline the methodology utilized to study commercial intimacy within the strip club service encounter. After describing the three main types of dancer/patron interactions that occur within the strip club, I discuss the various components of commercial intimacy that are evident within the environment. Finally, I provide implications for marketers as well as the limitations of the current research and suggestions for future endeavors. References are available upon request.

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POWER DRIVES CONSUMER PERCEPTION FOLLOWING SERVICE FAILURE

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SUMMARY

Research into power in literature has progressed into its effect on various dimensions of consumption behavior (e.g., Rucker and Galinsky 2008). However, research on power in the context of services marketing is still scarce, which is unfortunate given that the dynamics of power plays a central role in a service encounter between the consumer and the provider (Menon and Bansal 2007). Of the few, most of them seem to favor examining them in conditions of service failure (e.g., Goodwin and Verhage 1989; Grégoire, Laufer, and Tripp 2010; Menon and Bansal 2007). This is understandable given that power is closely related to control (Fiske 1993; Haidt and Rodin 1999), thus the effects of power (and lack thereof) becomes more salient in the event of a failure where consumers usually lost control over the end result of the transaction. Research into service recovery has also often looked at the severity of the service failure. Failure severity is often defined as the magnitude of loss that the consumers experience due to the failure (Hess, Ganesan, and Klein 2003; Smith, Bolton, and Wagner 1999). Different levels of severity and the consumer's perceived harm in research are often taken into account since logic stipulates that the more severe the failure, the higher the dissatisfaction (e.g., Gilly and Gelb 1982; Mattila 2001; Richins 1983; Weun, Beatty, and Jones 2004). Perceived harm represents the damage caused to the consumer from the consumer's own perception. Bejou and Palmer (1998) noted that consumers sometimes over-estimate or under-estimate a service failure and did not elaborate on why such differences occur. It is the proposal of this study that one of the variables that factors into consumers' fluctuation in perceiving the severity of a service failure is their level of power.

Power is defined as "an individual's relative capacity to modify others' states by providing or withholding resources or administering punishments" (French and Raven 1959; Keltner, Gruenfeld, and Anderson 2003). Aside from traditional antecedents such as possessions of wealth or social status, experiences of power can also manifest as a psychological state of mind brought about by recall and priming (Galinsky, Gruenfeld, and Magee 2003). Power influences the emotions people feel (Langner

and Keltner 2008), in that they feel and express more positive emotions (Berdahl and Martorana 2006). Powerful people tend to place more importance in their own psychological goals and tend to display more uninhibited behavior. Feeling powerful also protects one from external influence. It reduces the saliency of an event, in that those with power have a higher likelihood of focusing internally and disregard external cues when perceiving and interpreting an event (Galinsky, Magee, Gruenfeld, Whitson, and Liljenquist 2008; Galinsky, Magee, Inesi, and Gruenfeld 2006).

This paper examines the concept of power in a services marketing framework. A 3 (power priming: control, high power, low power) x 2 (service failure: severe, mild) between subjects design experiment was conducted, with 114 valid responses from an online research panel analyzed. Power was primed via an episodic priming task on power, adapted from Galinsky et al. (2003). Service failure was manipulated via scenarios, followed by the dependent measures. In the severe failure condition, participants were asked to imagine themselves visiting a restaurant in which they found that there were worms in their salad order. In the mild failure condition they were told to imagine that their food order was already cold when it arrived. Our findings indicate that different levels of power influences customer's perception after service failure. Contrary to conventional wisdom, we found that the powerful consumers perceive the same service failure as less severe than those who were powerless. The powerless, on the other hand, are prone to amplifying the severity of a mild service failure.

We consider these findings to be evidence that having power reduces the negativity of events that are disruptive toward the end goal (having a good meal), consistent with the findings of past research (Galinsky et al. 2008; Karremans and Smith 2010). This study extends the theoretical body of knowledge regarding the effects of power in consumer behavior. Our findings thus far will serve as the foundation of further studies which will investigate how power and the altered perception toward service failure may influence further behavioral intentions. References are available upon request.

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THE ROLE OF EMPLOYEES' AFFECTIVE DISPLAYS IN CUSTOMER-SERVICE PROVIDER INTERACTIONS

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SUMMARY

With rare exception, frontline service employees – from Disney ambassadors to Wal-Mart greeters – are expected, and often required to, express socially desirable, positive emotions in their customer interactions. Firms train, monitor, and manage their employees' (positive) affective displays (hereafter EADs) as a strategic tool to improve customer experience and enhance service relationships (Gremler and Gwinner 2008). It is not surprising, therefore, that managing EADs is a vital component of frontline employee training programs (Richard 2006), consuming a significant portion of the employee-learning and development budgets, estimated at a staggering \$134.07 billion in 2008 in the U.S. alone (ASTD 2009 report). Besides dollar spending, requiring EADs in the absence of positive internal feelings, carries insidious, non-monetary costs, including employees' emotional exhaustion, burnout, and eventually turnover (Grandey 2003).

Yet enthusiastic multinational corporations are extending EAD training, often without adaptation, to their overseas operations. One example of this is Wal-Mart's smiling-employee policy that was extended to its German market without success. Frequent use of EADs seems to be predicated on the questionable assumption that EADs are *always* desirable, especially since the corpus of research on this topic is rather tenuous, with many studies reporting conflicting findings. Some, for instance, find frequent use of EADs effective (Pugh 2001), while others argue for sincerity or authenticity of EADs (Hennig-Thurau et al. 2006).

Even a cursory review of the literature shows that there remain fundamental unanswered or inadequately answered questions about the effectiveness of EADs in customer-service provider interactions, such as do customers always react positively to EADs? When is a surface (or mere mechanical) display of positive emotions (e.g., a factitious smile) sufficient? Could inauthentic EADs boomerang and undermine service outcomes? What roles do frequency and authenticity of EADs play in different types of services? Are there differences in customers' ability to detect employees' authentic emotional displays from the contrived ones, especially when their

cultural backgrounds are different? In this paper, we attempt to address these questions by focusing on two aspects of service encounters: (1) the affective content level of service, and (2) the ingroup and outgroup dimensions of the employee-customer interfaces. In the main, we contend that customers are more receptive to EADs in some services than in others, and that the EAD effects are also moderated by the social group membership the employees and customers.

We propose that a service's affective content will systematically influence customers' processing of EAD information, and thus moderate the strength of EAD frequency and authenticity effects on customer responses. The affective content associated with a service encounter, construed as "emotional arousal associated with the encounter" (Price, Arnould, and Tierney 1995, p. 86), varies by the service type. The low affective content service encounters (e.g., fast food purchase and dry cleaning) are low in emotional arousal. Here, customers downplay employees' emotional performance customers and perceive EAD as a fulfillment of employee's work role or as a courtesy expression in a social context. Since customers' expectation and evaluations are based on standardized scripts and social norms, customers may not be offended by even factitious EAD attempts. In contrast, in many high affective content service encounters (e.g., gift shopping and wedding advisory), emotional content itself is an integral part of the interaction. In these high-affect encounters, customers have stronger motivation to pay attention to employees' emotional expressions and make inferences about employees' emotional and cognitive states. In fact, given their emphasis on true emotional experience in these situations, customers may even be offended and annoyed by synthetic smiles. This boomerang effect may be so strong that attempts to fake positive emotions could lead to less favorable customer outcomes than no EADs at all. Therefore, we argue that EAD effectiveness will depend on the type of service.

Moreover, we expect the impact of EADs to be subject to culture-specific rules of encoding and decoding the emotional displays. Members of the same group have similar learning experiences, expressive styles, emotional concepts, and cognitive representations. As a result, ingroup members often share emotional encoding (how

emotions should be displayed) and decoding (how emotions should be interpreted) rules (Matsumoto and Ekman 1989). Therefore, we propose that individuals are more attentive and sensitive to ingroup members' behaviors, process ingroup members' EADs in a more detailed manner, resulting in greater accuracy in emotion recognition and greater impact of EAD authenticity.

We used two empirical studies to test our hypotheses. Operationally, we employ videotaped service-interactions as stimuli to portray EADs in a realistic and dynamic manner (Bateson and Hui 1992), and for the flexibility they afford in managing manipulations and controlling confounds (Grandey et al. 2005). Results support our propositions. Specifically, Study 1 examines the mechanisms of EAD effects in two types of services – those high in affective content versus those low in affective content. The results show that authenticity effects are significantly stronger in high affective content services than in the low affective content services. Positive EADs are preferred over neutral (control group) EAD in the low

affective content service, but inauthentic positive EADs boomerang in the high affective content service. Findings of Study 2 further reveal that the EAD effects are moderated by the ingroup versus outgroup status of the employees and customers in the dyad. Customers are more sensitive to the authenticity of EADs when employees are in-group members (same ethnicity) than out-group members.

This research advances the extant managerial implications by suggesting the boundary conditions that will help service managers to determine when an emphasis on EAD genuineness (or EAD frequency) pays off in terms of improved customer outcomes and when it does not. In view of our finding, EAD requirements should not be categorical, but pertinent to the affective nature of a service. Also, the firms operating in culturally diverse markets must be cognizant of customers' varied receptivity and sensitivity to employees' affective displays. When employees and customers share the social group membership, customers are better able to read employees' genuineness, and thus, are more sensitive to EAD authenticity.

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THE PIVOTAL ROLE OF DIFFERENT RISK DIMENSIONS AS OBSTACLES TO PIRACY PRODUCT CONSUMPTION

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ABSTRACT

This research explores the relevance of social, legal, functional, and financial risks as obstacles to piracy product consumption. Study 1 pinpoints the crucial role of doubts in functional aspects. Study 2 analyzes if the inhibiting influence of the different risk dimensions differs across products. Valence-impact-matrixes visualize the most important fields of action.

INTRODUCTION

The market in pirated and counterfeit goods is rapidly growing and is constantly reaching new record levels (e.g., BASCAP 2009). These developments pose a serious threat to companies producing legal goods. While manufacturers of the original product need to make large investments beforehand (e.g., in research and development) or when selling the product (e.g., in brand image), imitators reap the rewards of these investments without the effort. Additionally, given that imitations and copies are often of lower quality than the original product, negative word-of-mouth leads to a dilution of brand image (Green and Smith 2002; Grossmann and Shapiro 1988). Since globalization of business and the ongoing reduction of trade barriers ease the distribution of imitations and copies, the consumption of counterfeits and pirated products is expected to intensify in the coming years (e.g., Staake, Thiesse, and Fleisch 2009).

Extant marketing campaigns are helpful in influencing consumer's awareness for counterfeit goods. Yet, despite low attitudes toward piracy products, efforts in preventing consumers from purchasing those products have been surprisingly ineffective in the past years (Penz, Schlegelmilch, and Stoettinger 2009). In order to explain and overcome this attitude-behavior-gap, researchers, marketers, and policy makers need to identify and address the key obstacles of piracy product consumption (e.g., Eisend and Schuchert-Güler 2006; Williams, Nicholas, and Rowlands 2010). Whereas rigorous research has been done to determine *why* consumers buy a pirated product instead of the original, little is known about *what* effectively prevents people from buying such goods. By closing this gap, we make the following contributions to the literature. First, we investigate if risk is major obstacle and how the different dimensions of risk effectively prevent product piracy consumption. And second, we examine if

the inhibiting influence of these dimensions is stable across different products.

We explore risk as a key obstacle to piracy product consumption because it has been found to substantially hamper the decision to buy imitated products (e.g., de Matos, Ituassu, and Rossi 2007; Furnham and Valgeirsson 2007). More specifically, we differentiate social risks (e.g., social disapproval), legal risks (e.g., legal punishment), financial risks (e.g., loss in value), and functional risks (e.g., loss in capacities) which are associated with piracy products (Bian and Moutinho 2009; Veloutsou and Bian 2008). The large body of product piracy research, however, has solely focused on cognitive customer reactions to such risks. Drawing on dissonance theory (Festinger 1957), we argue that social, legal, financial, and functional risks trigger affective reactions and, more particularly, negative feelings as well. These emotions, in turn, may affect consumer attitudes and intentions. By incorporating customer's cognitive and affective reactions to different risk dimensions, we aim to increase the understanding of piracy product consumption.

In order to answer the second question, we examine if the role of the different dimensions of risk varies across product categories. Given that imitations appear in diverse forms, dimensions of risk that are relevant to one type of pirated product may be less relevant to another. For example, as certain imitations (e.g., pharmaceuticals) can pose serious threats to consumer health, functional risks may be more relevant for those products than for others (e.g., software). Yet, no study has analyzed if the impact of different types of risk depend on product category. We aim to fill this void.

The goal of this paper is twofold. In Study 1 ($n = 158$ consumers), we suggest a model which incorporates cognitive and affective effects of the different risk dimensions. An empirical study is conducted in order to shed light on the constructs' reliability as well as criterion and discriminant validity of the related constructs. We identify key drivers and intervening variables of the intention to buy counterfeits. In Study 2 ($n = 316$ consumers), we analyze if this model can feasibly be applied to further forms of piracy. The findings of both studies help to develop intervention procedures (product and packaging, prevention campaigns) in order to mitigate counterfeiting of products. On that account, valence-impact-matrixes

are developed which will help to guide decisions of marketers and producers of often copied products and policy makers as well. Finally, directives for future research will be given.

THEORETICAL BACKGROUND

Research on Product Piracy

Product piracy is in the focus of different disciplines (e.g., macro economics, psychology, marketing, jurisprudence). This article examines product piracy from a consumer perspective. In this regard, we view product piracy as the infringement of product or copyright (McDonald and Roberts 1994, p. 57). According to Grossmann and Shapiro (1988), such products can be deceptive or non-deceptive in nature. To associate specific risks with piracy products, the consumer needs to be aware of the infringement. In the following, we therefore focus on non-deceptive piracy products such as counterfeits and copies (e.g., software, clothing, pharmaceuticals).

Attitudes Toward Piracy Products

Based on seminal theories aiming to predict individual behavior (e.g., *theory of planned behavior*, Ajzen and Madden 1986; *theory of reasoned action*, Fishbein and Ajzen 1975), piracy research consistently shows that consumer purchase intentions depend on his/her attitude toward piracy products (e.g., Eisend and Schuchert-Güler 2006; Staake, Thiesse, and Fleisch 2009; Williams, Nicholas, and Rowlands 2010). The more positive consumer's attitude toward piracy products, the more likely (s)he buys a particular piracy product (e.g., de Matos, Ituassu, and Rossi 2007; Penz and Stöttinger 2005). In order to comprehensively explain consumer behavior and to identify incremental influence of the different risk dimensions, this study checks for this widely accepted relationship.

H₁: Consumer attitudes toward product piracy have a positive influence on the intention to purchase piracy products.

The rationale underlying H₁ implies that an individual's attitude is sufficient to explain consumption. Accordingly, most studies in the field of product piracy conceptualize attitude toward piracy products as the relevant variable guiding actual behavior. The literature, however, gives ample evidence that there is only little correspondence between attitudes and behavioral variables (e.g., Penz, Schlegelmilch, and Stöttinger 2009; Phau et al. 2009). To overcome this gap, further influencing variables need to be taken into account. More specifically, it is our fundamental assumption that perceived risk has a substantial impact on piracy product consumption as well.

Risk as Pivotal Inhibitor

Risk and cognitive evaluation: Previous research revealed that risk plays a key role for the purchase of imitated products (e.g., Furnham and Valgeirsson 2007). To date, perceived risk in the context of piracy products has been mostly analyzed as an overall level of risk (e.g., de Matos, Ituassu, and Rossi 2007). Yet, only few studies systematically examined specific dimensions of risks which can be derived from well-established risk typologies (e.g., Kaplan, Szybillo, and Jacoby 1974).

Table 1 indicates that most commonly social risks (e.g., social disapproval), legal risks (e.g., legal punishment), financial risks (e.g., loss in value), or functional risks (e.g., loss in capacities) are associated with piracy products. Accordingly, we expect that consumer's belief about the negative consequences of product piracy in social, legal, financial or functional aspects shape their evaluation of purchasing piracy products and drive their readiness to actually perform this behavior.

H_{2a-d}: Perceived (a) social, (b) legal, (c) financial, (d) functional risks have a negative influence on consumer attitudes toward product piracy.

H_{3a-d}: Perceived (a) social, (b) legal, (c) financial, (d) functional risks have a negative influence on consumer intention to purchase piracy products.

TABLE 1
Piracy Studies Investigating Different Dimensions of Risk

Study	Product Category	Risk dimension			
		Social	Legal	Financial	Functional
Bian and Moutinho (2009)	luxury brands	●		●	
Chakraborty, Allred and Bristol (1996)	automotive parts	●			●
Chakraborty et al. (1997)	automotive parts	●		●	●
Liao, Lin and Liu (2010)	software	●	●		●
Tan (2002)	software	●	●	●	●
Veloutsou and Bian (2008)	luxury brands	●		●	●

Risk and affective reactions: Product piracy research analyzes decision making mostly from a cognitive perspective. In particular, studies draw on traditional risk theories stating that individuals analyze probability and strength of negative consequences (e.g., Bauer 1960; Kaplan, Szybillo, and Jacoby 1974). Although recent advances (e.g., Slovic et al. 2004; Strack and Deutsch 2004) have shown that perceptions such as risks are rather part of the experiential (affective state) than the analytical system (cognitive evaluation), piracy research has disregarded affective reactions so far. Drawing on *dissonance theory* (Festinger 1957), we argue that piracy products may also trigger emotions such as negative feelings. For instance, the awareness of the different detrimental consequences of piracy products conflicts with the advantages such goods offer (e.g., lower prices). These contradictory beliefs, in turn, induce dissonance resulting in discomfort or negative feelings. For example, social risks of piracy products induce a high embarrassment potential. Friends or other socially relevant persons may identify the product as a fake which puts the buyer in an unpleasant situation (Eisend and Schuchert-Güler 2008; Penz and Stöttinger 2005; Veloutsou and Bian 2008). Contradictory beliefs about lower prices versus potential embarrassment lead to negative feelings (Tangney et al. 1996). Hence, we expect that social, legal, financial and functional risks elicit negative feelings in the consumer.

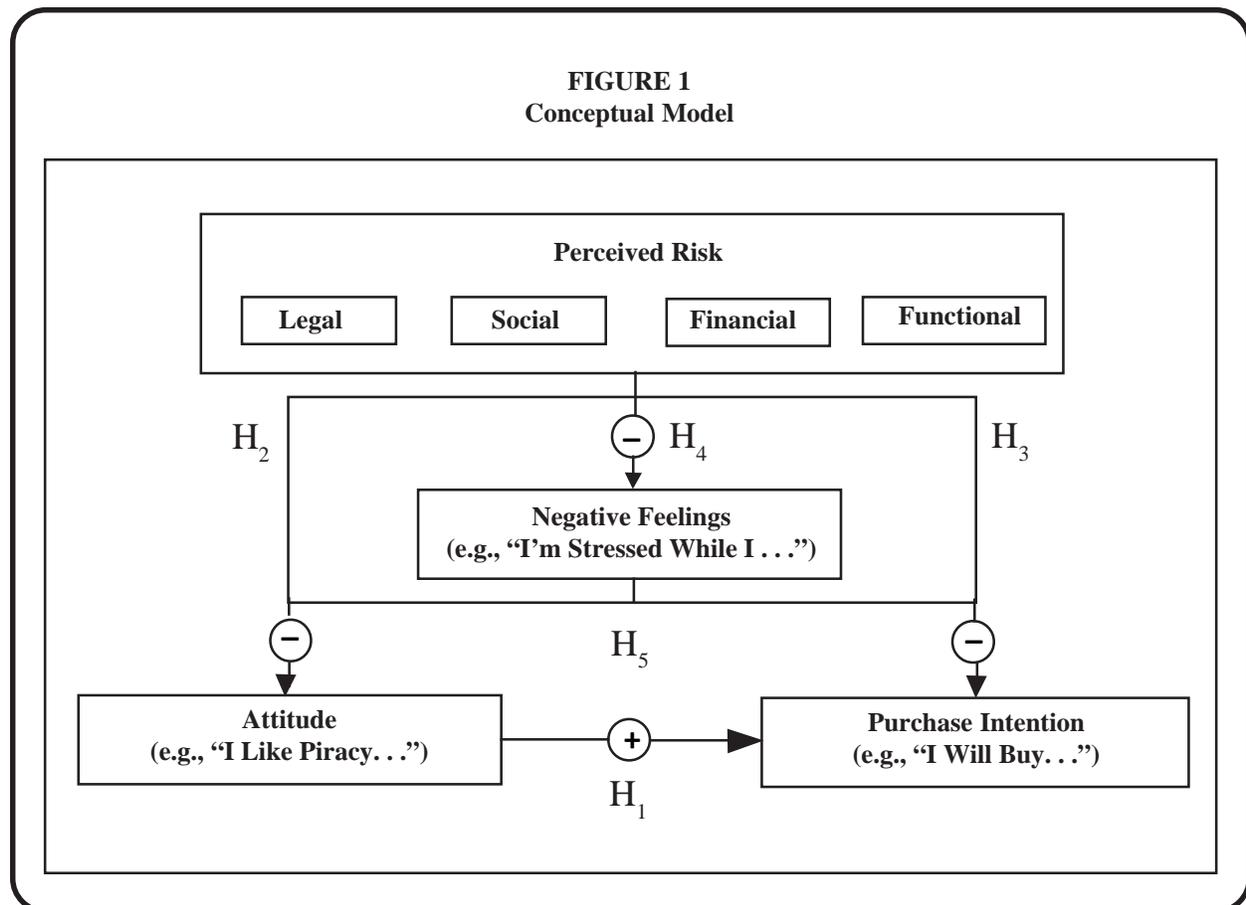
H₄: (a) Social, (b) legal, (c) financial, (d) functional risks associated with piracy products lead to negative feelings.

As postulated by H₄, contradictory beliefs about product piracy trigger negative feelings. According to dissonance theory, individuals tend to avoid uncomfortable emotions and they have a motivational drive to reduce such feelings by applying coping strategies (Festinger 1957). Since these strategies can involve a change in attitude and/or intention (e.g., Bagozzi, Gopinath, and Nyer 1999), consumers who experience negative feelings are expected to change their attitudes about product piracy. Consequently, they will be less fond of piracy products and will be less likely to buy. We therefore suggest that negative feelings influence consumer attitudes and purchase intentions.

H_{5a,b}: Negative feelings triggered by product piracy have a negative influence on (a) attitudes toward product piracy and (b) purchase intentions.

Figure 1 gives an overview of the developed framework. Two empirical studies are conducted to test our hypotheses. In Study 1, we check for the influence of the four risk dimensions on customers' cognitive and affective reactions in the context of clothing. Study 2

FIGURE 1
Conceptual Model



investigates whether these effects differ across product categories.

STUDY 1

Design

In Study 1, we examine evaluative and emotional reactions to risks associated with product piracy in the context of clothing. Empirical data was gathered using a homogeneous sample of 158 German consumers. Respondents were selected by a fixed-ratio schedule (sex and age groups 18–29; 30–49; 50 and above). We trained students to gather data from six respondents, each. Our sample was 50.0 percent female with a mean age of 38.0 years.

Participants were asked to complete a questionnaire. Indicators of the dimensions of risk (legal, social, financial, functional) were adopted from Tan (2002). Indica-

tors of *attitude toward piracy products* and *purchase intention* were taken from Huang, Lee and Ho (2004). Measurement of the construct *negative feelings* was developed in line with the suggestions of Stone and Gronhaug (1993). To indicate agreement with the statements, the measures employ seven-point rating scales (1 = “strongly disagree” to 7 = “strongly agree”). All measured constructs display high levels of internal consistency (Table 2). Factor reliability (FR) is higher than .60 and the average variance extracted (AVE) exceeds .50. Since the Fornell/Larcker (1981) criterion (F/L) is given, all factors display discriminant validity.

Common Method Variance

As an ex ante means of avoiding *common method variance*, we carefully separated measurements of purchase intentions and attitudes from the risk constructs by adding a few conceptually unrelated items between the measures (temporal separation of measurement; Podsakoff

TABLE 2
Reliability and Discriminant Validity

	FR	AVE	r^2_{\max}	F/L
Legal risks	.93	.82	.19	yes
Social risks	.88	.72	.35	yes
Financial risks	.86	.76	.19	yes
Functional risks	.90	.74	.34	yes
Negative feelings	.91	.77	.35	yes
Attitude towards piracy products	.86	.67	.35	yes
Purchase intention	.92	.70	.35	yes

Legal risks: “It is possible that I will be prosecuted by acquiring counterfeit clothing.” “The purchase of counterfeit . . . results in legal actions.” “I am afraid that I will be prosecuted criminally if I buy counterfeit clothing.” *Social risks*: “My relatives, friends and colleagues would not think it is a good decision to buy counterfeit clothing.” “I would embarrass myself if people notice that I am using counterfeit clothing.” “I would not use counterfeit clothing because somebody could recognize this and then laugh at me.”; *Financial risks*: “The purchase of counterfeit clothing involves a high financial risk.” “The purchase of counterfeit clothing includes hidden costs.”; *Functional risks*: “Counterfeit clothing have a similar quality as the original product.” (reverse coded), “Counterfeit clothing satisfy me just as much as the original product.” (reverse coded), “Counterfeit clothing are just as reliable as the original product.” (reverse coded); *Negative feelings*: “The purchase of counterfeit clothing makes me feel insecure.” “The usage of counterfeit clothing discomforts me.” “I’m stressed while I use counterfeit clothing.”; *Attitude towards pirated products*: “It is not right to buy counterfeit products.” (reverse coded), “People who buy counterfeits take advantage on other people’s account.” (reverse coded), “If I had the possibility, I would rather buy counterfeit products instead of original products.”; *Purchase intention*: “The probability that I would consider buying counterfeit clothing is high.” “I would purchase counterfeit clothing.”, “I would surely decide in favor of counterfeit clothing.”, “The purchase of counterfeit clothing is no option for me.” (reverse coded), “My children/If I had children, I would not buy counterfeit clothing for them.”

Notes. AVE = average variance explained; FR = factor reliability; r^2_{\max} = maximum of the squared correlation with the other factors. F/L = criterion of Fornell/Larcker.

et al. 2003). Ex post, we assessed the extent of common method variance using the single-factor test: Exploratory factor analysis including all items demonstrated that seven factors explain 79.9 percent of the variance, whereas one general factor explains only 23.0 percent of the variance. We additionally calculated correlations between the relevant constructs and an unrelated marker-variable (“It gives me great pleasure to show my skills in shopping.”). As we found no significant correlations ($|r_{max}| = .142$, $p_{min} = .08$), there is strong evidence that common method variance does not inflate the results (Lindell and Whitney 2001).

Results

The effects of the different risk dimensions were tested using *partial least squares* (PLS) implemented in the software SmartPLS (Ringle, Wende, and Will 2005). We apply PLS because this variance-based structural equation modeling (SEM) approach is particularly appropriate for complex models with larger numbers of latent variables (Wold 1985). Additionally, in comparison with covariance-based SEM, PLS has greater statistical power (Reinartz, Haenlein, and Henseler 2009). Since this study aims to predict consumer behavior and to develop theories, PLS is the preferred methodological choice. Bootstrapping (1,000 samples, 158 cases) is applied to estimate standard errors and *t*-values. We calculate the effect size (f^2), whereby the values of .02, .15, and .35 indicate a weak, medium or large effect, respectively (Cohen 1988).

At first, the analysis confirms the key findings of piracy research. Purchase intentions are guided by consumer attitudes toward piracy products ($\beta = .37$, $p = .05$) which supports H_1 . The study further demonstrates that the four risk dimensions trigger different cognitive and emotional reactions in the customer. Whereas social, legal, financial, and functional risks contribute to negative feelings, only financial and functional risks affect consumer attitudes (Table 4). Hence, this study partially supports H_2 and fully confirms H_4 . Interestingly, all forms of risk explain negative feelings elicited by piracy products to a large degree ($R^2 = 50\%$). Since the Stone/Geisser-criterion is positive ($Q^2 = .39$), they have predictive relevance for this variable. Affective reactions of the customer, however, do not influence consumer attitudes toward piracy products and purchase intentions. The analysis rather demonstrates that functional risk is the main obstacle to buying or to using pirated products. We can therefore support H_3 only in terms of functional risks. In contrast to our expectations, we have to reject H_{3a-c} and $H_{5a,b}$. Altogether, the influencing variables largely explain the variance in attitude toward pirated products ($R^2 = 35\%$, $Q^2 = .22$) and consumer purchase intentions ($R^2 = 45\%$, $Q^2 = .31$).

STUDY 2

Study 1 has shown that functional risk is the main obstacle of product piracy consumption in the context of clothing. Product piracy, however, does occur in various forms. On that account, the terminology varies greatly in research and marketing practice. To describe specific forms of piracy products, researchers refer to terms like “counterfeit,” “plagiarism,” “pirate copy,” or “imitation” (e.g., Wilcox, Kim, and Sen 2009; Kwong et al. 2003). Each subgroup of product piracy has distinct characteristics. For example, a counterfeit (e.g., clothing) has no legal consequences for the buyer or user, whereas pirating or softlifting (e.g., copy of software) is illegal and can therefore result in severe penalties for the customer (Tan 2002). This leads to the assumption that the impact of the four risk dimensions identified in Study 1 may depend upon product category. Recent findings in specific categories such as clothing (Penz, Schlegelmilch, and Stoettinger 2009) as well as illegally downloaded software (Partasarthy and Mittelstaedt 1995) indicate that the relevance of perceived risks varies by product category. In Study 2, we therefore check if the findings of the first study differ across product categories.

Design

We adapted the questionnaire of Study 1 to the contexts of software (SW) and pharmaceuticals (PC). Again, data were gathered using a fixed-ratio schedule (sex and age groups 18–29; 30–49; 50 and above). The homogeneous sample consisted of 316 consumers (158 consumers per product category). Respondents were 50.1 percent female and 37.8 years on average. As Table 4 shows, measurement instruments of the central constructs prove highly reliable ($FR > .70$, $AVE > .50$) and discriminant validity of all constructs is given (F/L – criterion).

Common Method Variance

As in Study 1, we separated risk and the dependent variables by adding a few conceptually unrelated items in order to produce a short time lag. Single factor tests demonstrate that common method variance does not affect the results. Many factors of all items would explain 76.5 percent (SW) and 69.5 percent (PC) of the variance, whereas one factor explains only 31.6 percent (SW) and 32.4 percent (PC) of the variance. As in Study 1, we did not find significant correlations (SW: $|r_{max}| = .139$, $p_{min} = .08$, PC: $|r_{max}| = .146$, $p_{min} = .07$) between the marker variable and the relevant constructs which gives further evidence for a lack of common method variance.

Results

Again, the relevance of the different forms of risk was tested using PLS. In order to facilitate interpretation of the

TABLE 3
Influences of Risks on Attitudes and Behavior

	β	(<i>t</i>)	f^2
<i>Risk → Negative Feelings</i>			
β_1 legal → negative feelings	.20 **	(3.05)	.06
β_2 social → negative feelings	.43 ***	(6.82)	.30
β_3 financial → negative feelings	.13 *	(1.73)	.03
β_4 functional → negative feelings	.23 ***	(3.35)	.08
<i>Risk → Attitude Toward Piracy Products</i>			
β_5 legal → attitude toward piracy products	.07	(0.82)	.00
β_6 social → attitude toward piracy products	-0.05	(0.68)	.00
β_7 financial → attitude toward piracy products	-0.14 *	(2.09)	.02
β_8 functional → attitude toward piracy products	-0.5 ***	(7.12)	.26
β_9 negative feelings → attitude toward piracy products	-.02	(0.23)	.00
<i>Risk → Purchase Intention</i>			
β_{10} legal → purchase intention	-0.09	-1.01	0.01
β_{11} social → purchase intention	.07	(0.94)	.01
β_{12} financial → purchase intention	-0.04	(0.52)	.00
β_{13} functional → purchase intention	-0.35 ***	(4.84)	.11
β_{14} negative feelings → purchase intention	-0.05	(0.60)	.00
<i>Attitude → purchase intention</i>			
β_{15} attitude toward piracy products → purchase intention	.37 ***	(4.77)	.14
Notes. Partial Least Squares (PLS). <i>t</i> -values via bootstrapping (1,000 samples). Level of significance (one-fold): * <i>p</i> .05; ** <i>p</i> .01; *** <i>p</i> .001.			

TABLE 4
Reliability and Discriminant Validity

	Pharmaceuticals				Software			
	FR	AVE	r^2_{\max}	F/L	FR	AVE	r^2_{\max}	F/L
Legal risks	.93	.82	.15	yes	.92	.80	.17	yes
Social risks	.76	.52	.15	yes	.85	.66	.22	yes
Financial risks	.80	.67	.07	yes	.87	.77	.14	yes
Functional risks	.94	.83	.32	yes	.92	.79	.37	yes
Negative feelings	.85	.65	.09	yes	.89	.73	.22	yes
Attitude towards piracy products	.85	.65	.21	yes	.85	.65	.13	yes
Purchase intention	.89	.62	.32	yes	.93	.74	.37	yes

Notes. AVE = average variance explained; FR = factor reliability; r^2_{\max} = maximum of the squared correlation with the other factors. F/L = criterion of Fornell/Larcker.

results of this study, Table 5 displays the results of Study 1 as well. The influence of functional risks does not differ between both product categories examined in Study 2 (attitude: -.33 vs. -.36, purchase intention: -.42 vs. -.46; *t*-tests: *t* = 1.62, *p* > .05). We, however, find some product-specific influences of certain risk dimensions. For example, financial risk significantly reduces the customer's attitude toward pirated goods (in terms of PC) and purchase intention (SW). For software, negative feelings and legal risks also affect the criterion variables. These exceptions partially confirm that the relationships between risk and cognitive/affective reactions of the customer as well as between risk and purchase intentions differ across product categories.

As in Study 1, the Stone/Geisser-criterion for customer attitude toward pirated products is positive in both samples (SW: $Q^2 = .08$; PC: $Q^2 = .05$). Thus, the dimensions of risk have predictive relevance for this variable. Interestingly, the different risk dimensions and negative feelings explain only a relatively small portion of the attitude toward piracy products (SW: $R^2 = 17\%$; PC:

$R^2 = 15\%$). In contrast, subsequent variables in the decision making process are affected to a greater extent. As such, purchase intentions are largely explained by the variables (SW: $R^2 = 44\%$, $Q^2 = .32$; PC: $R^2 = 43\%$, $Q^2 = .26$).

GENERAL DISCUSSION

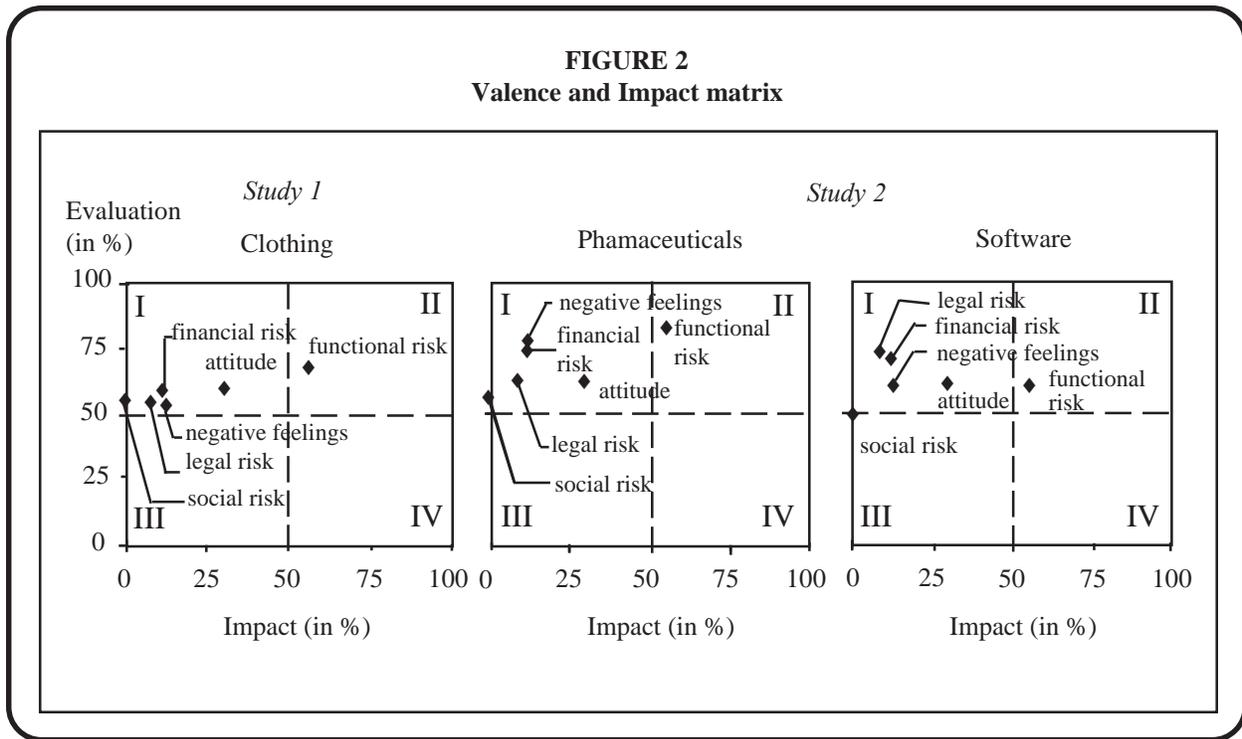
This paper examined substantial deterrents to the consumption of pirated products. It was shown that – in contradiction to earlier findings (e.g., de Matos, Ituassu, and Rossi 2007) – purchase intentions are not primarily influenced by attitude. The perceived risk a customer associates with the purchase of pirated products is essential to diluting the intention to buy these products. The results provide empirical evidence that, apart from cognitive beliefs, piracy products raise affective concerns as they cause stress, alarm consumers and lead to fear. Although legal, social, financial, and functional risks associated with piracy products trigger negative feelings in the consumer, these emotions do not considerably influence their decisions. In fact, we were able to show

TABLE 5
Influences of Risk on Attitudes and Behavior

	Study 1			Study 2					
	Clothing			Pharmaceuticals			Software		
	β	(<i>t</i>)	f^2	β	(<i>t</i>)	f^2	β	(<i>t</i>)	f^2
<i>Risk</i> → <i>negative feelings</i>									
$\beta 1$ legal → negative feelings	.20**	(3.05)	.06	-.09	(1.05)	.01	.16*	(2.11)	.03
$\beta 2$ social → negative feelings	.43***	(6.82)	.30	.21*	(2.08)	.05	.34***	(4.43)	.17
$\beta 3$ financial → negative feelings	.13*	(1.73)	.03	.16*	(1.73)	.03	.14*	(1.90)	.02
$\beta 4$ functional → negative feelings	.23***	(3.35)	.08	.24**	(2.92)	.06	.26***	(3.24)	.09
<i>Risk</i> → <i>attitude towards piracy products</i>									
$\beta 5$ legal → attitude piracy prod.	.07	(0.82)	.00	.09	(0.99)	.01	-.24**	(2.45)	.05
$\beta 6$ social → attitude piracy prod.	-.05	(0.68)	.00	-.08	(0.73)	.01	-.05	(0.53)	.00
$\beta 7$ financial → attitude piracy prod.	-.14*	(2.09)	.02	.21**	(2.35)	.04	.05	(0.43)	.00
$\beta 8$ functional → attitude piracy prod.	-.50***	(7.12)	.26	-.33***	(4.14)	.11	-.36***	(4.45)	.11
$\beta 9$ negat. feelings → attitude piracy prod.	-.02	(0.23)	.00	-.09	(1.10)	.01	.07	(0.73)	.00
<i>Risk</i> → <i>purchase intention</i>									
$\beta 10$ legal → purchase intention	-.09	(1.01)	.01	-.11	(1.61)	.02	.08	(1.01)	.01
$\beta 11$ social → purchase intention	.07	(0.94)	.01	.03	(0.30)	.00	-.04	(0.54)	.00
$\beta 12$ financial → purchase intention	-.04	(0.52)	.00	.06	(0.81)	.00	-.13*	(1.97)	.02
$\beta 13$ functional → purchase intention	-.35***	(4.84)	.11	-.46***	(5.78)	.28	-.42***	(5.72)	.20
$\beta 14$ negat. feelings → purchase intention	-.05	(0.60)	.00	-.10	(1.50)	.01	-.16*	(2.04)	.03
<i>Attitude towards piracy products</i> → <i>purchase intention</i>									
$\beta 15$ attitude → purchase intention	.37***	(4.77)	.14	.30***	(4.19)	.13	.19**	(2.52)	.05

Notes. Partial Least Squares (PLS). *t*-values via bootstrapping (1,000 samples). Level of significance (one-fold): * *p* .05; ** *p* .01; *** *p* .001.

FIGURE 2
Valence and Impact matrix



that risks affect attitude and intentions directly. More specifically, we demonstrated the crucial role of doubt in functional aspects. This was shown not only for product categories which are connected with high functional risks (pharmaceuticals), but also for product categories with high legal (software) and social risks (clothing).

Implications for Marketers

The findings of this study are of high relevance to original brand manufacturers as well as associations dealing with the issue of product piracy. Besides efforts to change attitudes, product, and marketing managers should seek to emphasize risks to deter customers from purchasing pirated products. Drawing on the findings of this study, quality aspects should be picked out as a central theme, for example, malfunctioning software, poor quality handbags, or ineffective medicines. Original pharmaceuticals, for example, can be best protected by underlining that pirated pharmaceuticals are a threat for one's health.

When evaluating potential prevention campaigns, companies are well advised to measure actual purchase intentions. As this study has shown, highlighting consequences elicits negative feelings and increases customer's discomfort. This, however, does not or negligibly affect variables preceding actual customer actions, such as purchase intentions. Thus, wrong (and costly) conclusions would be drawn by looking at (negative) emotions only.

This study provides marketers and policy makers with new insights and valuable knowledge on how to

unravel the distinct consequences of the different dimensions of risk which are associated with piracy products. To determine the most urgent fields of activity, we suggest extending performance analysis (Völkner et al. 2010). We identify relevant obstacles for the consumption of piracy products by plotting the valence of the relevant variables in our investigations against their impact on purchase intentions. In a first step, we transform the index values of the relevant determinants (legal, social, financial, and functional risks, negative feelings and attitude toward piracy products) in such a way that their *valence* values range from 0 (unfavorable, e.g., low perceived risk, positive attitude toward piracy products) to 100 (favorable, e.g., high perceived risk, negative attitudes). Coefficients of their total effects on consumer purchase intentions (as derived in Study 1 and Study 2, respectively) are transformed in the same way. In doing so, we obtain *impact* values. Next, the relationship between both variables is depicted in a scatter plot (Figure 2). The most influential risks and attitudes can be easily seen from the diagram which are the variables located in the upper right corner. From a marketer's angle, consumers evaluate these variables in a favorable way *and* they have a meaningful impact on actual consumption intentions. In our example, product piracy is largely associated with functional risk and this risk has the strongest (total) effect on consumer purchase intentions. Additionally, this way of displaying the studies' results clearly indicates that – although all risks are perceived as moderate to high and attitude toward piracy products and feelings are moderate to negative – these variables do not or only weakly influence purchase intentions in the end.

Limitation and Further Research

This study gives new insights on predictors of purchase intentions toward piracy products and should be further elaborated by marketing research in several aspects. Firstly, due to the samples limitations (single country, Germany), external validity and robustness are somewhat restricted. Since different cultural dimensions (e.g., uncertainty avoidance) can moderate results in each product category, future studies should replicate the study's findings in further countries (e.g., Penz, Schlegelmilch, and Stoettinger 2009; Veloutosou and Bian 2008). For instance, German consumers are possibly aware of the legal consequences of downloading software because intellectual property infringements are strictly prosecuted. Chinese consumers, on the other hand, may be less affected by legal risks owing to a different understanding of what imitations are and whether they are perceived right or wrong.

Secondly, our approach focuses on different risks associated with piracy products. Future studies may include additional variables which play an important role for purchasing pirated products. Product specific variables, such as price-quality inferences, traits, such as risk averseness, normative and informative susceptibility as

well as integrity may improve predictive power (de Matos, Ituassu, and Rossi 2007; Penz, Schlegelmilch, and Stoettinger 2009; Phau and Teah 2009). Most promising are moral values (e.g., integrity) or perceived moral obligations which were recently found to have a significant impact on purchase intentions (Goles et al. 2008; Wilcox, Kim, and Sen 2009). Consumers with high moral standards are possibly more aware of negative consequences for their home country's economy and society and they therefore refrain from purchasing pirated products more than others.

Thirdly, this study focused on cognitive evaluations of different risks which lead to affective reactions. In line with Slovic et al. (2004), cognitive evaluations are possibly influenced by affective states. These relationships are not exclusively explicit in nature. Implicit processes shape attitude and behavior as well (Strack and Deutsch 2004). For instance, Gino, Norton, and Ariely (2010) recently found that women wearing counterfeited sunglasses unconsciously tend to behave more unethical than women with original sunglasses. On that account, future studies should scrutinize unconscious and automatic attitudes toward piracy products. Such implicit attitudes can be measured, for example, applying Implicit Association Tests (e.g., Greenwald, McGhee, and Schwartz 1998).

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STIMULATING PATIENT COMPLIANCE VIA SELF-SERVICE TECHNOLOGIES

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SUMMARY

Patient compliance safeguards the continuous fulfillment of medical advice and health related activities. Therefore, patient compliance may be interpreted as an important prerequisite for the success of a healthcare service. Unfortunately, many patients do not adhere to therapeutic guidelines and disobey medical instructions, resulting in widespread non-compliance with up to 50 percent for chronically ill patients. The implications of non-compliance affect all parties of the medical field and can have medical as well as economic consequences. While existing marketing literature emphasizes the provider-patient interface when investigating compliance knowledge on company strategies and actions to stimulate patients' compliance is scarce. One valuable approach for healthcare firms to enhance patient compliance probably might be to provide patients with self-service technologies (SSTs). Generally, SSTs like pharmacy terminals, disease monitoring applications or medical devices supporting disease self-management are widely used in the healthcare field. However, it remains unknown if SSTs have the potential to stimulate patient's compliance. We address this research gap by presenting two interrelated studies which investigate the compliance of diabetics.

In our first study, we show based on an online survey among diabetics (n=536) that self-efficacy, role clarity,

and mindfulness significantly stimulate patient compliance via patient motivation as a mediator. Patient compliance was measured by an index covering all relevant therapy elements for diabetes patients such as blood glucose measurement, insulin injection, general therapy adherence, weight control, nutrition behavior, and physical activity.

In our second study, we investigate via a longitudinal field experiment (n=390) whether SSTs either in terms of Data Management Software (DMS) or Interactive Tools (IAT) offered by a healthcare company enhance the detected drivers of compliance and patient compliance itself. Our research provides evidence that SSTs in terms of DMS can significantly increase role clarity, mindfulness and patient compliance, whereas SSTs in form of IAT stimulate mindfulness and patient motivation. However, for patients of both treatment groups showing lower mean values (lower quartile) for the relevant drivers of compliance and compliance itself at the zero measurement, the usage of either DMS or IAT significantly improve their values.

Our results shed light on a challenging issue that is important for consumers, life sciences firms, and health policy makers in order to improve customer welfare and quality of life.

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MASS CUSTOMIZATION MADE EASY: WHEN INDIVIDUAL FANTASTICAL THINKING MATTERS

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SUMMARY

Managers and researchers have recently identified Mass Customization (MC) as the new frontier for competitive effectiveness even in mass markets (Fuchs and Schreier 2010; Chan et al. 2010). MC toolkits enable customers to design their own products online (Franke and Schreier 2011; Fuchs, Prandelli, and Schreier 2009), thus increasing value both for customers and companies (Pine 1999; Von Hippel 2001). Specifically from the customers' point of view, the fit between customer expectations and preferences is better perceived, generating higher perceptions of quality and variety of the selection (Diehl and Gal 2002); The customers' ability to specify their preferences increases, resulting in a higher customer satisfaction (Franke et al. 2010; Ouschan et al. 2006; Randall et al. 2007); And, finally, the feeling of psychological ownership toward products personally designed allows customers to express their innate desire to be unique and original (Franke et al. 2010; Franke and Schreier 2008). All these consequences induce customers to pay a premium price, increasing the "money on the table" available to companies (Franke et al. 2010, 2009; Franke and Piller 2004; Schreier 2006). However, those benefits might not materialize if customers fail to appreciate the customized products and understand their benefits (Bendapudi and Leone 2003; Franke and Piller 2004; Hill 2003). Recent studies have highlighted that the users' cognitive effort needed to activate, start and finish any activity within the MC toolkits might represent a relevant obstacle for their success (Dallaert and Stremersch 2005; Franke et al. 2010; Franke and Schreier 2010; Piller and Tseng 2010). As a consequence consumers become confused, dissatisfied, annoyed and disappointed by manufacturers (Mitchell and Papavassiliou 1999; Mitchell et al. 2005). Indeed if customers are confronted with information overload, they might lack the capabilities to cope with the challenges regarding the configuration task. Consequently, they can neither design a fitting product specification, nor being satisfied by the configuration process. The resulting "paradox of choice" might impair customers' buying intention (Novemsky et al. 2007). Thus, MC success relies on choices and process simplifications, given that toolkits are difficult in nature (Piller and Tseng 2010).

Our research tackles this trade off suggesting that a specific cognitive process, namely individual fantastical thinking (Wolley 1997), reduces customers' perceived effort in MC toolkits, by boosting individual cognitive resources that results in a higher enjoyment and a greater demand for customized products.

Fantastical thinking is the cognitive process that individuals engage when they take up in behaviors, experiences or thinking that contradict laws of nature, making individuals escape from the real world (Lynn and Rhue 1988; Johnson and Harris 1994; Keinan 1994; Woolley 1997). Fantastical thinking stimulates new interpretation and comprehension of the world (Woolley 1997) and develops beliefs that reassure individuals and make them perceive that they can cope with the situation in which they are involved. Thus, people are likely to perceive that they can change and modify the source of fear in a situation in which they lack information and knowledge (Keinan 1994). We suggest that fantastical thinking enables users to deal with the complexity pertaining to the MC toolkits. Accordingly, customers in a high fantastical thinking state are better able to deal with the numerous tasks and hence appreciate the designed product more.

Across four experimental between-subject studies run in a lab-setting, we find support that fantastical thinking increases demand for customized products, measured by attitudinal and behavioral variables (Study 1). Such an effect is made possible by reducing perceived effort and increasing enjoyment in the process (Study 2). Further, as Study 3 shows, this effect is not only perceived but also factual, since individuals in a high fantastical thinking state are better able to design products of good quality and originality (evaluated by external judges), exerting less effort (shorter length and a lower number of actions taken to get to their desired final product). Finally, Study 4 improves the Fantastical Thinking priming procedure, so that marketers and advertisers can really use it. Results suggest that fantastical thinking lowers the MC process complexity by the reduction of perceived effort, so that individuals show an increase in product demand.

The relevance of our findings to marketing literature is clear: individual fantastical thinking acts as a cognitive

booster making the Mass Customization process easier, effortless and more enjoyable. Specifically, our work sheds light on a new mechanism, which improves the MC performance and decreases its cognitive costs. Such effort is highly promising given that:

1. Fantastical thinking boosts product demand, and via that the marketing ROI;
2. Individuals in a high level of Fantastical Thinking perceive mass customization as simpler and easier. As a consequence, customers will better understand the used product-specific terms and will transform their needs into a fitting selection. Moreover customers, empowered by Fantastical Thinking, will develop the capabilities to cope with the challenges regarding the configuration task. (Franke and Schreier 2010; Piller and Tseng 2010; Dallaert and Stremersch 2005; Huffman and Kahn 1998; von Hippel 2001);

3. Fantastical thinking enables users to achieve a true better performance. Indeed, customers in a high fantastical thinking condition are able to perform their customization tasks with higher levels of efficiency and efficacy;
4. Fantastical Thinking activation can be generated through a fast and effective training.

All these findings provide companies an insightful suggestion: Any visitor of their website, if adequately trained or if captured with a game can potentially become a Mass Customization satisfied customer. References are available upon request.

ENDNOTE

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EMOTIONAL CONTAGION INFLUENCING PRODUCT EVALUATION: DIFFERENCES IN GENDER

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ABSTRACT

Emotional contagion is the mechanism that includes mimicking and the automatic synchronization of, i.e., facial expressions with another person and, consequently, convergence of emotions between the sender and receiver. This article explores this mechanism in photos on product evaluations. The difference between genders was also explored.

INTRODUCTION

The idea that one person can be influenced by the emotion of the sender is called Emotional Contagion. Hatfield, Cacioppo, and Rapson (1994) have proposed that, as people attend to others, they consciously and unconsciously mimic the other's fleeting emotional expressions and synchronize their facial, vocal, postural, and instrumental expressions with those to whom they are attending. The afferent feedback generated by this mimicry produces a simultaneous congruent emotional experience, and consequently, leads to a convergence of emotion. Theorists have considered the reactions of one individual to the observed emotional experiences of another to be the result of empathetic processes. There is general agreement that empathy consists of both cognitive and more primitive emotional components.

The dimension and the influence of emotions on the satisfaction or dissatisfaction of consumers, i.e., facial expressions, as empathic systems, can influence customer perception of the environment or product (Howard and Gengler 2001; Pugh 2001). Edell and Burke (1987) studied the relative importance of feelings and judgments in several advertising outcomes, finding that negative and positive feelings are important predictors of the ad's effectiveness, and contribute to the attitude toward the ad and the brand, as well as beliefs about the brand's attributes (especially, for unfamiliar brands). It shows evidence that feelings matter in assessing the effectiveness of advertising. It is also important to note explicitly that feelings are generated by the advertisement, including feelings activated by nonverbal elements. As Edell and Burke (1987) more researchers explored the effect of the affective content of the ad on consumer behavior, however the psychological mechanism that drives the effect of emotions is less explored.

The studies about Emotional Contagion have been conducted in different situations: when people are watch-

ing movies (Ekman 1993; Ekman, Davidson, and Friesen 1990; Soussignan 2002); in face-to-face situations (Howard and Gengler 2001; Pugh 2001; Tsai and Huang 2002); or with pictures/photos, showing contexts of happiness or sadness. However, there is a questioning to what extent, can emotional contagion drives the emotions from printed ads with facial expressions? And, can facial expressions that transmit emotions have an effect on customer attitudes toward products in ads/photos? This study explores the psychological mechanisms driving the effects of emotions in ads on product evaluation. Its also the goal of verify whether gender is related to Emotional Contagion and product evaluation, since many authors support the idea that females have greater facility in to recognizing emotions in facial expressions than men in face-to-face interactions and movies (Dimberg and Lundquist 1990; Freitas-Magalhães 2004).

This article proposes to reach its goal, using positive emotions, because smiles in facial expressions in general show happiness or enjoyment, whereas sad expressions without a clear context might communicate more than one emotion. This research is relevant because brings from the psychology a mechanism that drives the effect of emotion on product evaluation, and useful information on how facial expressions affect the purchasing behavior of customers. In the management area, the article contributes not only to direct sales (face-to-face), where there are studies of emotional contagion (Howard and Gengler 2001; Pugh 2001; Tsai and Huang 2002), but also directly benefit e-commerce, catalog sales, outdoor ads and seller TV channels. Indirect benefits may also occur in other forms of product dissemination such as e-mail marketing, pictures in magazines, billboards, brochures, or leaflets.

THEORETICAL BACKGROUND

Emotion: Many researchers think about emotion in categorical terms. For Kappas (1991), emotion is a mental state in which somatic signals participate. It is also part of communication. For others, emotion is as an action of dispositions, states of vigilant readiness that vary widely in reported affect, physiology, and behavior; in other words, emotions are systemic responses that happen when highly motivated actions are delayed or inhibited (Lang 1995). Cabanac proposes that emotion is "any mental experience with high intensity and high hedonic content (pleasure/displeasure)" (2002, p. 80). The author explains that emotion is a response to a stimulus that can be sensorial, originating from any afferent nervous pathway,

or mental, resulting from the subject's imagination or memory.

Although there are many descriptions about what emotions really are, most researchers agree that emotions are complex processes which involve several components (Kappas 1991). According to Kleinglnna and Kleinglnna (1981) they are: affective, cognitive, physiological, and emotional/expressive behavior. Researchers have accepted a usual list of emotions, for example: anger, disgust, fear, joy, sadness, and surprise (Cabanac 2002). This list of emotions can be divided into a dichotomy of pleasure and displeasure. Fear, anger, pain, sadness, disgust, sorrow, contempt, and jealousy all possess a strong negative dimension (displeasure); and love, joy, hope and happiness possess a strong positive dimension (pleasure). Both desire and surprise can be unpleasant or pleasant, depending on the nature of the stimulus or event expected or presented (Cabanac 2002). Emotions evolved as a rapid and coordinated response system that allow humans to quickly and efficiently respond to events that affect their feelings (Paul Ekman 1993).

With regards to causes of emotion, Beedie, Terry, and Lane (2005) conclude that while emotion results from specific stimulus, a mood can occur without apparent cause, more difficult for people to identify the causes. The emotions serve to rearrange the priorities of goals and change the flow of action, whereas moods maintain a distinctive readiness that continues despite events that might disturb them. In conclusion, an emotion prepares the organism for action, whereas mood influences cognitive processes, such as memory (Beedie et al. 2005)

Facial Expression: Buck et al. (1972) and Ekman (1993, 1997) agree that facial expressions are a means of communicating, transmitting the emotion of the person who conducts them. Some researchers assert that facial expression is part of emotion and try to correlate each facial expression with a specific emotion (Dimberg and Lundquist 1990). There are six main and distinctive facial expressions that Ekman and his colleagues found through their coding system of facial action (FACS): anger, disgust, joy (or happiness), sadness (or distress), fear and surprise (Ekman and Friesen 1978). Evidence accumulated suggests that adopting a requested facial pattern of emotion may induce a feeling of this particular emotion, even in the absence of any eliciting event (Duclos et al. 1989; Ekman et al. 1990).

In addition, movements of the face may foster more differentiated emotional experiences, such as enjoyment, anger, fear and sadness (Soussignan 2002). A number of experiments have demonstrated that when people are induced to act happy they feel happier, when they are asked to act angry they feel angry, and the same occurs for

facial expressions of some emotions (Duclos et al. 1989). Freitas-Magalhaes (2004) studied smiles and manifestations of affection, concluding that neutral facial expressions say little to an observer (i.e., do not transmit or communicate emotion), while the smile is perceived as closely associated with the construct of happiness/joy.

Emotional Contagion: Emotional contagion is generally defined as an outflow of emotions transmitted by facial expressions, voice, posture, movements and other instrumental behaviors from one person to another (Hatfield et al. 1994). It can also be explained in terms of a receiver "catching" the emotions displayed by a sender (i.e., the sender transmits the emotion that the receiver then also gets). Hatfield (1994) proposes that mimicking another's facial expressions can lead us to "catch" that person's emotions, because mimicking facial expressions provides the emotional arousal information specific to that emotion, causing that emotion to be felt as well. Therefore, emotional contagion can be considered a mechanism that includes mimicking and automatic synchronization of facial expressions, vocalizations, postures and movements with another person and, consequently, a convergence of emotions between the sender and receiver (Hatfield et al. 1994).

Emotional contagion can occur in a conscious or unconscious manner (Hatfield et al. 1994). Unconscious mimicry process leads to emotional contagion when the body's automatic tendency to mimic and synchronize with the facial expressions, vocalization and movements of other people converts those actions into emotion. This mimicry is considered to be a primitive behavioral reflex that occurs at a physiological and not conscious level (Lundqvist 1995). The mimicry (a primary reaction) occurs as part of the empathic process underlying the decoding of emotional facial expressions. Studies on emotional contagion show that cognitive and affective synapses do not occur when there is difficulty in encoding the receptor expression (Hess, Philippot, and Blairy 1998; Howard and Gengler 2001).

According to Hatfield and her colleagues (1994), there are three assumptions that characterize their theory of emotional contagion. First, in conversation people tend to automatically and continuously mimic and synchronize their movements. Second, each person's subjective emotional experiences are affected moment by moment by the activation of emotion and/or response by mimicking. And third, people tend to "catch" / "feel" the emotion of the other, moment to moment. Therefore, the process of primitive emotional contagion, as discussed by Hatfield et al. (1994), involves two mechanisms mimicry and feedback. Mimicry is synchronous imitation of others' expressions that facilitates social interactions (Barger and Grandey 2006; Hatfield et al. 1994). The facial feedback

hypothesis states that facial movement can influence emotional experience (i.e. when somebody is forced to smile, he will actually come to find the event more enjoyable). The observation of the facial expressions is a necessary condition for emotional contagion occurs, however mimicry can even occur in interactions composed of facial expressions exclusively, without voice or body language (Hess and Blairy 2001; Howard and Gengler 2001).

Several studies have demonstrated that smiles appear in participants who are watching pleasant movies (Ekman 1993; Ekman et al. 1990; Soussignan 2002). Other used photos with situations (as happy families, beaches) as stimulus of emotions, because they are convenient laboratory stimuli that permit controlled exposure in timing and intensity, and exact reproduction within and between experiments and laboratories. They are used either as photographic slides or, when digitized, as displays on a computer monitor (Lang 1995). Then, the first hypotheses of this study relate to emotion and emotional contagion in cases where observers view photographs of facial expression of an unknown person:

H1: Emotional Contagion occurs through the observation of a facial expression on a photo.

Emotional Contagion differing in gender: Studies have proven that there is a perceived difference between the expressions of women and men. Freitas-Magalhães (2004), in a study on smiles, asserts that both women and men perceive women's smiles as brighter than men's. In the evaluation, the factor of female gender led observers to perceive a female stimulus as more positively expressive than a male stimulus (Buck et al. 1972; Dimberg and Lundquist 1990; Schwartz, Brown, and Ahern 1980). Studies explain that women tend to outwardly display more sensations than men (Buck et al. 1972; Schwartz et al. 1980).

According to Doherty et al. (1995), traditionally wives and mothers, and members of traditionally feminine professions – nurses, social workers, and so forth – are trained to “tune in” to the suffering of others, so that they may help them; while many men – warriors, athletes, etc. – may be trained to “tune out” their own and others' suffering. Therefore, women have usually been socialized to be nurturing, emotionally expressive, and emotionally responsive. Doherty et al. (1995) show that there is a difference between women and men; women were significantly more susceptible than men to the emotions of others on all subscales except anger. Based in this information, the second hypothesis is:

H2: Emotional contagion from photos occurs more frequently in women than in men in the situations of smiling.

This hypothesis will investigate whether emotional contagion stimulated by a photo of an unknown person is more frequently perceived by women than men, following the pattern established by studies of gender-differentiated perceptions in face-to-face situations.

Emotion Influencing the Process of Evaluation: According to Elsbach and Barr (1999), theorists have suggested that a person's affective state may be an important variable in models of individual decision-making – evaluation. Psychological research suggests that emotion felt and expressed by decision makers can influence how those individuals make decisions and evaluate products. The positive emotions promote behavior designed to protect a positive mood, i.e. when people are happy they want to continue feeling happy. It also promotes the use of heuristics and quick decision-making; which explains that happy people can be affected by distraction, making less structured decisions. In this emotional state people can have more difficulty discerning weak from strong arguments.

Subjects in positive emotional states have been shown to perceive and evaluate stimuli more favorably than subjects in other emotional states. Howard and Gengler (2001) conducted two experiments to verify whether the existence of emotional contagion influences the attitudes and analyses of a product (a palekh box). In the experiment was used a face-to-face interaction. The results support all the hypotheses, with the product scored most highly by those receivers who had been exposed to a sender who was smiling and also whom they had liked on the basis of the gift of Coke. The emotion and appeal of the receiver caused a positive bias on consumer attitudes about a particular product. There are many examples in customer service proving the benefits of service (in face to face situations) with a smile. For example, it enhances customer tipping (Tidd and Lockard 1978), intent to return to a store (Tsai 2001) and product evaluation (Howard and Gengler 2001). Pugh (2001) shows that customers capture the affect of employees through the process of emotional contagion. In this case, the positive emotion of employees is related to customers, and that positive effect interferes positively with the latter's assessments of quality of service. Therefore, considering that emotional contagion can affect customer product evaluation leads to the third hypothesis:

H3: Positive emotions vs. neutral emotions acquired from positive facial expression in photos is associated with a positive evaluation of the product displayed in the photo.

Returning to the idea that females tend to be more reactive when exposed to pictures of different facial expressions (Dimberg and Lundquist 1990), and relating it to hypotheses three it is possible to add one more

question to this study. Women who more easily catch emotional contagion could evaluate products better than men.

H4: Positive emotions vs. neutral emotions acquired from positive facial expressions in photos are more associated with a positive evaluation for women than for men.

METHOD

For this study one laboratory experiment was conducted. Twelve classes of undergraduate students from FGV-EAESP Business School of São Paulo were invited to take part in the experiment. Professors were first asked if their students could participate in the study. In total, nine public and private business administration professors agreed to let their students participate in the experiment during their class time. The participants were randomly allocated to the various treatments ensuring against systematic errors (bias). Data collection occurred over eight days spread throughout August of 2010. The time of each section's visit to the lab varied based on the schedule of the professor's classes. The research was done in the computer laboratory, and Media Lab 2008 was the program used. In total 171 students participated in the study as part of a class assignment. Evidence suggests that students are good study subjects as they are just beginning to think about starting a career (Doherty et al. 1995). The factorial design of the experiment is 2 (Expression of Joy and Neutral emotions; varied between subjects) by 2 (Females and Males). Participants were randomly assigned to one of the two experiments (positive expression or neutral expression). The dependent variables are the ones being tested and measured throughout the experiment. Dependent variables included existence of mimicry and evaluation of the product. The independent variables were the facial expression in the photo shown to the participant (positive expression/smile vs. neutral expression/no smile). To make the situation reflect actual marketing situations more closely, the photo was incorporated into a piece of advertising.

Definition of the Products of the Study and the Stimulus: Qualitative research was done to define the best type of product to use in this experiment. Eleven in-depth interviews were carried out with female and male undergraduate students from FGV-EAESP Business School São Paulo. The goal of the study was to explore which products the students purchase by catalogue or e-commerce (online), channels that usually use photos with facial expressions. The results of these interviews showed that the products with appeal to both genders in the test group were: books, tickets for shows, CDs, DVD and electronics. Out of these unisex products an MP3 player was chosen. For the development of stimulus, one ad with a facial expression (an American Blonde woman, esti-

mated in 35 years old) a product and some basic product information were developed. Two different photos of the same model were chosen from a set developed by Paul Ekman, photos that had already been tested. In one picture the model is feeling positive emotions (happiness/joy) and in the other, she is feeling more neutral (not happy or sad). Because the influence of brand is not a topic of inquiry in this study, the brand name used was not real and subjects could not be recognized.

Procedure and Cover Story: The participants were placed individually in front of computers that were already prepared for the activity. First, all the participants watched a documentary movie about John Nash, tested in the pre test and already used in a previous study (Andrade 2004). It took around two minutes and five seconds. In the pretest the movie was three minutes and five seconds, but it was cut down because people were feeling bored watching it. The idea was to neutralize participants' emotion and expectations. After the movie, respondents were informed that the second stimulus that they would see a foreign advertisement for an MP3 player. This cover story concentrated the participants' thoughts on the product and not on the facial expression. Some descriptions of the product were made available after eight seconds of the advertisement, with no option to skip forward. This time lapse was important in order to analyze whether the subjects suffered emotional contagion. After that some questions about the product and the participant's intention to shop were asked.

The participants scale used to evaluate the product was adapted from Berens and his colleagues (2005). For these measures, multiple-item scales consisting of seven-point Likert or semantic differential scales were used. The scale measures people's attitudes toward the products on four subscales: perceptions of product quality, perceived value of the product offering (sympathy and reliability), and purchase intentions. An additional question about price was included. Because the original scale is in English, and the research was done in Brazil, it was translated to Portuguese, respecting the rules of translating.

During this second stimulus, all the participants were videotaped with a webcam (VGA 640x480) for 15–20 seconds. A trial version of YupSoft Cam Video Capture Monitoring was used. This program consists of an application that enables recording of both video and still images with a webcam. These videos were used to analyze the presence of mimicry on participants' faces. At the end of the experiment, each participant was asked if they gave permission to use the video records in the research. To verify whether emotional contagion occurred, the videos were analyzed for unconscious mimicking by three people: the author of this study and two individuals blind to experimental condition from Indiana University. The mimicking face may be up to 1/8 of a second. The "judges" counted the occurrence of mimicry when the

participant moved (strong or just a little) the corner of the mouth. Smiling is defined as “eyes open and the corners of the mouth turned up” and was obtained from Gump and Kulik (1997, p. 308). According to the theory, women have more ability to identify emotions; therefore if even the two males could identify positive emotion, it means that the mimicry was more apparent and strong. At the end of the videotape scoring, there were three answers for each participant. The majority of the answers were used to define the final answer.

ANALYSES RESULTS

Pretest: A pretest was conducted with twenty students of Fundação Getulio Vargas during June 2010. The purpose of the pretest was to investigate the clarity of the questionnaire, the instructions and to test the experimental procedure itself.

Description Data and Manipulation Checks: From the 171 participants, data of only 154 were used. Some data was lost because the Media Lab program shut down before the participant had concluded the research. Ninety-five point five percent of the students are from Business Administration, 3.2 percent from Public Administration and 1.3 percent from other courses. Ninety-nine point four percent are single, between 17 and 23 years old, the majority considered themselves as white (90.9%). The distribution of the 154 participants is as follows: 48.1 percent of neutral condition (31 Female and 43 Males) and 52.0 percent of smiling condition (35 Females and 45 Males). Although there are more males than females, there is no statistic difference in the number of participants in each cell $\chi^{2(1)} = .054$; $p = .816$. Two manipulation checks were done to verify whether the stimulus worked as planned. The first stimulus, the John Nash movie, was intended to neutralize the participants’ emotions. Each participant was asked to rate which emotion the movie transmitted, after watching, using one of the three categories: happy, neutral, or sad. From the participants 92.2 percent ($n = 154$) evaluated the movie as neutral, in accordance with the previous study and with the desired manipulation check. Because John Nash’s story might be known and therefore could influence subjects’ emotion during the experiment, participants were asked whether they knew the John Nash story. This question was used to identify whether previous knowledge was interfering in the analysis of the movie, no significant difference was found $F(1.153) = 0.019$, $p = .890$.

The second stimulus was the ad, which had the goal to interfere positively or keep the emotions neutral. It was important that the participants correctly perceive the stimulus as non-smiling or smiling depending on their conditions. And it was tested whether the participants perceive the smiling-woman ad as expressing positive emotions, and whether the neutral-face ad expressed a neutral emo-

tion (not happiness or sadness). The two groups are able to appropriately recognize the stimulus $\chi^{2(1)} = 121.165$, $p \leq .001$. In the neutral condition 66.2 percent of the subjects were able to identify the model in the neutral expression. And, in the smiling condition 83.8 percent identified the model as happy or very happy. Therefore, the two groups are able to appropriately recognize the stimulus differently ($\chi^{2(4)} = 88.070$, $p \leq .001$).

First Hypothesis: The first hypothesis has the idea to support that people tend automatically to mimic and synchronize their movements with facial expressions through the observation of a facial expression in a photo. From 154 participants, 129 could be used (67 in the smiling condition and 62 in the neutral condition). Some of the records were lost because the students were outside of the recording frame. To verify whether emotional contagion occurred, the videos were analyzed for unconscious mimicking by three people as explained before. The Cronbach’s Alpha coefficient $\alpha = .774$ had adequate values. In the neutral condition 11.3 percent of the participants exhibited emotional contagion from the ad, while and in the smiling condition, the emotional contagion occurred in 37.3 percent of participants. The result confirms that participants tend automatically to mimic and synchronize their movements with facial expressions when observing the facial expression on a photo ($\chi^{2(1, n=129)} = 11.691$, $p \leq .001$; two-sided Fisher’s test $p \leq .001$). In the case of neutral condition, the difference between Yes and No (people catch the mimicry or not) is significant $t_{(61, n=62)} = 2.786$, $p \leq .007$). The same situation occurred in the smiling condition ($t_{(66, n=67)} = 6.268$, $p \leq .000$). To explore more, it was verified the difference between each condition (when occurred mimicry and when did not occurred). The answer is: there is a significant difference in number of people who caught contagion or did not catch it in each condition ($t_{NO(96, n=97)} = 87.659$, $p \leq .000$ and $t_{YES(31, n=32)} = 64.395$, $p \leq .000$). Confirming that the mimicry occurs (yes) more in the smiling condition and it occurs less in the no mimicry for the neutral condition.

Second Hypothesis: The second hypothesis is about whether emotional contagion induced by photo is more frequent in women than in men; being in agreement of studies of different perception in face-to-face situations and in movies. Analyzing Gender and Emotional Contagion ($\chi^{2(1, N=129)} = 2.511$, $p = .113$; Fisher’s two-sided test $p = .151$) it is possible to verify that there is no difference between genders. To further analyze a logistic regression was used. Again, the gender variable showed no statistically significance difference between males or females ($p = .166$). Some explanations for this occurrence are described at the conclusions of this article. However, the theory presents that woman is more susceptible to get the emotions from the positive emotional stimulus, this did not occur, the logistic regression concludes that the gender main effect was not significant, and because the

interaction is not significant, the genders sounds to respond in similar ways to the conditions.

Third Hypothesis: The third hypothesis is related to whether the positive emotions acquired from the happy facial expression in the photo used for the experiment interferes with the subject's evaluation of the product also displayed in the photo. The Evaluation Product scale consisted of 12 items (distributed in four categories) and 154 participants answered it. The Cronbach's Alpha coefficient $\alpha = .932$ had adequate values. Residual analyses was also done, for example the residual normality of sample distribution (Residual Mean = .00, Std. Deviation = 0.98, n = 154). The results $F(1.153) = 17.276$, $p \leq .001$ confirms that there was a significant difference between the two conditions, supporting the hypothesis that when the participants saw the ad from the positive emotion, the participants evaluated the product displayed in the photo as better in smiling than in the neutral condition. The Welch and Brown-Forsythe test $F_{\text{Welch}} = 17.154$; $p \leq .001$ also confirmed the result from the ANOVA.

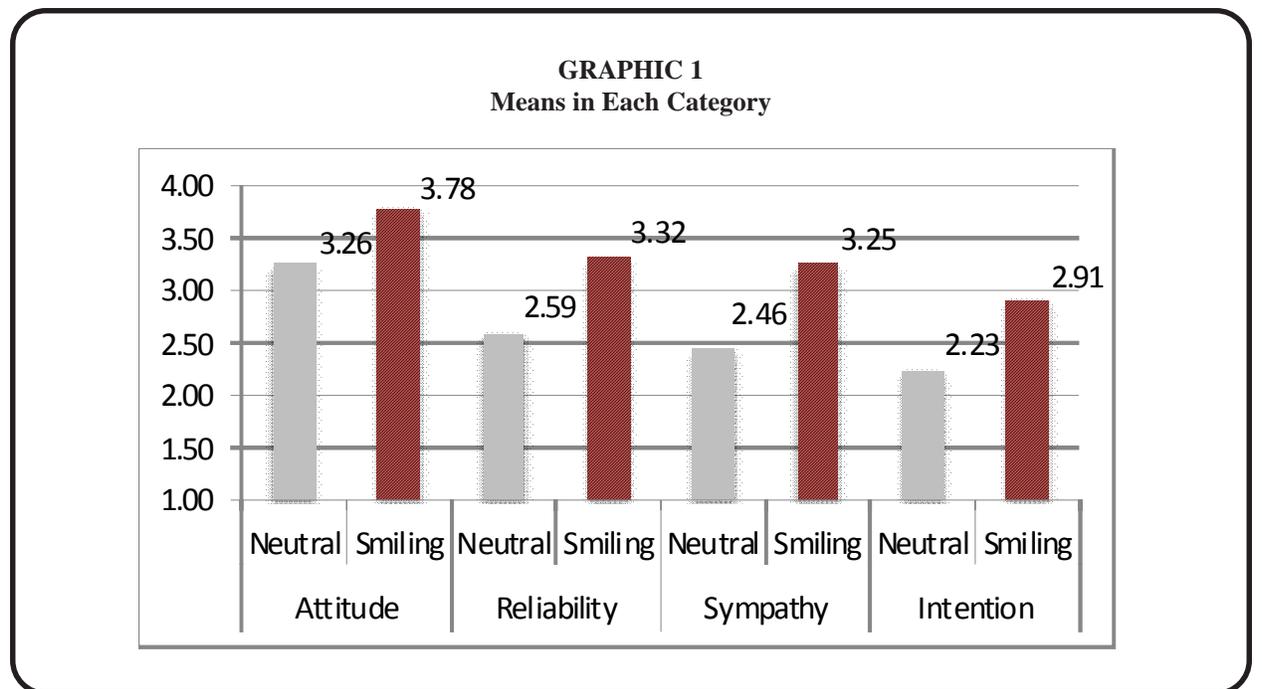
Dimensions of Evaluation Product: The Cronbach's Alpha coefficient for each dimension was: $\alpha_{\text{Attitude}} = 0.809$ (4 items and n = 154); $\alpha_{\text{Reliability}} = 0.816$ (2 items and n = 154); $\alpha_{\text{Intention}} = 0.847$ (3 items and n = 154) and $\alpha_{\text{Sympathy}} = 0.862$ (3 items and n = 154).

The means in Graphic 1 show that in all the categories the participants evaluated the product better in the smiling conditions versus the neutral condition. The ANOVA shows that there are significant differences for each product evaluation dimension: $F_{\text{Attitude}}(1.153) = 10.983$; $p \leq$

$.001$; $F_{\text{Reliability}}(1.153) = 18.978$; $p \leq .001$; $F_{\text{Sympathy}}(1.153) = 15.295$; $p \leq .001$ and $F_{\text{Intention}}(1.153) = 10.787$; $p \leq .001$. All the cases confirmed the predicted results; the smiling face expression had a positive interference in products evaluation. The non-parametrical statistic model Welch and Brown-Forsythe confirms the ANOVA results; in each category had a significant difference ($p \leq .001$). With these results, the hypothesis three was supported.

In addition to this result it was explored the evaluation product among the participant who suffer emotional contagion (n = 32, mean = 2.22) versus who did not (n = 97, mean = 2.01) when exposed to the manipulation. In the evaluation product there were not a significant difference $F(1.127) = 2,547$, $p = .113$, Welch and Brown-Forsythe test $F_{\text{Welch}} = 2,302$; $p = .136$, however one explanation is that in this analysis it was included everybody who was in positive and neutral conditions. It was not possible to compare the participants who were just in a positive condition, because of the small number of people who apparently mimicry.

Evaluating Price: During the experiment the participants answered questions from the evaluation product scales and about how much they would pay to acquire the MP3. The range of prices was from a minimum of R\$ 5.00 to a maximum of R\$ 500.00, then some outliers were not considered in the analyses. Considering 145 data responses, the mean is consistent with the prediction, where smiling condition would pay more than neutral condition; the Neutral condition (Mean = R\$ 86.71; SD = 61.164) was small than in the Smiling Condition (Mean = R\$ 114.99; SD = 78.667). There was a main effect of price difference on choice of smiling condition (Welch Statistic



and Brown-Forsythe = 5.895; $p = .016$). Therefore the price also supports the hypothesis three. In general, all the questions proposed to understand whether the smiling facial expression comparing to neutral facial expression could interfere positively in the evaluation product seem to confirm it.

Fourth Hypothesis: The fourth hypothesis analyzed whether the positive emotions vs. neutral acquired from the positive facial expression in the photo is more associated to women than in men. The General Linear Model shows that there are significant differences condition and gender for each product evaluation dimension: $F_{\text{Attitude}}(1.153) = 4.522$; $p = .005$; $F_{\text{Reliability}}(1.153) = 6.243$; $p \leq .001$; $F_{\text{Sympathy}}(1.153) = 5.737$; $p \leq .001$ and $F_{\text{Intention}}(1.153) = 4.416$; $p \leq .005$. The graphic 2 shows the means and the situation.

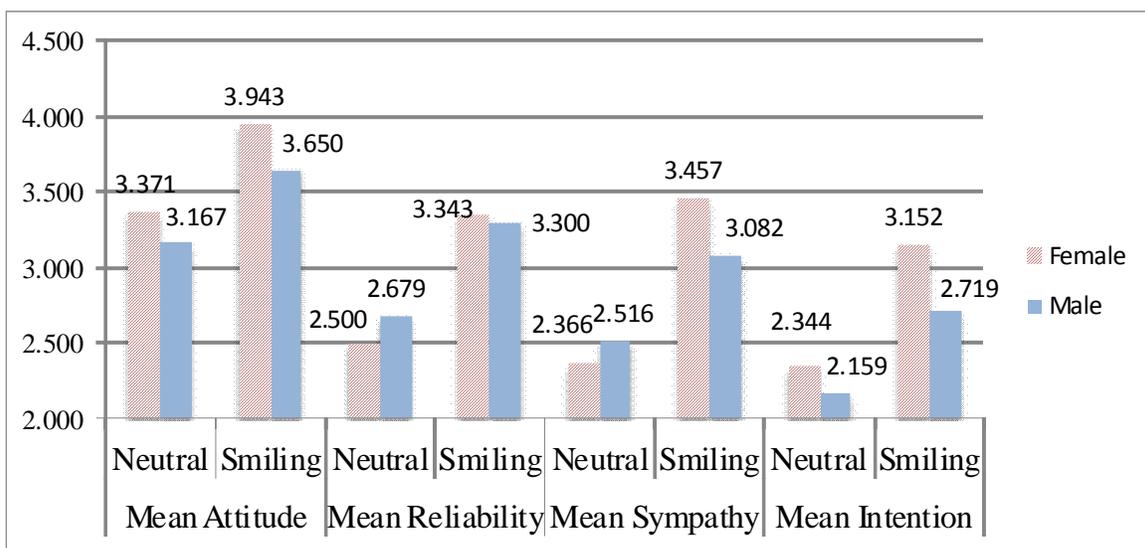
Again, ignoring the outlier in the analyses there was a main effect of price difference on choice of smiling condition by gender ($F_{\text{Price}}(1.144) = 2.655$; $p = 0,05$). In the Neutral condition ($\text{Mean}_{\text{Fem}} = \text{R}\72.00 ; $\text{Mean}_{\text{Male}} = \text{R}\98.33) was smaller than in the Smiling Condition ($\text{Mean}_{\text{Fem}} = \text{R}\118.38 ; $\text{Mean}_{\text{Male}} = \text{R}\112.24).

CONCLUSIONS AND FINAL CONSIDERATION

The first result of this study is the evidence that emotional contagion can occur with photos. The data show that about 33 percent of participants suffered emotional contagion when they saw smiling ad. On the other hand, the data demonstrate that only 10 percent suffer

emotional contagion when the stimulus was a neutral face expression ad. It can translate into quite an impressive amount of emotional contagion in the positive expression. Similar to other studies, participants mimicked when they were watching movies (Ekman 1993; Ekman et al. 1990; Ekman and Friesen 1982; Soussignan 2002); or in face-to-face situations (Howard and Gengler 2001; Pugh 2001; Tsai and Huang 2002) the picture/photo can also produce mimicking behavior. This mimicking occurred among the first to the sixth seconds when the stimulus was presented (the records duration were among tenth – twelfth seconds). However, the mimic was very fast; sometimes the motor mimicry can occur at levels so subtle as to produce no observable facial expressions (Hatfield et al. 1994), in this experiment it was used only the observable mimic. This can be the answer why it was not possible to find difference between women or men. Other possible explanations for this finding are: first, in the stimulus (ad) a female model was used with a unisex product, maybe the female model can more easily get a man’s attention, and the product looks more propitious for a man rather than for a women. Or, the sample size of males was larger than for women. Whether the participants mimicked others, the theory presents that people tend to “catch” other people emotions (Hatfield et al. 1994). In the case of mimicking a smile, the participants could feel a more positive emotion, and then change their behavior and attitudes (Doherty 1997; Hatfield et al. 1994). Thus, the participants would evaluate the products more favorable. As a result of the participants’ responses to the evaluation questions the product in the smiling condition had a better analysis in a general scale, in the categories. The smiling model in the

GRAPHIC 2
Means in Each Category by Gender



ad has made people judge the product as more favorable, with a higher quality, more sympathetic, more attractive, brings on pleasant feelings, and indications that the product is more reliable and safe. The positive condition also shows to be more interesting as to what participants are willing to pay and in the recommendations. The fourth hypothesis related to whether the positive emotions vs. neutral acquired from the positive facial expression is more associated to a positive evaluation to women than in men is supported. In all the evaluations products including price, women had a higher score compared to men. So, however it was not possible to support the hypothesis two, in the evaluation product the results are related to the theoretical references, and maybe the professionals who found mimicry on the recorded faces, could not see all them. Overall, the present study has demonstrated that emotional contagion can occur with photos, without gender distinction and positive face expression in ads can positively influence in the evaluation products, majority in women.

On the theoretical implications, this research brought theories commonly used in psychology to Consumer Behavior, i.e. bringing to the Marketing field question of Emotional Contagion. This union of fields of study enriches the science and theories created. This study also brings the possibility of some managerial implications. With the support of the hypothesis three and four, companies can use positive facial expressions to influence their consumers. In general, the static media (newspapers, magazines, catalogs, billboards, and websites) can benefit

from these results. Despite the findings of the study, there are some limitations. First, people tend automatically and continuously to mimic and synchronize their movements with the facial expressions, voice, posture, movements and other instrumental behaviors of their conversation partner (Hatfield, et al. 1994), this studied focus in only one stimulus the facial expression. This study, as many other studies i.e. Howard and Gengler (2001) assumed the theory that the primary emotional contagion, that the mimicry brings emotional contagion (people feel better). It is important that other studies use different ways to measure the emotional to develop the theory about emotional contagion. As commented on the theoretical background of this thesis, it is proved that mimicry can occur in situations where people know each other and in situations where they do not know each other. Here it was used only the second situation. In addition, this article used three people to code the mimicry, what is common in these kinds of studies. Although computerized digital analysis (i.e. electroencephalography (EEG), electromyography, autonomic nervous system measurements and brain imaging) could be used to analyze more deeply the facial expression. This sort of analysis could help remove the subjectivity inherent in human ratings and improve the validity of the measures. At the end, only one positive expression was used to compare with neutral; however, many other emotions and expressions (expressions of pain, laughter, affection, discomfort, and other) can be used as a stimulus. New experiment could also be done with different stimulus (model, or one product).

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PERCEIVED CUSTOMER DISCRIMINATION: SCALE DEVELOPMENT AND VALIDATION

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SUMMARY

Firms have multiple responsibilities toward customers and must ensure the discrimination-free treatment of all customer groups, which can pose a challenge for service firms that engage in vast numbers of direct interactions with customers. The term “discrimination” denotes the exclusion or disadvantage of a person or entire groups of people because of their membership in a particular social group. Unjust treatment and the experience of disadvantages result solely from group membership, not any objective reasons (Plous 2003; Walsh 2009). A common definition recognizes customer discrimination as “differential treatment of customers in the marketplace based on perceived group-level traits that produce outcomes favorable to ‘in-groups’ and unfavorable to ‘out-groups’” (Crockett et al. 2003, p. 1). Evidence indicates that some customer groups experience discrimination (Walsh 2009), which not only raises ethical issues and reputational challenges but also presents a barrier to potentially attractive customer segments (Hymowitz 2005). This study is concerned with the construct of perceived customer discrimination which so far has received relatively little attention in marketing research. A research gap exists mainly with regard to the measure-

ment of perceived customer discrimination and the investigation of its consequences. The aim of our research is to develop and validate a multi-item scale for measuring perceived customer discrimination. The scale development procedures followed the recommendations of Churchill (1979) and Steenkamp and van Trijp (1991). Two studies with a total of more than 430 respondents resulted in a three-dimensional scale. As part of the scale validation, the three dimensions of perceived customer discrimination were then related to two emotional consequences, namely frustration and helplessness.

The proposed perceived customer discrimination scale confirms this important phenomenon. This research provides an important theoretical contribution by offering clarity regarding the dimensionality and measurement of perceived customer discrimination. In particular, this study demonstrates the plausibility of a three-dimensional understanding of the construct. The proposed scale exhibits nomological and predictive validity. Managers of service companies can employ the scale to measure their customers’ perceptions of employees, the service, and the company. For example, the scale can help identify areas within the firm that require greater ethics code familiarity or training. References are available upon request.

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EXPLORING FASHIONISTAS: FASHION PERIODICALS, RETAILER STRATEGIES, CONSUMER PERCEPTIONS, AND A FRAMEWORK FOR FASHIONISTA IDENTIFICATION

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SUMMARY

Fashionista, n. A person employed in the creation or promotion of high fashion, as a designer, photographer, model, fashion writer, etc. Also: a devotee of the fashion industry; a wearer of high-fashion clothing (Oxford English Dictionary 2010).

Currently generating over 25 million hits on Google, the neologism that lends its name to a blog, an accessory boutique, several books, a song, and a series of Barbie dolls, was formally recognized as part of the English language by the Oxford Dictionary in 2010. The word fashionista has appeared countless times in fashion magazines and popular press, and has been central to the marketing communications campaigns of two large U.S. retailers. A preliminary review of the word's usage reveals that it has been limited by conjecture, and consequently the word has come to connote multiple meanings. Furthermore, with the exception of being mentioned in a book review in the *Journal of Strategic Direction* (Kapner 2009), the concept has been virtually ignored by the academic community.

Given the (i) proliferation and now acceptance of the word fashionista into our language, (ii) many connotations attached to the word, (iii) abundant usage of the word directed at the consumers of fashion by fashion publications, and (iv) beginning of the usage of the concept by marketers, it is time to employ the rigors of the academic research process to explore what the word means to consumers. For marketers, the importance of this concept lies in the marketing communication effectiveness, specific marketing strategies aimed at fashionistas, and the segmentation viability of the fashionista cluster

The objective of this exploratory research is to serve as a starting point and a catalyst for research on fashionistas. Specifically, we aim to address the following research questions: Who or what is a fashionista? How does one identify a fashionista? Are fashionistas a homogeneous group? What motivates people to become fashionistas? Are there characteristics inherent to one becoming a fashionista or does a fashionista refer to attitudes, values, and/or behaviors?

Given the paucity of academic research and the exploratory nature of the task, we employ a descriptive, grounded and discovery-oriented approach to address the proposed research questions. First, we review the origin and usage of the word *fashionista*. Next, we conduct a content analysis of eight fashion periodicals and two retailers' marketing communications in an effort to understand how magazine editors and marketers conceptualize fashionistas and to detect usage patterns. Finally, we conduct 34 semi-structured depth interviews to understand consumer perceptions of fashionistas.

The results of this qualitative investigation yield several interesting insights about fashionistas. For example, one emerging theme suggests that there are disparities in meanings among consumers, retailers and fashion periodicals. Fashion periodicals provide an in-depth profile which suggests that fashionistas are knowledgeable regarding trends in apparel (Elle; Marie Claire; Vogue), designers (Harper's Bazaar; In Style; Lucky) and fashion history (Glamour; W Magazine), are members of the social elite (Glamour; Harper's Bazaar; In Style; Vogue; W Magazine), and are interested in high-end apparel and accessories (Glamour; Vogue; W Magazine). In contrast, retailer communications provide a more limited profile which suggests fashionistas are "die hard label lovers" (T.J.Maxx 2009), interested in obtaining the latest styles at affordable prices (Target 2009; T.J.Maxx 2010). The interviews suggest that consumers associate multiple meanings, both positive and negative, with fashionistas. The depth and valence of consumers' perceptions of fashionistas tended to vary based on where the term was first heard or read, whether the respondent considered him or herself to be a fashionista, and whether or not the respondent reported having children. Overall, the interviews suggest that fashionistas are early adopters of fashion.

Another emergent theme is that fashionista identification represents a lifestyle. Both the content analysis of fashion periodicals and the consumer interviews suggest that identification as a fashionista may influence attitudes and behaviors. Fashion periodicals suggest that fashionistas likely work in the fashion industry (Glamour; Marie Claire; Elle; Lucky; Vogue), attend fashion related events

(W Magazine), and shop frequently (Glamour; Marie Claire). Further, insights from the interviews suggest that identification as a fashionista may influence career choice, allocation of time, and patronage decisions.

Based upon the themes from the content analysis of fashion periodicals and marketing communication efforts of two retailers and insights from the 34 interviews, a conceptual framework that details the manifestation of “fashionista as an identity” emerges. We suggest several potential psychographic characteristics as antecedents to fashionista identification, as well as several potential attitudinal and behavioral consequences of fashionista identification. Finally, we suggest several demographic

characteristics as possible covariates to fashionista identification.

Our study reveals several opportunities for future research as well as implications for practitioners. First, given that our findings suggest that, potentially, a cluster of fashionistas does exist, development of a fashionista scale is a logical avenue for future research. Second, given diverging consumer perceptions of fashionistas, retailers may have to exercise caution in targeting this cluster. Finally, our findings suggest that fashionistas may be early adopters of trends. It would be beneficial for practitioners to understand exactly where fashionistas fall in the adoption curve. References are available upon request.

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I WANT MY PROFESSOR TO CARE: BUT ABOUT WHAT? STUDENT EVALUATION OF TEACHING IN A SERVICE ENVIRONMENT

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SUMMARY

Institutions of higher education are increasingly defining themselves as a service industry, and are placing greater emphasis on meeting the expectations and needs of students. One of the problems inherent in such an orientation is how to measure and ensure customer satisfaction from the students' point of view. This study investigates one such problem. Students have been shown to have a preference for instructors who "care," but what does that mean?

Method

A survey instrument was made available on the class internet site of four sections of undergraduate consumer behavior. One hundred and nine students completed the survey. They were asked to think of a teacher they currently had, but not to identify that instructor. The survey presented a number of statements about the instructor taken from the Interpersonal Reactivity Index, which measures different type of caring. The students were asked to use a seven-point scale to indicate how well each statement described the instructor. Consistent with other possible meaning of caring, other statements were added to measure lenience, fairness, and rigor. Each was chosen from previous research and conversations with students.

Results

The study found that caring was related to emphatic concern, leniency, grades, and academic rigor, but was unrelated to the ability of the instructor to take another person's point of view, and fairness. Students appear to

believe that an instructor "cares" when he or she shows concern for them personally, is lenient toward them even if not toward others, and gives them higher grades, but does so with a perception that a certain amount of rigor is required.

Implications

Being able to see things from the students' perspective or being sensitive to their feelings was not considered a part of "caring," at least when controlled by other more important aspects. Treating all students equally was also not considered a trait necessary for a "caring" instructor. The students expect leniency toward them personally, but not necessarily toward other students. A cynic may summarize the finding by stating, "Students want a lenient teddy bear for a teacher who allows the student to think that she is thinking."

Yet, there is another more positive interpretation. Researchers have identified six characteristics that students expect from a good instructor. A good teacher is interesting, helpful, communicates well, is easy to talk to, has a good personality, and is kind. Perhaps students just want what all of us want, to be treated with kindness and respect.

Either orientation would suggest that in a service encounter, a "caring" instructor would create a situation that was as perceptually close to private tutoring as possible. In such an environment, a student may feel that an instructor cares because she has the individual attention of the instructor who also challenges her to achieve at her own level and speed. References are available upon request.

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CURRICULUM ALIGNMENT FOR IMPROVED LEARNING OUTCOMES

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SUMMARY

It has long been established in academic literature that engaging in processes of constructive alignment (i.e., aligning learning outcomes, learning activities, assessment tasks, and assessment criteria) provides a basis for improving learning outcomes of university programs (Biggs 2003). However, this process has, by no means, become standard across universities or their faculty, even though it is one of the critical components required by accreditation agencies such as AACSB (Treleven and Voola 2008). Alignment of various teaching components is critical, especially in the higher education context in which students are expected to learn at advanced levels. When teaching components are aligned throughout the curriculum, students become more likely to be “trapped” into engaging learning processes and put into situations from which students should not be able to escape without learning and furthering their intellectual development. In contrast, lack of alignment somewhere in the education system allows students to escape with insufficient learning (Biggs 2003).

In marketing literature, several studies have found misalignments between practitioner expectations and what students were taught in marketing courses such as marketing research (Stern and Tseng 2002) and international marketing (Lundstrom and White 1997). Additional research has focused on misalignment between what educators teach and what students want (Floyd and Gordon 1998) and what students actually learn and retain (Lewis and Ducharme 1990). Although these studies provided valuable insights into how to improve learning outcomes in marketing programs by correcting the alignment between what educators teach and what various constituents need, what is less often examined is the more fundamental alignment – alignment amongst those who teach the introductory marketing course such as Principles of Marketing (PM) and those who teach the subsequent, core marketing (CM) courses such as Introduction to Marketing Research or Consumer Behavior (herein after referred to as PM-CM alignment). In this paper, we contribute to the literature on alignment by testing two propositions: (1) PM-CM alignment improves students’ long-term knowledge retention (i.e., retention intervals of a few weeks to many years; Berenson et al. 2008; Cohen, Conway, and Stanhope 1992) and (2) students’ long-term retention of knowledge

associated with high PM-CM alignment will not vary between students with longer vs. shorter program tenure.

Testing our propositions required collecting data from both marketing faculty (PM and CM instructors) as well as undergraduate marketing students. We first collected data with marketing faculty ($N = 8$) to identify what marketing concepts and tools they perceived as important for undergraduate students to retain. The results provided us with critical insights into the level of alignment between PM and CM instructors. Although agreement was evident on some very key marketing concepts such as marketing concept and marketing mix (i.e., aligned knowledge base), PM and CM faculty did not converge on other important elements of marketing such as target marketing, competitive analysis, and, especially, consumer behavior. (i.e., misaligned knowledge base).

Next, we devised an assessment test that measured students’ retention of the aligned and misaligned knowledge bases identified through the preceding steps. The assessment test was administered online to 63 marketing students ($M_{AGE} = 23$, 56% females, 71% seniors, 3.5 years at the college) enrolled in one of the two core marketing courses: Introduction to Marketing Research ($n = 38$, $M_{AGE} = 23$, 47% females, 55% seniors, 3 years at the college) or the capstone course Marketing Strategies and Policies ($n = 25$, $M_{AGE} = 23$, 64% females, 96% seniors, 3.8 years at the college). The results of pairwise t-tests, comparing the retention mean scores for the aligned and misaligned knowledge bases, revealed that students performed better on the aligned knowledge base ($M = 71.96$, $SD = 21.91$) than the misaligned knowledge base ($M = 56.92$, $SD = 16.59$; $t(62) = 4.81$, $p < .001$). Thus, we find support for our first proposition, suggesting that knowledge retention is better across the knowledge base with high PM-CM alignment.

To test the second proposition, we conducted a simple t-test, using a median split, and compared the aligned knowledge base retention scores of short tenure students ($n = 26$, $M = 2.6$ years, $SD = .70$ years) with long tenure students ($n = 37$, $M = 4.16$, $SD = .69$). The results showed no significant difference between the two groups (short tenure students, $M = 75.96$, $SD = 18.6$ vs. long tenure students, $M = 69.14$, $SD = 23.8$; $t(61) = 1.22$, $p = .23$). Thus, we find support for our second proposition that

students with short- and long-term tenure in the program perform equally well on the concepts that are part of the aligned knowledge base. Further analysis revealed that retention scores were not correlated with neither number of CM courses nor students' age.

The outcome of our research process provided initial insights and evidence for the important role of PM-CM alignment. The findings that retention scores across the aligned knowledge base were not significantly different between long and short program tenure students is encour-

aging, especially in the light of Bacon and Stewart's (2006) findings who reported that marketing students do not retain much knowledge beyond the two-year threshold. Perhaps the alignment fosters greater reinforcement of the aligned knowledge base in the core marketing courses which in turn leads to better long-term retention. We believe that understanding why we, as educators, often fail to foster long-term retention and how it can be improved are critical components of any marketing curriculum that strives to prepare students for their marketing careers.

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CRM SYSTEMS AS A FORM OF SOCIAL MEDIA FOR BUSINESS: THE VALUE OF INCORPORATING CRM EXPERIENTIAL LEARNING IN SALES/MARKETING EDUCATION

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SUMMARY

Introduction

The purpose of this paper is to propose the incorporation of a CRM system as a sales center management tool and as a needed skill set in a marketing curriculum. On a managerial level, a CRM system would allow efficient access between internship/job-hunting students and prospective employers. From an educational perspective, marketing/sales students would gain advanced knowledge of CRM systems through hands-on experience. First, we explain the similarities between CRM systems and social media: a familiar and accepted technology for Gen Y college students. Then we elaborate on the benefits – for students, faculty/administrators, and employers – of incorporating a CRM system in a university sales center as a management tool and educational experience. Overall, A university sales center with an effective “Social” CRM site can be used as a model for how the University as a whole can manage their relationship between their current students, prospective students, donors, hiring companies, and the community in general.

CRM Systems as a Form of Social Media

A CRM system, as traditionally defined, is a “widely implemented strategy for managing a company’s interaction with customers, clients, and sales prospects” (Shaw 1991). It involves using technology to synchronize interactions with sales, marketing, customer service, and IT support (Shaw 1991). As of 2008, SAP, Oracle, SalesForce.com, and Microsoft controlled 55 percent of the market (Gartner, Inc.), with a host of bit players controlling the remaining 45 percent (Gartner, Inc. 2009). Typically, CRM systems have been used at companies with a significant sales department as a way to manage the entire sales process, from prospecting to “close” to continued customer support. Despite their recent growth in popularity, CRM sites have not yet been universally accepted, even within organizations which currently use them (Ko and Dennis 2004, 2011).

The Integration of CRM Systems in University Sales Centers and Marketing/Sales Education

CRM systems, traditionally associated with businesses, may be equally useful to a non-profit organization like a university sales center. While financially the two organizations seem quite different, conceptually they are quite similar. Both have constituencies they serve and both must interface and coordinate constituent communication. In the case of a company, it is not only their customers, sales force, and sales management, but also their vendors and sales support staff (logistics, manufacturing, marketing, etc.). For a university sales center (particularly one located in a research institution), constituents include not only undergraduate students, but also corporate partners and academic researchers. A successful university Social CRM site would be able to serve all three of these constituencies by allowing all three constituencies to use the site to create content and share mutually beneficial information.

Conclusion

A university sales center with a Social CRM site where the exchange of information between students and sales professionals is encouraged would benefit students and the companies who hire them, as well as academicians. Current research suggests training costs for one salesperson can easily exceed \$100,000, and that it may take two-years for the company to recognize any profit from that salesperson. The comprehensive education and support provided by a university sales center and coordinated by a Social CRM system is needed to prepare college students for the work environment (Leach et al. 2005). A university sales center Social CRM provides the capabilities for ongoing interaction and data collection potential with sales professionals; thus providing research samples for doctoral students and advisors. Furthermore, a university sales center with an effective Social CRM site can be used as a model for how the University as a whole can manage their relationship between their students, prospective students, donors, hiring companies, and the

community in general. A tentative survey (included in the appendix) will help guide future research efforts into the

effectiveness of Social CRM systems in helping drive business profitability.

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DELIVERING QUALITY INSTRUCTION TO MEGA-CLASSES: A SUCCESSFUL SOLUTION TO DWINDLING RESOURCES AND GROWING STUDENT BODIES

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SUMMARY

As a result of growing student populations and shrinking financial resources, College Deans and Department Chairs are challenged to deliver large mass sections or “mega-classes” and to rely on innovative ways to meet enrollment demands and maintain course quality. The current study examines the flexible delivery of course content – face-to-face, online or a combination of both – for undergraduate business administration courses at a large southeastern university. Specifically, the present research investigates the effect of delivery mode and college self-efficacy on quantity and quality of interaction with the instructor and with other students. Additionally, we examine the moderating role of flexibility on the relationship between delivery mode and critical student outcomes. These critical student outcomes include satisfaction, perceived value, future purchase intentions and word of mouth.

We follow the O’Reilly et al. (2007) categorization of mega-classes as those with 300 or more students in order to differentiate this research from “other large class studies in the literature where classes as small as 80 are defined as large” (p. 70). The mega-classes examined during the present study utilize lecture capture (video streaming) over the Internet to provide flexible delivery of course content. This approach is prominent in the college’s introductory undergraduate core course offerings. Enrollments in these courses can range anywhere from 300 to 1400 students in a given section.

The empirical findings of this study demonstrate that there are feasible solutions to the challenges that college classrooms face today. Course evaluations for the Prin-

ciples of Marketing course examined in this research show a significant improving trend from 4.05 (sd = .04) in Fall 2009 to 4.35 (sd = .05) in Spring 2011 (1 = poor to 5 = Excellent).

Our findings show that instructional delivery mode has no significant effect on students’ perceptions of quantity and quality of interaction with the instructor and that these results are robust across three separate semesters. In addition, we show that flexible delivery has no significant impact on measures of perceived value, satisfaction, purchase intent and word of mouth. Yet, our findings do suggest that some face-to-face classroom interaction impacts the amount and quality of interaction with other students. As universities increasingly adopt online delivery methods of content, administrators and faculty must remain cognizant of incorporating features that enable and support increased student-student interaction.

Moreover, college self-efficacy is identified as a means to improve students’ perceptions of level of interaction with both the instructor and their peers. Thus, academic institutions should consider taking steps that increase students’ self-efficacy beliefs. Lastly, the moderating role of desire for flexibility sheds light on an important aspect of flexible delivery that has been overlooked by previous research and which might be responsible for the conflicting findings in the literature. Namely, the relationship between delivery media and student outcomes depends on students’ desire for flexibility, such that those with high desire for flexibility assign higher evaluations to hybrid and online courses than those who don’t consider it a priority; in contrast, these latter students value face-to-face instruction more than its flexible counterpart. References are available upon request.

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ASSESSING THE ACCEPTANCE OF E-TEXTBOOKS THROUGH THE THEORETICAL TESTING OF BUSINESS STUDENT ATTITUDES

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SUMMARY

Electronic books, digitally reproduced books, or e-books, have gained popularity in the past few years. E-books are digital forms of books read on an e-reader, computer, or other electronic device. The introduction of several e-readers, such as the Amazon Kindle, Barnes & Noble Nook, and the Sony Reader has led to an increase in e-book readership. The acceptance of e-books has been faster than expected. Amazon announced that it is now selling more e-books than print books (Amazon 2011). eMarketer estimates more than 20 million e-readers will be sold by 2011, reaching 8.7% of the U.S. adult population, and by 2012, 12% of adults will own one of these devices (eMarketer 2011).

The attractiveness of the e-book is due in part to their mobility, allowing the reader the ease of reading anywhere and anytime; on airplanes, the beach, and anywhere that a regular book is read, albeit without the hassle of having to carry several books. Interest in e-books has increased in part because of their sustainability – environmentally friendly (Shepperd et al. 2008). Now, electronic textbooks are becoming available to university students. Electronic textbooks, or e-textbooks, are textbooks that are downloadable to e-readers, tablet PCs, netbooks, and laptop devices.

Students have the opportunity to download textbooks instead of buying hard-bound editions. Yet, according to the National Association of College Stores, students are reluctant to use e-textbooks, preferring print textbooks. Over 76 percent of students preferred print over electronic (Young 2010). McGowan, Stephens and West (2010) found that students overwhelmingly preferred regular textbooks over electronic textbooks. However, no one has examined why students prefer print textbooks. This study seeks to uncover student attitudes toward electronic textbooks. We specifically look to understand how business students feel about switching from regular textbooks to electronic textbooks.

The Technology Acceptance Model (TAM) surmises that technology will be accepted if it is perceived to be easy to use, useful and that others believe it should be used (Davis 1989). It is speculated that college students are very adept at using technology, and may be efficient in understanding how to use e-textbooks. However, there

are those that are cautious when using a new technology. Unlike older adults, students may be less likely to let their peers know when lacking the understanding of how to use a new technology. The relative advantage of e-textbooks may help to improve study time, make it easier to access the textbook during class time, making students more efficient. As students have become likely to adopt new technologies, such as cell phones for texting, MP3 players for music, and laptops for general computer usage, students may be just as willing to integrate e-textbooks into their lifestyle, as students have experienced and incorporated other technologies into how they live, work and study. As we posit that self-efficacy leads to a positive attitude toward using e-textbooks, we also put forward that this positive attitude will lead to the intention to use e-textbooks when given the understanding that assistance in using the e-textbook is available. Facilitating conditions may mediate the relationship between attitude and the intention to use the e-textbook as having assistance with the textbooks, whether the assistance comes from the publisher, professor, or other students, can aid students in determining if e-textbooks can be utilized for classroom and study.

Respondents for this study were students at a Mid-western university. Our results indicate that business students find advantages to using electronic textbooks, and this new technology is compatible with their lifestyles. However, students are not at ease in incorporating e-textbooks into study. This coincides with the results from McGowan et al. (2009), where IS students preferred paper textbooks because of the ease of reading.

It is interesting to note that there was significance in the usefulness of e-textbooks; however, students did not find e-textbooks to be easy to use. It is possible that students feel that “marking up the textbook” will not be as easy on an e-reader as it is with a paper textbook and highlighter. Also, there is a learning curve that students may not want to take the time for when beginning new classes.

Students did find that having assistance with e-textbooks would aid in their intention to use the technology. Having assistance from the professor, or IT assistance on campus, would aid students in learning and understanding how to use the e-textbook, because students are not willing to take the time to understand on their own.

Students were not confident in their abilities to learn and understand e-textbooks, as self-efficacy was not significant.

One of the limitations of this study is an understanding of the breakdown of peers versus professors in terms of who is influencing the attitudes students have toward e-textbooks. The fact that professors require the use of an e-textbook in class may be a reason why there is significance in the social norms effect on attitudes. Also, we did not uncover if pricing of a regular textbook compared to

an e-textbook has any bearing on the intention to use the e-textbook.

Future research will take these limitations into account, as well as delve more intimately into students who have used e-textbooks as compared to those who have not. We would like to understand if the experience aids in the intention to continue the use, and to understand the value of the e-textbook to business students. References are available upon request.

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THE IMPACT OF SOCIAL CAPITAL AND PERSONALITY TRAITS ON STUDENTS' E-LEARNING EXPERIENCE

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SUMMARY

E-learning has quickly become an important component in Higher Education. A recent study by Sloan Consortium shows that nearly thirty percent of higher education students take at least one course online each semester (Allen and Seaman 2010). However, most of the studies on online learning are descriptive and exploratory (Tallent-Runnels et al. 2006). In this study, we develop measurements for social capital in online classes and investigate its influence on students' learning experience. Further, though the relationship between personality and academic performance has often been studied in the psychology and education literature, the findings are mixed with few studies addressing this relationship in the e-learning context (O'Connor and Paunonen 2007). Our study attempts to fill the research gap by addressing the following research questions: Is social capital crucial for students' e-learning experience? Does personality influence students' learning experience in online classes? Will the existence of social capital further increase the satisfaction of those students who are more socially oriented?

We used a survey approach to study the above research questions. All participants were business students from a public University in the Southwest United States. Students who took online Marketing classes and online MIS classes participated in this study for extra course credit. The final dataset contains 181 observations. All classes were offered completely online through the Blackboard system. The assessment of each class is composed of individual exams, one individual project and one group project. In all these courses, students could communicate with other classmates and the instructor through the email system and open discussion board on the Blackboard system. In addition, students could interact with their group members and the instructor through their private group discussion board on the Blackboard system and have real-time meetings through the Adobe Connect web conferencing system.

We measured the social capital developed among students and, separately, that accumulated between students and the instructor. We propose that both types of social capital will have a positive influence on students' online learning experience. *Social capital* is broadly defined as the resources accumulated through the relationship among people (Coleman 1988). The existence of social capital explains why community members would actively spend their effort and time to contribute to the community (Putman 1995). These types of social interactions in a class community are also strongly advocated by social constructivists (Vygotsky 1978). Social constructivism theory argues that students can learn difficult concepts with help from people with experience and from their peers. Our empirical results overall confirm the proposed hypotheses, and both types of social capital are crucial for students' e-learning experience.

In terms of the influence of personality on students' e-learning experience, we propose that conscientious students and social oriented students will have a more positive online learning experience than other students. In the existing literature, conscientiousness seems to be the only personality trait that has a consistent association with academic performance (O'Connor and Paunonen 2007). Contradictory to this common belief, our findings show that the conscientiousness trait does not influence students' e-learning experience. However, the social orientation trait does. Furthermore, this positive influence from the social orientation trait becomes stronger when larger social capital exists.

Our results imply that students with different personality traits could perform equally well in online classes, especially for those socially oriented students. The crucial factor that leads to a positive e-learning experience is not personality trait, but strong social capital of the class community. For educators, this finding implies that it is very important to help students build class community, encourage students' interactions, and further develop social capital in online classes. References are available upon request.

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STUDENT CENTERED MARKETING EDUCATION THROUGH OPEN LEARNING RESOURCES AND WEB 2.0 TOOLS

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ABSTRACT

This paper will look at the use of innovation and open resource technology to provide quality education (as measured by student learning outcomes) through pedagogy that is student centered and flexible in a web-based marketing management course. Lessons learned are compared to those in a traditional classroom education.

INTRODUCTION

Barriers to education today include access to educational resources, access to social engagement and collaboration, access to formal learning environments, and time constraints (Ajadi 2009). These barriers create an opportunity for the faculty member, who wants to use open learning resources and Web 2.0 technology, such as SecondLife, to focus on student centered learning through flexible education (Sadler-Smith and Smith 2004); “most forms of flexible learning rely upon some form of technology (ranging from print-based to computer-based) to reduce or even obviate the need for an instructor to be present, to facilitate synchronous or asynchronous communication between learner and instructor or to provide information in a wide variety of formats” (Sadler-Smith and Smith 2004, p. 398). The authors of this paper examined how a combination of these pedagogies improved instruction in conveying theories in marketing orientation, as measured by the student’s ability to successfully segment the market and identify buying behaviors.

It has become increasingly important for firms to follow a marketing orientation (Day 2011). One tool to help analyze the market is the use of market segmentation. However, previously taught traditional undergraduate and graduate students tended to want to jump to target marketing, and hence missed opportunities in their analysis of the market (Day 2011). In a traditional classroom students, have an opportunity to ask questions, but like the graduate students in the MBA studied in this paper, they still had trouble grasping the concept from reading and hearing a lecture. To improve student outcomes in the traditional classroom, small group exercise were incorporated into the lecture. However in an asynchronous, on-line course, this becomes more difficult, (but as important) because of differences in student learning styles.

Student Learning Styles and Pedagogy

The pedagogy under evaluation in this paper is part of an MBA program developed for adult learners through a web instructional management system (Belasen and Rufer 2007). This program was chosen because the learners are self directed, come from diverse backgrounds and in many ways benefit from a flexible pedagogy because of time and space constraints. However, the lessons learned about improving pedagogy delivered through web-based management systems, has application for traditional students, taking on-line courses, as well. In a traditional classroom, the faculty member facilitates synchronous learning and collaboration. This becomes more difficult in a web-based learning platform. Furthermore, differences in student learning styles are exasperated by the linear design of many web-based systems. As a result, the differences in learning outcomes may be related to the student’s ability to adapt to the mode of the information presented, not just their ability to learn.

Early work of Boyatzis and Kolb (1995) suggests that skills are an integrated transaction between the person and the environment. However learning occurs when there is an interaction between the structures of knowledge and a cognitive process. Consistent with these findings, the Felder and Silverman (1988) studies find that the cognitive process of learning is related to the learning style of the individual (Graf, Viola, Leo, and Kinshuk 2007; Felder and Brent 2005; Litzinger, Lee, Wise, and Felder 2007; Ruttun 2009). These works evaluated student learning in traditional classrooms. However if we look at the structures of knowledge and the cognitive process, we can evaluate the impact on learning, irregardless of the mode of delivery.

Stemming from these studies of traditional students, learning styles have been described by the cognitive, affective, and psychological behaviors of how students learn; their approaches to learning looked at three ways to engage in learning: a surface approach (rote memorization), a deep approach (exploring and questioning), or a strategic approach (with tactics to earn the desired final grade); and intellectual development (with the highest level defined as that which follows the scientific method). Models such as the Felder-Silverman Model (first developed in 1988) indicated a mismatch between learners and

pedagogy, indicating that the mode of information present must match student learning styles. Applying this theory to the design of the on-line pedagogy, faculty must take into account the diversity in learning styles as well as the structure of the learning program, including the amount of collaboration, and the mode of information present.

Recent work by Rufer and Adams (2012) indicated a strong connection between the cognitive learning styles and the instructional design. This work looked at the effect of Web 2.0 technology in improving student collaboration and thus the learning outcomes in the Marketing Management course of the MBA under evaluation. Students in this course did not have extensive prior knowledge in the field of marketing (as a result of providing experiential credit to those students who did). The outcomes, from students in the course, indicated that over sixty percent had difficulty identifying customer segments and associated buying behaviors, when analyzing a Harvard Business School Press case.

AN EXPERIMENT IN THE USE OF DIFFERENT PEDAGOGICAL METHODS

The initial curricular design that was used to deliver segmentation theory included reading a mini-lecture and material from the textbook. Due to high failure rates (less than a B average), a narrated Power Point presentation on market segmentation was incorporated to move student learning from a deep approach to one of strategic application of the market orientation theory in a case study analysis. The use of the narrated Power Point presentation was used to re-enforce the readings and engage the students through auditory learning as well as visual. This provided an opportunity for the learners to reflect on their first exposure to the theoretical constructs of how to segment the market and the associated buying behaviors of potential customers. Consistent with the Felder's work, the use of the power point provided re-enforcement that appeared to help reach the "sensors" and the "intuitors." According to Felder (1988), sensors respond better to verbal re-enforcement. Whereas, students who demonstrate characteristics of "Intuitors" like the symbols of words and thus can grasp the concepts through reading. To reach the sensors the instructional design technology incorporated a narrated power point, similar to that used in the traditional classroom, during the Fall 2006 term. However, as indicated by the learning outcomes, similar to that found in the traditional lecture style classroom, only fifty percent achieved success (with a grade of B or better), with an average assessment of approximately 69 percent as indicated in Figure 2 (seen later in this paper). Not surprisingly, these outcomes were consistent with Felder's (1988) findings for traditional students, who retained fifty percent of what they saw and heard.

Our findings are consistent with the literature, and support the thesis that outcomes are a result of differences in student learning styles as they related to modes of delivery. It is common knowledge that visual and audio learning does not meet the needs of the kinetic learner (Saeed, Yang, and Sinnappan 2009; Franzoni and Sassar 2009). Furthermore, "learning preferences may result in a learner preferring collaborative versus non-collaborative learning. Sadler-Smith and Riding (1999) found that business and management students preferred dependent and collaborative learning methods to autonomous methods" (Sadler-Smith and Smith 2004, p. 404). In an on-line mode of delivery, it is often asynchronous, making it autonomous. The narrated PowerPoint presentation appeared to add the dimension of auditory learning and the reflective nature re-enforced memory by providing a dual method of content delivery (or mode of information), similar to a classroom lecture. However, the linear nature of the pedagogy did not provide for any associative learning because of its non-collaborative nature. The researchers used this design as the control group, evaluated against pedagogy using Web 2.0 and open learning resources.

In attempt to be more student-centered, additional emerging technologies were integrated in the instructional design. As noted by Graf et al. (2009) technologies can provide an "adaptive learning environment" through a combination of cognitive learning and elements that address the visual, auditory, and kinetic learner. The next technology employed in the MBA marketing course was the use of a webinar. This created a synchronous discussion or blended model of learning. During the webinar the Power Point presentation was repeated and students were asked if they had any questions. This enhanced the reflective learning through additional discussion and as a result increased the collaborative and strategic nature of the learning process. Following the discussion, a white board was shown with clip art of individual men cartoon characters, arranged randomly. One student was asked to arrange the clip art into groups based on some characteristic that would be a common way to segment the market, and based on salient attributes for buyers of automobiles. This student suggested lifestyle (some characters were very professional, some very athletic). A second student suggested occupation and then proceeded to divide the characters into blue and white collar workers.

Findings Comparing a Linearly Designed On-Line Platform to a Blended Model

Similar to a traditional classroom, the webinar discussion reflected strategically how each of these different ways to segment the market could be related to buying behaviors. Thus the use of the webinar provided some

opportunity for active engagement for those students who required visual, auditory, and verbal learning, while at the same time provided sensory and intuitive learning for the others. With this change in pedagogy, approximately sixty-five percent of the students now succeeded in segmenting their market in their case study analysis (an increase of fifteen percent). If we use a 90% confidence interval (based on the small sample size) we have insufficient evidence (t-test = .054 and .057) to reject the null hypothesis that the average score from students who engaged in a combination of visual, auditory, and Web 2.0 technologies (μ_2) is greater than students who just engaged in visual and auditory learning (μ_1), as seen in Table I.

Hypothesis I: $\mu_2 \geq \mu_1$ where m_2 is the average from the Fall 2009 sample, where students engaged in the pedagogy with the webinar in addition to the readings and streaming power point, and μ_1 (Fall of 2006 – the control design) does not contain the webinar.

The researchers evaluated two different independent groups for concurrent validity and repeated the experi-

ment in the Spring of 2010. The test was then repeated using data from Spring of 2010 m_3 . Hypothesis II: $\mu_3 = \mu_2$ where m_2 is the average from the sample engaged in the pedagogy with the webinar in addition to the readings and streaming power point from the Fall 2009. There was sufficient evidence (t-test = .9594) to reject the null hypothesis that there was no difference between the means from Fall 2009 (μ_2) and Spring 2010 (μ_3), as presented in Table 1.

In order to provide for integration of the active elements for the dimensions of understanding through sequential learning, a virtual world Second Life session was used instead of the webinar pedagogy for a fourth group of independent students. It was our hope to add an open learning mode of information to reach more of the students engaged in the class. This change in pedagogy would increase flexibility and provide greater access to learning: Second Life can be accessed simultaneously worldwide and doesn't have the same bandwidth constraints that were found with the webinar technology. The researchers hypothesized that using Second Life can

TABLE 1
Visual, Auditory, and Web 2.0 Comparative Result

Visual & P.P.	Fall-06	Grade	Visual +3.0	Fall-09	Grade	Visual + 3.0	Sp-10	Grade
	1	40		1	50		1	50
	2	32		2	35		2	45
	3	45		3	38		3	44
	4	40		4	30		4	29
	5	30		5	50		5	48
	6	19		6	48		6	47
				7	45		7	32
				8	35		8	47
				9	37		9	46
				10	46		10	28
				11	47		11	39
				12	42		12	43
				13	43		13	49
				14	42		14	36
							15	47
							16	40
Average		34.333			42.000			41.875
StanDev.		9.35			6.189			7.154
t-test		F 06	vs	F09	.0540	F06	vs	Sp10
Hypothesis			I				II	

increase the opportunity to learn for a greater number of diverse students, by using small group exercises just as the researchers found in the traditional classroom.

COLLABORATIVE, REFLECTIVE, AND SEQUENTIAL LEARNING THROUGH A VIRTUAL WORLD

To reach more students, a second experimental design used for two sections of the marketing management course with Second Life as a learning technology. It was our thesis that this pedagogy can encourage more quazi-kinesthetic learning (while at the same time provide for both verbal and visual learning environments). During the Spring and Fall 2010, the researchers integrated virtual world Second Life for a fourth and fifth group of students to replace the webinar in one of the sections of the marketing management course. The students in this group also engaged in the readings and narrated power point but used a different Web 2.0 technology: a virtual world. Note that all students in each of the five groups only engaged once in the course and there was no overlap between student groups.

Since the technology was new for most of the students, the researchers provided information and instruction about what is Second Life, how to open an account, and how to navigate in Second Life. The researchers set up a drop box in our course management system, and asked student to post their avatar names in a centralized place. This limited access to our virtual classroom by invitation only and could close our Second Life site to outside visitors. To engage the students in sequential learning and

thus greater understanding of the concept, the instructional designer designed and developed an instructional platform in Second Life, which included the same Power-Point presentation for segmentation found in the web-based platform; a link to a YouTube video of a Wal-Mart commercial; and several break-out rooms for voice discussion and increased collaboration, as seen in Figure I.

Virtual environments are very different than computer course management systems (Burgess et al. 2010; Wang 2010), so, on the date of the scheduled class, as soon as a student logged into Second Life, one of instructors immediately checked the student in, offered a teleport to the student, and guided them directly to market strategy virtual class location. Otherwise, new users easily become lost and disorientated in Second Life (McKerlich and Anderson 2007). One by one all the students were relocated to the virtual class through teleporting. They were asked to sit in a conference style section facing two screens: one for the Power Point presentation and one for the YouTube video. The session began with everyone introducing themselves and a review of the Power Point presentation; this was similar to the process followed in the webinar pedagogy and did provide for similar collaboration through discussion of the power point. The students then viewed the video clip. To adapt to increase student centerness, the researchers also put the URL link in the chat function. In this way students could view the YouTube video through Second Life or through the URL. After viewing the video clips, students were grouped into two gender groups, male and female. They walked to their breakout room in Second Life, discussed the instructional topics, concepts and how a market orientation was being

FIGURE I
Virtual Learning Environment Modules for the MBA Marketing Course in Second Life



used by Wal-Mart in the commercial. The breakout rooms provided an opportunity for each gender group to ask each other questions, reflected on the target market and message in the Wal-Mart commercial, and summarized their discussion for later presentation. In this way the researchers replicated the pedagogy used in the traditional Marketing Management classroom. The small group exercise provided students collaborative interaction with not only the instructor and the content, but also with other students. After the breakout room discussion, the researchers recombined the student groups in the main lecture area. Here they provided their report on their analysis of the commercial and answered questions from the instructor. Follow-up discussion highlighted the difference between the male and female sub-groups and thus how gender segmentation affects the interpretation of the commercial and hence buying behavior. Students were then asked to intuitively think of other ways that Wal-Mart could have segmented the market instead of gender, such as age.

These activities provided for active, reflective, and sequential learning. The researchers hypothesized that the content design in virtual world would increase the performance of our student group by increasing collaboration as well as the variety in learning activities to reach more of the learners (Burgess et al. 2010).

Findings Comparing Webinar Technology to Virtual World Pedagogy:

The researchers hypothesized III: $\mu_4 \geq \mu_3$ where μ_4 is the average from the sample engaged in the pedagogy with the Second Life activities, in addition to the readings and streaming power point, and μ_3 is the average from students engaging in the webinar instead of the Second Life activity. This was tested using a 90% confidence interval with data from the fourth group of students during the Spring of 2010 against data from the third group of students also from the Spring of 2010, who used the

TABLE 2
Spring 2010 Data with and without the Use of Second Life as compared to Data
From the Fall of 2009 and Fall of 2010

<i>Sl & p-10</i>	<i>grade</i>	<i>Visual & PP & Webinar</i>	<i>Fall-10 PP& SL</i>	<i>Fall-09</i>	<i>grade</i>	<i>Visual & PP & webinar</i>	<i>Sp-10</i>	<i>Grade</i>
1	42		1	45.5	1	50	1	50
2	45		2	45	2	35	2	45
3	43		3	49.5	3	38	3	44
4	43		4	38.5	4	30	4	29
5	49		5	43.5	5	50	5	48
6	47		6	48	6	48	6	47
7	49		7	49.5	7	45	7	32
8	41		8	47.5	8	35	8	47
9	43		9	43	9	37	9	46
			10	41	10	46	10	28
			11	45	11	47	11	39
			12	49.5	12	42	12	43
					13	43	13	49
					14	42	14	36
							15	47
							16	40
<i>ave</i>	44.667			45.45		42.00		41.875
<i>Dev.</i>	3.000			3.54		6.189		7.154
<i>thesis</i>	<i>S.L.</i>	<i>vs F09 Webinar</i>	<i>Sp vs Fall</i>	.216	.0915		<i>SL vs Sp10 Webinar</i>	.0934
		<i>III</i>					<i>III</i>	

webinar. The test was repeated to compare the data from the second group of students from the Fall of 2009 (also webinar), as seen in Table II.

The researchers hypothesized that (III): $\mu_4 \geq \mu_2$. From the table, the data indicates there was insufficient evidence to reject the null hypothesis that the average score from students who engaged in a combination of visual, auditory, and Web 2.0 virtual world technologies of Second Life is greater than students who engaged in visual, auditory learning, and web technology of a webinar. The data presented here is consistent research, which shows that virtual learning facilitates experiential learning (Jarmon, Traphagan, Mayrath, and Trivedi 2009). We have supporting evidence that the sequential activities in Second Life provided increased knowledge in the principles of segmentation through application and associative learning skills, through collaboration and reflection. It could be argued that just reading and listening to the narrated PowerPoint requires extensive processing of directly relevant information, in a more linear mode than found in Second Life. The use of 3-D techniques minimizes the processing of information in a linear fashion, through the use of reflection and action. Thus, the researchers were able to significantly observe incremen-

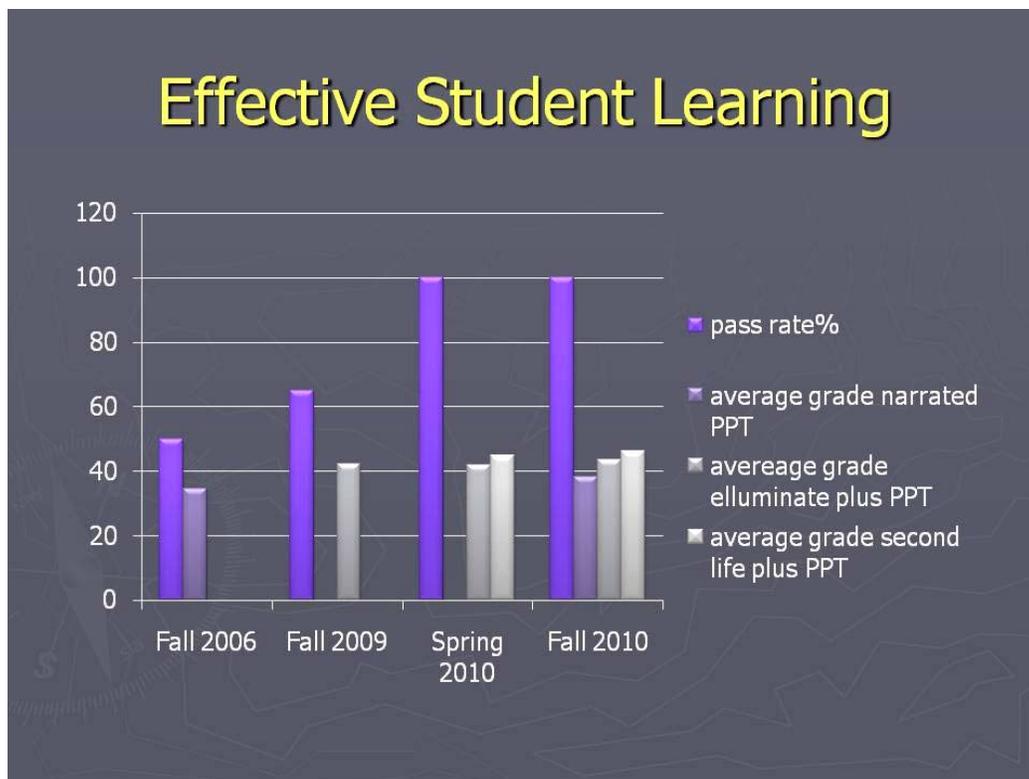
tal improvements through Web 2.0 virtual world technologies with over 90 percent of the students being able to successfully apply segmentation theory after engaging in the Second Life learning environment, as compared to 50 percent without any Web 2.0 technologies.

The data here indicated that by utilizing Web 2.0 technology, student performance was doubled between successful outcomes in the first student group with no Web 2.0 elements to the fourth and fifth groups with over 90% of the student demonstrating an understanding of the complex concepts.

CONCLUSION

Providing flexible student centered instructional design in the online MBA Marketing Management course appears to increase student success and to offer greater access to collaboration through Web 2.0 technologies. In our example for the online MBA the use of Second Life increased collaboration and thus lessened the need for learner autonomy. It also increased both the structure and the dialogue in the learner to learner and the learner to instructor interface. The “judicial mix of technologies to support (a) the course content, generic learning and teaching processes,

FIGURE 2
Change in Average Test Score with Increase Collaboration and Reflection.



and learning outcomes, and (b) the mediating interactions between and amongst learners, tutors, librarians, advisors, learning resources, and institutional services” supported the collaborative learning process for students (Burge 2008, p. 11). The researchers have hypothesized that the increase in student learning outcomes has come from providing learning modes that are congruent with a variety of cognitive learning styles and an increase in reflection. The increase in learning activities and collaboration, between student to student, student to instructor, and student to content has improved the learning outcomes of the Spring 2010 and Fall 2010 students, through use of Web 2.0 tools.

This data indicates that the use of Second Life can provide a similar learning experience to that in traditional classrooms. Just as found in the literature, in a traditional classroom, small group exercise improves student learning outcomes, through collaboration and reflection, Sec-

ond Life was able to duplicate these experiences with small group exercise and follow-up large group discussion. While, in many traditional classrooms today, there is an increase in blended learning (a combination of web-based platforms and traditional lecture style classes), for those courses that are 100 percent on-line, Second Life can replicate the blended model virtually.

Important lessons learned during our experiment, was that the design of the Second Life room was critical to prevent groups from hearing each other. This is also one of the limitations in a traditional classroom. Another limitation of our work was that not all computers had sufficient graphics to support the streaming you tube video shown prior to the group discussion, requiring students to open the URL. Further research will be to find ways to improve the design of our Second Life, so that all students have the same experience.

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TOWARD AN EVOLUTIONARY THEORY OF COMPETITIVE ACTIONS

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SUMMARY

Models of competition in marketing and strategic management have been criticized for lacking a dynamic perspective (Porter 1991; Hunt 2000; Barreto 2010). Recurrent calls for dynamic theories are justified by managerial concerns including: How can a firm maximize its survival chances over extensive time periods? What is the extent to which it is necessary to sacrifice short-term performance gains to adapt in the long-term? How should a firm time its competitive moves?

Such a dynamic theory should focus on the competitive actions that drive competition and the market evolution (Dickson 1996). We define competitive actions defined as externally directed moves which change the ways in which the firm creates, delivers and/or communicates value to customers (Varadarajan 2010). The research problem of the present study is to develop a dynamic model that aims to explain *performance differences between firms*; and *how and why competitive actions and the way in which they are used change*. Our model explains the role of competitive actions in the co-evolution of firms and markets. *We propose elements for a theory regarding competitive actions to complement extant marketing research that has extensively developed methods for measuring various performance implications of competitive actions* (Rust et al. 2004).

Building on the resource-advantage theory (Hunt and Morgan 1995), we conceptualize competition as a disequilibrium process. However, following Dickson (1996) we focus, instead of resources, on the competitive actions that deploy and change the firm's resources. We build on the awareness-motivation-capability framework which states that competitive actions require awareness (e.g., awareness of competitors' actions), motivation (e.g., extent to which the firm's markets are threatened) and capability (e.g., slack resources) to act (Chen et al. 2007). We also draw on research on red queen competition that emphasizes that the firm's ability to act changes in response to the firm's competitive actions and experience (Derfus et al. 2008).

Competitive actions affect the perceived value of the firm's products and services in the eyes of the customers. For example, a price cut improves the "value for money" (Zeithaml 1988). Advertising, in turn, can affect the prestige of a good (Chen et al. 2009). However, perceived

value is conditional on competitive reactions (Rust et al. 2004). Firms fine-tune their actions (Jacobson 1992) by processing market feedback information; firms imitate competitors' successful actions and continue courses of action that have proven to be successful in the past (Nelson and Winter 1982).

Given the motivation to act, the firm will not take further competitive actions if it is not capable of doing so. For instance, slack resources may be necessary to reduce a price. Technological capabilities are needed to launch a new product (Moorman and Slotegraaf 1999). However, these enablers are also affected by the firms' experience. For instance, firms learn based on the market outcomes of competitive actions. By launching a new product the firm will become increasingly better in understanding the customers' needs and wants. Similarly, the more actions competitors have taken, the better chances the firm has at taking effective competitive actions because it can take into account the successes and failures of competitors (Kirzner 1997). Successful actions will also create slack resources that enable more competitive actions in the future (Ferrier et al. 1999).

Over time, then, firms become increasingly competent in using competitive actions. At the same time, they need to employ competitive actions at increasing rates to match competitive pressures (Baumol 2004). There is a negative feedback mechanism that balances this self-reinforcing process. For instance, new product features may render a product more attractive, but after a certain point, customers are not willing to pay more for new features (Meyer and Johnson 1995). Price cuts will increase customers' willingness to buy, but low prices hurt profits (Porter 1985). Consequently, competitive actions have a diminishing rate of return. This slows the self-reinforcing process and, eventually, leads to a decline in the use of a particular competitive action.

Given the decreasing returns to competitive actions, firms can improve their performance if they are able to adopt new types of competitive actions quickly and use them aggressively when they become available. The firm does not have to be first (cf., Lieberman and Montgomery 1998) as long as it is able to exploit the undercapitalized market potential before it is exhausted. Notice, moreover, that it is not self-evident that the firm is able to do so because the abilities of the firm are endogenously determined by the past competitive actions and experience of

the firm. Competition also stimulates qualitative changes in the firms' competitive repertoires. Firms will start to search for more productive ways of competing when old competitive action types are become less rewarding (Mach and Simon 1993), and the lower the performance the more extensive the search for new action types (cf., Cyert and March 1963).

To test the plausibility of our framework, we have modeled (1) the dynamics of competitive actions, (2) dynamics of the competitive actions-performance relationship. Our empirical context is the Finnish mutual fund market (1997–2010). We use data from *Mutual Fund Reports* which is a monthly document produced by Sijoi-tustutkimus Ltd. The report is a compilation of almost all mutual fund products marketed in Finland (ca. 500 currently). The competitive actions and performance of these firms was then aggregated from the report data throughout the entire 14-year time period. This led to a total of 169 firm-years to be analyzed. We have focused on two types of competitive actions; new product innovations and pricing. We use regression techniques designed for panel data (e.g., fixed / random effects; Woolridge 2000) to model changes in the use and performance implications of these actions. We measure performance using relative changes in the firm's market shares (in terms of total assets) and in the numbers of fund shareholders.

Overall, our propositions were supported by our analyses. The preliminary results support the proposition that competitive actions improve performance but performance gains are increasingly more difficult to achieve because competition intensifies. Furthermore, while rivals actions call for responses, which intensifies competition, the use of competitive actions is reduced when the market becomes increasingly populated with those actions.

Marketing researchers have been moving from product and brand levels of analysis to study firm performance implications (e.g., stock-market returns). Researchers have focused on developing methods to model market responses to competitive actions (e.g., Rust et al. 2004). To complement the empirical and methodological advances, our goals was to advance understanding of competitive dynamics conceptually. We paid attention to how the competitive actions fit into the bigger picture of the organization and market's evolutionary path. Our study emphasizes the evolutionary aspects of competitive actions instead of depicting them as simple performance levers. Consequently, managers should pay attention to the evolutionary logic of marketing competition; over time firms become increasingly competent in employing actions that are becoming increasingly ineffective. We see that an evolutionary approach to competitive actions provides novel insights into the role of marketing in competitive success. References are available upon request.

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THE MARKETING OF INFORMATION IN THE INFORMATION AGE

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SUMMARY

We propose that marketing management, practice, and theory could benefit by broadening the concept the product to include an information component. It is apparent that information itself is a unique phenomenon and that “information products” are different from tangible goods and intangible services. Moreover, increasing numbers of goods and services now contain information as a distinct and integral element of the benefits they deliver. Thus, we propose that marketing theory should revise the concept of “product” to explicitly include an informational element and that the implications of this revised concept be discussed. The full paper presents some initial thoughts on the issues these discussions should address, focusing on strategic management implications.

A major revolution in marketing management and theory occurred when scholars established that “products” should not be conceptualized solely as tangible goods, but also as intangible services. Owing to the efforts of Shostack (1977) and others (e.g., Lovelock, Parasuraman, etc.), the services revolution transformed the nature of marketing from a narrowly goods-focused discipline to a more complex study and practice. This generalization holds true regardless of whether one views a “product” as that which is sold or as the bundle of benefits bought. Contemporary marketing theory and practice are not only imbued with the notion that what is sold and what is bought is some combination of tangible elements and intangible services, but that in addition, the “product” itself is not just the property of the firm, but may be co-owned and often co-created by the consumer (Allen et al. 2008; Vargo and Lusch 2004). Indeed, the prevailing mantra of customer-centricity, that the customer is in charge, is founded on this basic premise.

The purpose of this summary is to argue that marketing needs another revolution, perhaps not as pervasive as the services-inspired one, but importantly, a re-thinking of what we mean by “product” to include a third component, “information,” in addition to goods and services (originally proposed by Freiden et al. 1997). We put this term in quotes because it is difficult to define to the satisfaction of all parties. James Gleick’s (2011) recent book, *The Information*, reviews the historical emergence of the concept of information without ever giving it a concise definition, but revealing how complex and pervasive information is in the physical, social, and psychologi-

cal worlds. Our argument is that such an important concept is also important to the marketing discipline so that it needs to be discussed and debated.

We argue that marketing needs to rethink the concept of “product” for three reasons. First the very issues raised by Gleick’s book suggest that if information is so pervasive an element in the world, it must be a concern for marketing following the same logic that economies dominated by service industries must emphasize services marketing. Second, certain anomalies surfaced in the last few decades that suggest further thinking is in needed to cope with the issues they raise. For example, the enormous impact file sharing had on the recorded music business raises many questions about what consumers buy when they buy music. If it isn’t a tangible plastic disk, then this implies it is a service. By the same token it can’t be a service if the customer can give copies away. The same issue arises in the software industry where piracy is widespread. Some argue that this is simply a legal problem requiring legislation and enforcement. But this approach does not seem to have resolved the issue, and it led to the ridiculous situation in which some music companies were suing their own customers. Much like the problem of spam, perhaps a legal or technical solution is simply not possible (Greenemeier 2011) and a re-thinking of how to manage such information products (IPs) is needed.

Finally, the spread of the Internet and of the transformations it has brought to virtually every aspect of life highlight the fact that the digitized signal is rapidly becoming a central element of everything people do. This transformation has resulted in a wide variety of new “products” created to help people use and manage all this information. In addition, more and more traditional good and services now incorporate some connected, online, or digital feature that enables them to improve delivery of their benefits. Moreover, some traditional products, such as newspapers and bookstores, have been transformed by the digital revolution and need new business (marketing) models to cope with these changes. Thus, we feel justified in proposing that not only are there increasing numbers of products that should not be properly thought of exclusively as either goods or services, but that many good and services now contain a new element that entails marketing them in new ways. As a sidelight, note that marketing practice itself has been transformed by the digital revolution in a variety of ways, ranging from the use of online

focus groups and panels as alternatives to traditional research methods to the increasing use of mobile marketing strategies that take advantage of the “always on” consumer’s variety of digital devices. Marketing is caught

up in a revolution stimulated by the recognition, just as many other fields have recognized, that information is a key component of what we do.

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A POSTCOLONIAL CRITIQUE OF THE GLOBALIZATION OF POPULAR CULTURE: THE CASE OF K-POP

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SUMMARY

Over the past decade, Korean popular culture (KPC hereafter) has increasingly gained enormous recognition in East and Southeast Asian countries, including but not limited to China, Taiwan, Hong Kong, and Japan. Now, the popularity extends to the Middle East, former Soviet Union countries in Central Asia, and some European countries. The momentum appears to be based on KPC's variety and hybridity by which numerous kinds of cultural items are produced, communicated, and simultaneously consumed.

Consumer research (especially consumer culture theory) has thus far explored and documented a variety of domains, contexts, sociopolitical aspects, and ideological issues of consumer-market dynamics to a great extent in relation to consumption of goods, services, images, and experiences available in the market. Admittedly, popular culture has been one of the topics of analyses in consumer culture theory for its function as a transmitter of marketplace ideologies. However, it is rarely studied in its entirety as a very symbolic and ideological product that nobody can simply reject, and its globalization process has been understudied as well.

In recognition of popular culture's theoretical significance as a key driver of current consumer culture in Asia, this study will delve into three main research questions in an integrated manner: (1) What are the cultural connotations of KPC, as opposed to American or Japa-

nese popular culture, for Asian consumers with respect to their identity, lifestyle, and ideology? In other words, why did Asian consumers discard the almost "orthodox" representation of today's culture (American pop culture) and choose to fetishize a new ideology? (2) Is the globalization process of KPC analogous to that of consumer goods/services and even subcultures of consumption? (3) What are the methodological considerations when studying such a new phenomenon in an unconventional context?

It is a new era in which the former cultural orthodox diminishes, and a new popular culture starts globalizing. The new cultural ideology steeped in the tensions between cultural imperialism/pluralism, assimilation/postassimilation, ethnocentrism/cosmopolitanism, and dialectical class discourse takes the form of hybrid, which contextualizes itself to the specific cultural ground. Globalization of popular culture accelerates and intensifies convergent evolution of consumer culture that involves individual and collective identity projects *vis-a-vis* the brandscape. Netnography in a broader sense and an extension of group interview for familial ideology-building and cultural interactions are expected to yield a better grip of the newly developed field of idolization, beautification, and fetishization. KPC's fascination will invite more global consumers as well as research, as it provides unique stories and unprecedented personas. It is being worshiped in some places and at the same time awfully condemned by other people. The paradoxical nature of KPC appears to be perpetual, but the very paradox is what makes it "popular." References are available upon request.

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A CROSS-CULTURAL INVESTIGATION OF THE POSITIVITY EFFECT

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SUMMARY

Services are critical drivers of global economic success and contribute two-thirds of the world's total output (World Bank 2010). The importance of global trade in services has drawn much attention in international consumer research. As Zhang, Beatty, and Walsh (2008) pointed out in their review of cross-cultural consumer services research, previous research mainly focused on the relationships between culture and service expectations (Furrer et al. 2000; Witkowski and Wolfenbarger 2002; Laroche, Kalamas, and Cleveland 2005), service evaluations (Laroche et al. 2004; Voss et al. 2004), and reactions to service (Liu, Furrer, and Sudharshan 2001; Mattila and Patterson 2004a, 2004b; Patterson, Cowley, and Prasongsukarn 2006; Schoefer 2010). Nevertheless, little research has investigated the relationship between culture and service inferences. Moreover, "the majority of the studies explicated culture implicitly. That is they loosely or briefly discuss what is meant by the culture construct in the context of the study, while others present a culture construct in more detail, but used it post-hoc to explain unpredicted results or pre-hoc to provide only context and background. In contrast it is important to draw cultural concepts and develop hypotheses based on strong theory and logic" (Zhang, Beatty, and Walsh 2008).

According to Folkes and Patrick (2003), service inference is pivotal because consumers may form attitudes toward a firm or a brand after experiencing its services only once. How consumers make inferences from one experience influences whether they repurchase and how they communicate with others (word-of-mouth). As a first attempt to examine the relationship between culture and service inferences and as a response to Zhang, Beatty and Walsh (2008), this research examines how much the "positivity effect" – discussed in prior research on how American consumers make service inferences (Folkes and Patrick 2003) – may differ in other cultural contexts, in particular, in Chinese culture. Using the dynamic constructivist approach of culture (Hong et al. 2000; Briley, Morris, and Simonson 2000), this paper no longer considered culture as a steady factor in the country level as in many traditional studies (Imrie 2005; Malhotra et al. 2005), but examined the dynamic influences of culture in the individual level. This way of examining

cultural influences also contributes further to the emerging development of the cross-cultural consumer service research in the individual level (Donthu and Yoo 1998; Furrer et al. 2000; Laroche et al. 2005; Patterson et al. 2006; Chan, Wan, and Sin 2009).

Based on the theories in cultural knowledge and self-construal, we propose that Chinese consumers have the negativity (positivity) effect in service inferences when their cultural knowledge is activated in heuristic thinking (when personal knowledge overrides cultural knowledge in deliberate thinking) and when their self-construal is interdependent (independent). However, American consumers show the positivity effect in service inferences unless their self-construal is interdependent.

In the following sections, we report the methods and results of four experiments. The first experiment follows a procedure similar to that of Folkes and Patrick (2003) and examines how Chinese consumers make inferences from one negative or positive service encounter. The next two experiments test further Chinese and American consumers' service inferences by manipulating the access of cultural and personal knowledge via heuristic and deliberate thinking. Finally, we investigate the psychological mechanism of culture directly to explain the difference in service inferences between Chinese and American consumers.

Study 1

The first study examines the inferences that Chinese consumers draw from a single service experience. Following Folkes and Patrick (2003), we ran a 2 (behavior valence: positive vs. negative) x 3 (target of the trait rating: individual service provider, firm subgroup, super ordinate occupational group) experiment, manipulating behavior valence between subjects and measuring the target of the trait rating within subjects. This study used service scenarios in a fitness center. Using friendliness ratings as the dependent variable, we ran a 2 X 3 ANOVA and found significant main effects of behavior valence and the target entities, as well as their interaction. The interaction indicates that Chinese consumers exhibit a negativity effect instead of the positivity effect Folks and Patrick (2003) found in Americans.

Study 2a and 2b

In Study 1, we found evidence of a negativity effect in the service inferences made by Chinese consumers. In studies 2a and 2b, we dig deeper into this phenomenon. In particular, we examine the effects of cultural and personal knowledge in service inferences by manipulating the heuristic and deliberate thinking. Study 2a was a 2 (service valence: positive vs. negative) X 2 (depth of thinking: heuristic vs. deliberate) between-subject experiment conducted separately in two countries, China and the U.S. In Study 2a, the service context was a restaurant since most university students in China and America have experience in this area and they all have positive expectations for service. In Study 2b, we used a context – an airport check-in – that most college students in China are unfamiliar with. We ran a 2 (service valence: positive vs. negative) x 2 (depth of thinking: heuristic vs. deliberate) between-subject experiment using a procedure similar to that for Study 2a except that participants were told different scenarios. We found that the tendency of Chinese consumers to exhibit a negativity effect is moderated by the depth of thinking they engage in. As they engage in more heuristic (deliberate) thinking, they become more likely to exhibit a negativity (positivity) effect.

Study 3

Building on the results of the prior studies, Study 3 investigates directly the underlying mechanism of culture and examines the impact of self-construal on the service inferences. In particular, we hypothesize that self-

construal moderates Chinese consumers' service inferences, such that Chinese consumers with an interdependent self-construal will exhibit a negativity effect, while Chinese consumers with an independent self-construal will exhibit a positivity effect.

Study 3 was a 2 (service valence: positive vs. negative) X 2 (self-construal: independent vs. interdependent thinking) between-subject experiment conducted separately in China and the U.S. After a manipulation of the self-construal, participants received a service scenario with the same manipulations of the employee's service valence as in Study 2a. The results supported that the negativity effect is driven by the prevalence of interdependent self-construal in Chinese culture compared with the more independent self-construal in American culture.

General Discussion

Services are vital economic drivers in many countries, but researchers have generally concentrated on the service industry in developed countries. Marketers working in a global environment need to better understand how consumers in different countries behave and whether their differences are attributable to simple economic factors or more complex cultural factors that can be identified and controlled. Our findings suggest that marketers working in a global environment should account for cultural differences in service inferences. They need to be aware of the negativity (positivity) effects in service inferences in different countries or cultural groups depending on whether collectivism (individualism) or interdependence (independence) prevails.

ENDNOTE

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WHAT KEEPS CONSUMERS FROM BUYING ORGANIC FOOD? INDIVIDUAL, PRODUCT, AND SITUATIONAL DETERMINANTS OF ORGANIC FOOD BUYING BEHAVIOR IN A CROSS-NATIONAL CONTEXT

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SUMMARY

This paper investigates the individual, product and situational determinants of organic food buying behavior in industrialized and transition countries and is the first to test a variety of factors using a multi-national research sample. Transition societies, especially Eastern Europe, are neglected in cross-cultural research on organic food consumption. In this study, nine-hundred sixty-seven consumers were interviewed in three industrialized (USA, Canada, and Germany) and two transition societies (Russia and Ukraine). In a review of extant literature on organic buying behavior, three categories of influencing factors were discovered. Factors that influence organic food consumption can be person-specific and motivated by expected positive consequences for the focal individual (e.g., personal attitudes) and for others (e.g., support of local industry). Influencing factors are further linked to specific product characteristics (e.g., organic labels). A third category summarizes situation-dependent characteristics (e.g., availability).

To integrate factors from all three categories in a sound theoretical framework, the paper draws from and extends the well-established theory of planned behavior (Ajzen 1991). Specifically, perceived behavioral control, often globally conceptualized as a general ability to perform a certain behavior, is substituted by a variety of organic food consumption barriers, which are posited, to influence the intention to buy organic food and buying behavior. To test the model empirically, confirmatory factor analysis and multi-group structural equation modeling were applied. As a first step, equivalence of the measurement instrument was assessed. The analysis reveals a large share of partial metric equivalence in the data. Results of the analyses indicate that the data supports the model well. Thus, the theory of planned behavior is robust across the national samples analyzed. However, there are some interesting cross-national differences. Industrial Western samples can be characterized as attitudinally controlled, which means that a respective attitude is the predominant antecedent of behavioral intentions and actual behavior. Ukrainian and Russian consumers are more normatively controlled; the relevant social group

substantially influences decision making in these markets. A look at specific barriers of organic food consumption reveals that there are factors and country-specific obstacles that are equally important in all countries. Price sensitivity, for example, is an important prerequisite of organic food consumption across all samples, especially in societies undergoing a transformation toward liberal economic systems (i.e., the Ukraine and the Russian Federation). Other influencing factors vary cross-nationally. In the United States and Canada, for example, shelf life and product packaging image are important. German and Ukrainian consumers doubt organic labels and Russians claim a lack of organic food availability.

The results of this study suggest that producers and retailers of organic food should consider a variety of country specific factors that influence consumers' decisions to buy organic food. Positive attitudes toward organic food and respective social norms are the most important drivers of organic food consumption across all nations analyzed. However, marketers must distinguish between attitudinally and normatively controlled target markets. In the Ukraine especially, perceived social pressure is crucial when it comes to decisions at the point of sale. Only if the relevant social group approves these decisions, will consumers purchase organically grown food. Providing references or using testimonials to underscore that the purchase of organic food is socially accepted is relevant in all analyzed markets, especially for Ukrainian and Russian consumers. Price tolerance fosters intentions and behaviors throughout all analyzed samples. For practitioners, this implies that they should either market products at lower price levels or increase the price tolerance of their consumers. The latter strategy is especially promising. Marketers should emphasize the benefit of organic in comparison to conventional food by stressing personal advantages, benefits for others or the environment. For American, Canadian, and German consumers, packaging of organic food should not rank behind conventional food; mistrust in eco-labels appears to be a major obstacle of organic food consumption for Germany and the Ukrainian sample. Although consumers of both samples distrusted organic labels, the reasons might be different. In the German market, a plurality of eco-labels might be responsible for confusion and uncertainty. Thus,

manufacturers and retailers of organic food should apply trusted labels from independent institutions rather than manufacturer or retailer seals. In the Ukraine, marketers need to increase knowledge about eco-labels and the international standards behind those certifications. Perceived unavailability inhibits organic food consumption in the US, Russia and Germany; in the Russian market, a consumer-induced demand-pull might lead to accelerated distribution of organic products. By establishing trust in organic labels in Germany, the perceived unavailability might decrease as well.

The results of the cross-national study suggest that there exist inhibitors that are important to greater or lesser extents in all nations (i.e., price) and a variety of factors is salient only in some markets. Addressing these national differences is vital for effective launching and positioning of organic products in international markets. By considering the country-specific obstacles of organic food consumption, marketers are able to position their products according to the needs of the consumers and minimize the risk of market failure. References are available upon request.

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EXTRACTING NUANCES OF CROSS-CULTURAL CONCERNS FOR MARKETING: A STUDY USING MUSLIM/WESTERN REVIEWS CONCERNING TWO FILMS

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ABSTRACT

This study investigates cross-cultural concerns impacting marketing using online movie reviews. We use two war movies which depict historical events in Muslim territories. Muslim discourse is concerned with accurate portrayals of religion and of non-Westerners, whereas Western discourse includes these and additional opinions on war and politics.

INTRODUCTION

Given the global nature of marketing, understanding cross-cultural perspectives is paramount. In this paper we focus on cross-cultural concerns found in movie review discourse provided by Western and Muslim online populations. We define Western online populations as those who self-identify with Western ideas and beliefs. We define Muslim online populations as those who identify as Muslims. Research suggests that for a plurality of Muslims, identity is connected with their faith; whereas for non-Muslims, identity is connected with nationality (Pew Research Center 2007). To emphasize this point, Muslim groups in several European countries are pressing for the right to communal recognition as a religious community – rather than as a collection of ethnicities (Angenendt et al. 2007). Young (2008) notes that to an extent not seen in other religions, Islam equates identity, and defines behavior in a way which makes how you do things as important as the things you do. To date, identification of cross-cultural marketing issues and perspectives has focused on comparisons of Western (primarily European and North American) versus “Other” (à la Edward Saïd) Eastern (primarily Asian) cultures, but relatively few studies have utilized the viewpoints of Muslim consumers, despite their current and future impact around the world.

Some recent work on the growth and influence of Muslims is the Pew Research Center’s studies of the global Muslim population published in 2007, 2009, and most recently in January 2011. According to these studies, the world’s Muslim population is expected to increase by about 35 percent in the next 20 years, rising from 1.6 billion in 2010 to 2.2 billion by 2030. The Muslim population is forecast to grow at about twice the rate of the

non-Muslim population over the next two decades – an average annual growth rate of 1.5 percent for Muslims, compared with 0.7 percent for non-Muslims. Presently Muslims make up 23.4 percent of the world’s population, some 1.6 billion adherents which will increase to 26.4 percent of the world’s total projected population of 8.3 billion in 2030 (Pew Research Center 2011).

Currently 5 percent of Europe or 38 million people identify as Muslim, and approximately 3.2 million of those living in the United States and Canada are Muslim (Pew 2009). However, by 2030 those numbers are estimated to grow to 8 percent of the European population estimated to be 58.2 million and in the United States and Canada the number of Muslims is expected to reach nine million (Pew Research Center 2011). Demographic considerations, other than size, with regard to Muslim populations may prove to be of vital concern to global marketers over the next decade, including age distributions that indicate that in the U.S., Muslims are younger with 36 percent being under age 30, compared to 41 percent for non Muslims (Pew Research Center 2011).

The ever increasing role of Islam in the contemporary global economy makes it incumbent upon marketers to appreciate the mindset of Muslim consumers in the U.S. and around the world. *Because of the statistics cited above*, multinationals are now developing marketing campaigns, and formulating products themselves, with Muslims firmly in sight (Gooch 2010). For example, one commentator on branding writes that Muslims have a strong sense of community and welfare that underpins all activity, and informing business ethics; with Islam having little space for imagery but instead, emphasizing factual communication (Young 2008). As will be seen in this paper, online discourse concerning two films underscored this reliance on factual communication (i.e., history and language as interpreted in the films) for Muslims.

Our primary research questions were the following: (1) Do viewpoints differ between Muslim and Western online reviews of the same movie? (2) If so, what is the nature of these differences and what are their implications for marketing? We present the findings related to two films, *Black Hawk Down* (2001) and *Kingdom of Heaven*

(2005) among two different online populations, Western and Muslim. These movies, especially, *Black Hawk Down* were expected to elicit extreme reactions in terms of political and religious content. The movies were chosen for the following reasons: (1) anticipated reactions of Muslim and Western reviewers to the depiction of Muslim and Western characters/storylines despite being set in different periods in history, (2) release date after September 11, 2001 but within a few years of each other, (3) blockbuster-type movies with large audiences of Western and Muslim consumers (and presumably reviewers) rather than smaller movies with Muslim themes/content. Interestingly, both films were directed by Ridley Scott, which made the comparisons between them more interesting as well, although this was not the focus of the research.

In the following sections we discuss the rationale for the research effort, our approach, including the infrastructure barriers to the collection of data, the cross validation of the content analysis findings by multiple raters, and lessons learned for researchers working in the area of global marketing. The paper concludes with recommendations for future research.

BACKGROUND

The concept of integrated global marketing (Sheth and Parvatiyar 2001) is premised on the increasing irrelevance of contextual factors, such as political stability, government policies, fear of colonialism, east-west/north-south dichotomies, ideology driven economies, and other marketplace concerns. Nevertheless, the rise of Muslim influence in the global marketplace has renewed interest in several of these factors, including political stability, government policy, the east-west dichotomy, and ideology driven economy (e.g., Choudhury 1999; Wong 2007). It is beyond the scope of the current paper to address all of these contextual differences, but our study does focus on the east-west dichotomy most directly in the examination of the perspectives of Muslims and non-Muslims on factual concerns embodied in historical events, portrayals of religion, and interpretations of government/military policies as depicted in two feature films.

The use of film to unpack culture is not new. For example, a recent study of online responses to a film that portrays Islam as a dangerous religion illustrates the power of social media in allowing the expression of Muslim concerns and viewpoints via the content of a film (Vis, van Zoonen, and Miheij 2011). Over the past several decades, numerous marketing scholars have demonstrated the value of examining consumption related issues conveyed in a variety of cultural vehicles, including films. Despite this body of exemplary work, there exist many additional subjects related to marketing that have yet to be

explored using film, including cross-cultural perspectives in the reception and interpretation of particular narratives by Western and Muslim audiences, with implications for global marketing.

THE FILMS

Black Hawk Down (released December 2001) depicts the story of a mixed assault force of Delta operators, Army Rangers, and Special Operations Aviation Regiment personnel as they attempt to capture two of Mohammed Farrah Aidid's senior lieutenants from deep in Mogadishu's notorious Bakaara Market. The Somali militia, armed with rocket propelled grenades, shoots down two Black Hawk helicopters, and the resulting rescue extends the mission to over 15 hours. Approximately 1,000 Somalis and 18 Americans are killed in the battle. We anticipated in examining the online reviews that Western audiences would react positively to the movie and Muslim audiences would react negatively given the portrayal of the Somali versus American soldiers and the mission itself.

Kingdom of Heaven (released May 2005 – with release in some Middle Eastern countries preceding release in some Western countries, including the United States) is set during the Crusades of the 12th century. A French military engineer, Balian, goes to aid the city of Jerusalem in its defense against the Muslim leader Saladin, who is battling to reclaim the city from the Christians. Balian ultimately confronts a Muslim cavalier and his servant, over possession of a horse, slays him, spares the servant, asking him to guide him to Jerusalem. Later in the narrative, Balian is captured and he encounters the "servant" he freed, learning he is actually one of Saladin's generals. Balian is freed by this general. At one point Balian points out that when the Crusaders conquered Jerusalem a hundred years previously, they massacred the Muslim inhabitants. Given the treatment of the Muslim defenders (largely embodied in Saladin) and Christian crusaders (largely in the form of Balian) – including the honorable behavior on the part of both parties, we thought that both Western and Muslim audiences would react positively to the movie via their online discourse.

METHODOLOGY

Data Sources and Characteristics

The reviews of the two movies were collected initially from commercial movie websites, more specifically *Yahoo! Movies* and *IMDB*, and later supplemented with reviews from Muslim forums (written primarily in English). Comments written in languages other than English were excluded from the analysis due to resource constraints and the multiplicity of languages in the Muslim religious community as defined above. Both *Yahoo! Movies* and

IMDB are consistently tracked as being in the top three top Internet video/movie destinations according to Nielsen/Net Ratings and other companies that track Internet traffic.

As the purpose of the project was to test the idea that individuals would write comments that reflected their cultural beliefs, the focus of the analysis was on the text-based review. As we speculated that opinions of the movie would vary by culture, the reviews were first categorized into two groups using the user/screen name and location – Muslim and Western. As culture and cultural identification is more than just the country in which the person resides (or claims to reside), we later went back to scan the text to see if the person self-identified with Muslim or Western culture in order to confirm the initial classification. For example, if a user was located in the U.S., we examined the text for more details, such as religion, such as: “We being Christian Americans don’t have an idea of the brutality that exists in other parts of the world.”

If an inference could be made from the text as to the reviewer’s primary cultural identification, the review was classified in the analysis. Similar inferences were used by Vis, van Zoonen, and Mihelj (2011) in their analysis of Muslim’s online reactions to the film *Fitna*. They, like us, are aware that “this registration information can only be taken at face value and we can only go on the data the poster have volunteered themselves” (Vis, van Zoonen and Miheli 2011). While this is a limitation of this type of study, utilizing location and other self-identifying information can be informative.

The reviews were collected according to the following metric – the reviews for each movie on the commercial websites were sorted chronologically, and then one review was taken from each page (screen) up to a total of 55 total reviews for each category, Muslim and Western. The quantity of data chosen was subject to the researchers reaching theoretical saturation (Strauss and Corbin 1990). In this study, the researchers determined that beyond 55 reviews, it appeared that it no additional distinctive concepts and ideas were present in additional reviews. Additionally, reviews that could be classified by the reviewer’s primary cultural identification (based on self-identification), especially Muslims, were difficult to find on the movie websites and Muslim forums. More reviews of *Black Hawk Down* were found than for *Kingdom of Heaven*, perhaps due to the popularity of each movie. In all, a total of 106 reviews were analyzed for *Black Hawk Down* (53 Muslim and 53 Western) and a total of 70 reviews were analyzed for *Kingdom of Heaven* (35 Muslim and 35 Western).

In order to conduct the analysis, the entire text of each review selected was cut and pasted into a separate document so as to allow its replication by other independent judges at a later date. In total, three judges read and

classified each review. The first rater was male and Muslim, the second rater was male and Hindu and the third rater was female and Christian. None of the raters had seen the movies at the time the content analysis was performed.

First Level Coding: Valence

The document was read and each review was classified by the raters into one of three categories – positive, negative, or neutral/unknown. Whenever possible, the review was classified into positive or negative, and it was only in very ambiguous cases that the review was placed into the neutral/unknown category.

Second Level Coding: Content Analysis

The second round of coding was a content analysis of cultural content of the discourse (Kassarjian 1977). In marketing, content analysis has been applied in a wide variety of studies including, advertising (e.g., what advertising appeals have been used most often, and what are the values and lifestyles of consumers depicted in advertising). After the initial coding by the first rater, a coding scheme was developed based on a close reading of the text and each review was subsequently classified independently by the second and third raters. The second and third raters then met to discuss the results. Inter-rater reliability was quite high; where inter-rater reliability was lower, the two met to discuss their differing interpretations and the third rater (one of the authors) made a decision as to the classification when agreement could not be reached. Prior to resolving disagreements, the agreement rates ranged from a low of 84.4 percent to 100. After all agreements were resolved, the interrater agreement rate improved to 99 – 100 percent.

RESULTS

Valence

Tables 1 and 2 below indicate the attitudes toward the movies did differ but not to the extent that had been expected for *Black Hawk Down*.

Content Analysis

The cultural content of the cross-cultural perspectives concerning *Black Hawk Down* is summarized in Table 3 (along with the direction or valence of the response – positive or negative) – the portrayal of non-Westerners (including Muslims, Somalis, and the Pakistani army), the depiction of the U.S. soldiers, attitudes toward Americans, attitudes toward war, thoughts on U.S. foreign policy and U.S. leadership at the time, and thoughts on the U.S. mission itself. The Western discourse was further broken down by cultural identity – U.S., non-U.S.

TABLE 1
Muslim and Western Attitudes Toward Black Hawk Down

<i>Black Hawk Down (2001) Muslim Responses</i>		
Response Category	# of Responses	Percentage
Positive Responses	29	54.72%
Negative Responses	23	43.40%
Neutral / Unknown	1	1.89%
Total Responses	53	100.00%
<i>Black Hawk Down (2001) Western Perspective</i>		
Response Category	# of Responses	Percentage
Positive Responses	36	67.92%
Negative Responses	17	32.08%
Neutral / Unknown	0	0.00%
Total Responses	53	100.00%

TABLE 2
Muslim and Western Attitudes Toward Kingdom of Heaven

<i>Kingdom of Heaven (2005) Muslim Responses</i>		
Response Category	# of Responses	Percentage
Positive Responses	26	74.29%
Negative Responses	8	22.86%
Neutral / Unknown	1	2.86%
Total Responses	35	100.00%
<i>Kingdom of Heaven (2005) Western Perspective</i>		
Response Category	# of Responses	Percentage
Positive Responses	28	80.00%
Negative Responses	6	17.14%
Neutral / Unknown	1	2.86%
Total Responses	35	100.00%

but Western (primarily Canada and Europe), and unclassified but clearly Western in orientation (e.g., review indicates identification with Western ideas, beliefs).

The cross-cultural perspectives on *Kingdom of Heaven* are provided in Table 4 (along with the direction or valence of the response – positive or negative) – the portrayal of non-Westerners (including Muslims, and

Arabs), the depiction of Westerners (including Christians and Crusaders), the portrayal of Islam, and the balanced portrayal of Islam and Christianity. The balanced portrayal of both religions was the most frequent comment by both Muslim and Western reviewers in the discourse. Several representative excerpts from the content of the reviews of both movies are provided below in their original format; spelling and grammatical errors are reproduced intentionally here.

Black Hawk Down (Muslim Responses)

The portrayal of non-Westerners in the movie was mentioned in 25.42 percent of the reviews. After examining the specific negative comments, many Muslim reviewers wrote that the Somali's were depicted as a "faceless horde," and that the role of the Pakistani army was minimized in the film.

Selective positive quotes:

User from Muslim message board: "No doubt it was a tough situation and U.S. troops did fight bravely regardless of political backdrop."

User from Muslim message board: "I do not think Pak troops were displayed that badly. Remember it is an American film about an American operation."

Selective negative quotes:

User from Muslim message board: "I've seen Black Hawk Down. Ridley Scott did a great job as always, but it was a shame that the Somalis were portrayed as some sort of faceless dark horde rather than human beings."

User from Muslim message board: "Can anyone tell me if the movie-maker moron can be sent an e-mail and told that saving their butt, least they could do was to make a little effort to portray Pakistani army properly?"

Black Hawk Down (Western Responses)

Some of the specific negative comments found in the discourse were that the film portrayed the horrors of war, that it was an incomplete picture of what happened, and that the Rangers were depicted as either heroes or idiots. Negative thoughts on U.S. foreign policy and U.S. leadership were also expressed by the Western reviews (13.21%) in relation to the film.

Selective positive quotes:

IMDB user from Manitoba, Canada: "BLACKHAWK DOWN is recommended for anyone interested in a realistic portrayal of war or who wants to learn more about this sometimes-overlooked incident in military history."

IMDB user from Italy: "This film needed to be made to show the world both how horrid war is and the price that has to be paid in order to make the world safe and I commend Scott for having the guts to make it."

Selective negative quotes:

IMDB user from United States: "I'm not sure how anyone could not be moved by seeing these 18-25 year-old men trapped in the horror of a Civil War that had no bearing on U.S. National Security."

IMDB user from Cologne, Germany: "African people are not the brainless herd animals they are depicted as in this picture."

Kingdom of Heaven (Muslim Responses)

Among Muslim reviews, 17.14 percent wrote that the film showed Muslims in a positive light and 37.24 percent indicated a balanced portrayal of both religions, including the rich history of Islam. Negative discourse indicated that there were some factual errors in the language and/or plot.

Selected positive responses:

Yahoo! Movies user with Muslim identification: "First of all I would like to say that some things in this movie were wrong, & some stuff they did not mention, but either way it still shows that muslims are very good people. This movie is a story that lets u know muslims have a very rich history & that the actions of one muslim shouldn't mean that all muslims are the same! And it lets u know how holy Palestine is to a lot of people."

Yahoo! Movies user with Muslim identification: "it's a great movie. Shows that relations between People is very important, whatever there religions are. And How great Salah eldain was A leader was. And how great was the muslim leaders. It shows that Winning a war is not by fighting, its by leaders that are making Peace and justice for there people. This movie shows the whole world that Islam is a religion of Peace, love, and kindness between people . . . and that terrorism is not a part of islam. I would like to thank every one worked in this great movie . . . that really will help to change the point of view of viewers, and will help giving them a nice idea about Islam. Finally, wishing a more Peacefull world . . . may peace be Upon you."

Selective negative quotes:

IMDB user from Canada: "As a Muslim convert from a strong Christian background, I find the dynamics of Muslim-Christian relations a topic dear to my heart. The theology is a little off, though. 'Their prophet says 'submit' ours says 'choose'' says the Christian

TABLE 3
Emergent Cultural Categories: Black Hawk Down (N = 53)

Cultural Category (valence)	Muslim # Resp., %	Western # Resp., %
Portrayal of non-Westerners (negative)	14, 26.42%	9, 16.98%
U.S. Reviews		3, 5.66%
Non-U.S. Western Reviews		4, 7.55%
Unclassified Western Reviews		2, 3.77%
Portrayal of non-Westerners (positive)	2, 3.77%	1, 1.89%
Non-U.S. Western Reviews		1, 1.89%
Depiction of U.S. soldiers (negative)	2, 3.77%	3, 5.66%
U.S. Reviews		2, 3.77%
Non-U.S. Western Reviews		1, 1.89%
Depiction of U.S. soldiers (positive)	3, 5.66%	5, 9.43%
U.S. Reviews		4, 7.55%
Non-U.S. Western Reviews		1, 1.89%
Attitudes toward Americans in general (negative)	3, 5.66%	0
Attitudes toward Americans in general (positive)	2, 3.77%	0
Attitudes toward war (negative)	1, 1.89%	10, 18.87%
U.S. Reviews		7, 13.21%
Non-U.S. Western Reviews		2, 3.77%
Unclassified Western Reviews		1, 1.89%
Thoughts on U.S. foreign policy and leadership (negative)	2, 3.77%	7, 13.21%
U.S. Reviews		5, 9.43%
Non-U.S. Western Reviews		2, 3.77%
Thoughts on U.S. mission (positive)	1, 1.89%	1, 1.89%
U.S. Reviews		1, 1.89%

Note: Not every review contained cultural content; many contained multiple content categories.

princess. Not, exactly, but I can see where Scott (director) is coming from."

Yahoo! Movies user with Muslim identification: "I love the movie kingdom to heaven even their was some facts needed to be more accurate like you would assume that Saladin evacuated all of the Christians, but the fact is he only the Western Christian who came from the west but the Arab Christians stayed in palatine. One of the facts that I did not like too about the movie it showed the Arabs clothes as dirty but the western clothes looked

great even in the middle of the battle. The last thing that I did not like in the movie that you would always see the Arabs getting killed not the westerns."

Kingdom of Heaven (Western Responses)

Examining the Western reviews, 14.29 percent discussed a negative portrayal of Westerners, but 20 percent commented on the balanced portrayal of both religions. Discourse also reflected that there were historical errors, such as the occupation of the Crusader Balian.

TABLE 4
Emergent Cultural Categories: Kingdom of Heaven (N=35)

Cultural Category (valence)	Muslim # Resp., %	Western # Resp., %
Portrayal of non-Westerners (negative) Non-U.S. Western Reviews	4, 11.43%	1, 2.86% 1, 2.86%
Portrayal of non-Westerners (positive) Unclassified Western Reviews	6, 17.14%	1, 2.86% 1, 2.86%
Depiction of Westerners (negative) U.S. Reviews Non-U.S. Western Reviews	1, 2.86%	5, 14.29% 1, 2.86% 4, 11.43%
Portrayal of Islam (positive)	3, 8.57%	0
Portrayal of Islam (negative)	2, 5.71%	0
Balanced portrayal of both religions U.S. Reviews Non-U.S. Western Reviews	13, 37.14%	7, 20% 4, 11.43% 3, 8.57%
Note: Not every review contained cultural content; many contained multiple content categories.		

Selective positive quotes:

IMDB user from Australia: "a historical epic that acknowledges that contrary to common thought, 'Muslims' and 'Christians' in the Crusading times were – more or less – equal!"

IMDB user from United States: "About the movie's content . . . It was very thought-provoking. As it centered on holy wars, it made me think about religion, faith and what God expects from us. I appreciated the take that the director took on religion. He did not present either Christianity or Islam as bad, but he pointed out positive and negative aspects of both religions."

Selective negative quotes:

IMDB user from Canada: "The main inaccuracies are that Balian was not a blacksmith, he knew his father, etc. and his family lived in the middle east. He was married and had sons. He was also a lot older. He also fought with Richard the Lionheart in the 3rd crusade."

IMBD user from United States: "The movie has a definite bias against Christian Crusaders, showing them to be chiefly evil-minded while ignoring the actual noble (if misguided) intentions of many."

DISCUSSION

In contrasting Tables 3 and 4 the following ideas emerged in the analysis. First, that there were more emergent cultural content categories, reflecting differing cross-cultural perspectives and concerns identified for *Black Hawk Down*. Second, Westerners, especially those identified with the U.S., were more likely to comment negatively on their attitudes toward war. Likewise, more Westerners (including those identifying the U.S.) were likely to write negatively on their thoughts toward U.S. foreign policy and leadership. The portrayal of non-Westerners in the movie was the most frequently commented upon cultural category by both Muslim and Western reviewers. Finally, both Muslims and Western reviewers wrote on the balanced portrayal of the religions in *Kingdom of Heaven*, although Muslims commented more on this idea. Muslim discourse concerning the movie focused more on the positive portrayal of non-Westerners, while Western reviewers wrote on the negative depiction of Westerners. Without over-generalizing, across both movies it appears that Westerners were more likely to comment on politics, religion, and war, and Muslim discourse concerned how non-Westerners were portrayed and on religious issues.

As noted earlier, there is a paucity of research on Western versus Muslim consumers in general. More spe-

cifically, there is a lack of research on cross-cultural (i.e., Western versus Muslim) viewpoints that relate to global marketing. Understanding cross-cultural perspectives through experiential products, such as movies, may provide insight into issues that may have implications for global marketing.

In summary, we found reactions toward movies differ cross-culturally. Differing cultural viewpoints, especially concerning the content of the film were found. Movie reviewers are concerned with the content of movies, and are willing to comment on historical errors in the form of plot and character inaccuracies, depictions of real life figures, religion, foreign policy, and other cultural categories not addressed directly here – including clothing and setting. Therefore, movies appear to have applicability for global marketing in broad terms, and more specifically for examining east-west cross-cultural viewpoints.

The results of this study may provide insights into a Muslim market that is increasingly becoming aware of the values dictated by its religion. This is creating complex challenges for global marketers who tend to avoid religion in marketing campaigns. As one writer has states – marketers must become more aware of the factors that influencing Muslims economic decisions they will need to target them, adapt to roles that will require novel communication strategies, and use a more religious rather than a rational model of consumer behavior (Alserhan 2010). As noted previously, Young (2008) writes that Islam equates identity and behavior based on the “how” in addition to the “what.” In our study, how characters behaved, especially non-Westerners, was important to Muslim reviewers. This may have implications for global marketers and their conduct with Muslim consumers.

Also, Muslim reviewers were cognizant of factual errors in language and presentation of the film narrative. This relates to Young’s (2008) comment on the avoidance

of imagery but use of heavy reliance on factual communication. This would suggest that marketing strategy (including marketing communications) directed toward Muslim audiences should be more factual in orientation. Commenting on marketing’s societal role, by not understanding Muslim viewpoints marketers may not only be at risk of alienating a large proportion of their target market but also risk being in direct conflict with them (Saeed, Ahmed, and Mukhtar 2001).

CONCLUSION AND FUTURE RESEARCH

Commenting on the struggle of Islam in America, Barrett (2007) notes we have yet to be aided by scholarly insight, as researchers have yet to produce detailed studies of Muslims. The results of the current study support our understanding of cross-cultural viewpoints that have implications for global marketing.

Future research should examine more movies longitudinally over time to see how cultural views change over time. Studies on the use of movie review discourse to understand and predict cross-cultural concerns may also examine the other aspects of the reviews which may relate to cultural differences including: (1) the length of the reviews, (2) the interactions of users captured within the reviews of a movie, and, (3) the diffusion of reviews across multiple cultures as correlated with commercial success (popularity/viewership). As with the initial study, future research would be constrained by many factors, including the availability and language of the data. Additional reviews may be available on forums not written in English although as noted in the Introduction, identity is connected with faith, not ethnicity. Textual analysis programs, and word association programs, especially those that handle multiple languages, may assist in overcoming this problem. As marketing efforts with Muslim consumers in mind are anticipated to grow, future studies should also focus specifically on global marketing strategies and content.

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GERMAN AMERICANS VS. CHINESE AMERICANS: COMPARING THREE GENERATIONS OF IMMIGRANT CONSUMERS

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SUMMARY

Owing to the increasing cultural heterogeneity of most nations around the world, culture is being recognized as the most powerful determinant of consumer attitudes and behaviors (Cleveland and Chang 2009). As nations become more culturally heterogeneous, it becomes more crucial for marketers to understand the psychological and behavioral characteristics of ethnic groups (Zolfagharian and Sun 2010). By addressing the following two important gaps in consumer identity literature, this study provides exploratory evidence for a new theory of immigrant consumer identity; namely, the theory of Intergenerational Identity Swing. First, past research has examined the effect of ethnic identity on religiosity and materialism, and compared the first and second generations of immigrants in those terms (e.g., Cleveland and Chang 2009; Kwak and Berry 2001). Since the third generation of immigrants in ethnic identity literature has been the most controversial wrought with mixed findings (Rosenthal and Feldman 1992), this study incorporates all of the three generations and examines their religiosity, materialism and strength of identification with ethnic root. Second, past research has not measured or controlled for the degree of cultural (dis)similarity between home and host countries. This study is the first to consider this important factor by including and contrasting two highly different immigrant communities: German Americans whose home and host countries are highly similar; and Chinese Americans whose home and host countries are highly dissimilar.

Ethnic identity is a malleable phenomenon; it changes as the individual faces new and different environments and faces the pressure to blend in (Costa and Bamossy 1995; Phinney 1990). Past research clearly indicates that the strength of identification with an ethnic group changes over time and across generations of immigrants (e.g.,

Hirschman 1981; Rosenthal and Feldman 1992). As such, the influence of ethnic membership on consumers is expected to vary over time (intrapersonal variation) and across generations (intergenerational variation). Changes in the strength of ethnic influences are, in turn, associated with the degree of religiosity and materialism (Cleveland and Chang 2009; Ger and Belk 1996).

Migrating to an unfamiliar place is a difficult transition. When people migrate, a host of values and norms from home countries follow them into host countries. Often rooted in religious preferences, these values and norms facilitate the process of survival and integration in the new environment. Since migration is usually a move from a relatively more traditional society to a relatively more consumerist society, immigrants are often encouraged to place a greater emphasis on the material aspect of life and portray their personas via ownership over possessions and consumption of commercialized experiences (Frat 1995; Swinyard et al. 2001). Strong material emphasis, however, is often denounced in almost all religions (Swinyard et al. 2001). Therefore, immigrants often experience tension between their ethnic identity and religiosity and the host country's greater emphasis on materialism. Since exploring this tension is key to understanding consumer characteristics of immigrant communities (Burroughs and Rindfleisch 2002), the present study examines the above constructs in the context of three immigrant generations (first, second and third generations) in two immigrant communities (i.e., German Americans and Chinese Americans).

Relying on these arguments, a set of hypotheses are developed and tested using a survey method. We find support for the existence of a pendulum-like trend for ethnic identification, materialism and religiosity in both communities. The method and results are presented and discussed, and are available upon request.

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THE MODERATING ROLE OF NEUTRALIZATIONS IN THE CONSUMPTION OF HIGH-END PIRATED PRODUCTS

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SUMMARY

Neutralization techniques have been applied in various contexts but only to a limited extent in the field of consumer behavior (Chatzidakis, Hibbert, and Smith 2007) where the literature suggests that consumers who engage in illegal shopping behavior struggle with their conscience and tend to create bogus excuses. For example, Eisend and Schubert-Guler (2006) report that people who purchase pirated products are aware their behavior is illegal; yet, they justify their purchases in some way. Eisend et al. (2006) provide no theoretical explanation for the justification process in their research; however, neutralization techniques may provide that explanation for how consumers justify their incongruent or illegal behavior (Chatzidakis et al. 2007), such as buying pirated products.

Understanding the purchase behavior of pirated goods is important because of lost sales and damage to a brand's reputation. A recent study listed the reproduction of luxury goods as a top concern of marketing executives, citing a cost to some firms of more than 20 percent of sales (Growing Concern 2009). In the case of pirated luxury goods such as designer watches, handbags, or clothing, consumers might be especially tempted to purchase the illegal, pirated products for the exclusivity and prestige that high-end products convey (Commuri 2009) and justify their purchase because of the high cost of the original brand. Also, the desire to enhance self-image and status through the possession of high-end goods may be a powerful motivator to purchase illegal products (Cordell, Wongtada, and Kieschnich 1996), which may, in turn, lead to a psychological conflict when consumers know the purchase is illegal.

To ameliorate or negate the psychological conflicts arising from illegal or norm-violating behavior, individuals may employ neutralization techniques (Sykes and Matza 1957). In the criminal justice literature, delinquents were found to use neutralizations to justify or excuse a large portion of their delinquent acts. The five techniques identified are *denial of responsibility*, "I didn't mean it," *denial of injury*, "nobody was really hurt," *denial of victim*, "they had it coming to them," *condemning the condemners*, "everybody's picking on me," and *appeal to higher loyalties*, "I didn't do it for myself." These techniques constitute a framework for identifying and explaining how individuals justify or eliminate culpabili-

ty or consequences that norm-deviant behavior could have on them and on social relations (Vitell and Grove 1987).

Only a few studies in marketing have examined neutralization theory, even though the opportunity for unethical activities exists in a number of marketing areas such as advertising, personal selling, pricing, marketing research, and international marketing (Vitell and Grove 1987). In a consumer context, Strutton, Pelton, and Ferrell (1997) found that consumers used neutralization techniques to justify unethical behavior in retail settings and Chatzidakis, Hibbert, and Smith (2007) proposed the techniques as moderators of the attitude-behavior discrepancies in fair trade purchase behavior. Thus, this research addresses the gap in marketing and piracy research by using neutralization theory as a moderating factor to develop and test a model of intention to purchase a luxury pirated product.

As with other research about piracy, this study uses the theory of reasoned action (TRA) (Fishbein and Ajzen 1975) to propose and test relationships between attitudes toward pirated products, subjective norms, and behavioral intention to purchase pirated products and the moderating effects of neutralization techniques. The study also examines effects of materialism and ethical judgment on attitudes toward high-end pirated products and intentions to purchase them.

Data was collected by mall-intercept of shoppers in two malls in two different large cities in Mexico. Mexico was selected for this study because Latin Americans are "status seekers" (Savio and Muller 2008) who consume large quantities of branded products and because Mexico is on the International Intellectual Property Association's watch list of countries with high piracy rates (IIPA 2005, 2007). In total, 246 useable questionnaires were obtained.

Overall, four of the five neutralization techniques (*denial of injury*, *appeal to higher loyalties*, *condemning the condemners*, and *denial of victim*) were found to be significant moderators of behavioral intentions to buy high-end pirated products when paired with one of the other study predictor variables. For example, *appealing to higher loyalties* moderated the relationship between *materialism* and *behavioral intentions*.

This study found that respondents employ one or more of the neutralizations techniques examined to prevent self-blame for purchasing pirated luxury goods, a key finding that could improve efforts to prevent piracy consumption. An additional contribution of this research is the addition of materialism as a potential driver of positive attitudes toward purchasing pirated goods as

suggested in an exploratory manner by Wee, Tan, and Cheok (1995). Apparently, pirated products become the affordable option to achieve materialistic desired end states such as: achieve social status, obtain a social image aimed at gaining the approval of others, pursue a fashion orientation, and show success and happiness.

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THE MODERATING EFFECTS OF NATIONAL INNOVATION SYSTEMS ON THE FIRM INNOVATIVENESS-PERFORMANCE RELATIONSHIP

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SUMMARY

Over the past few decades, a substantial body of research has been undertaken to examine the relationship between firm innovativeness and various performance outcomes. This impressive and growing body of research has produced substantive and useful insights for researchers and practitioners alike (Walker 2004; Wolfe 1994). However, and despite its importance for marketing researchers, we have limited knowledge about the effects of innovativeness on performance in different national contexts. In this study, our goal is to take stock of knowledge by synthesizing quantitatively the findings from previous research through a meta-analysis with a special focus on the role of the national context in the innovativeness-performance relationship. Specifically, we maintain that a systematic approach that focuses on the national innovation systems in which firms are embedded can determine the national contingencies that govern when innovativeness affects performance. Prior research indicates that a firm's ability to successfully commercialize a new product depends not only on its own capabilities, but also on a wide range of factors in its innovation system (Cohen and Levinthal 1990; Spencer 2003). Consistent with this perspective, we propose a unified contextual framework and a set of hypotheses based on the extant literature to better understand the role of national context in the innovativeness-performance relationship and test our predictions using data obtained from a large scale meta-analysis of the literature.

The present study contributes the marketing literature by integrating the findings on the innovation-performance research across a large number of research streams and by identifying the implications of cross-national differences in innovation systems on this relationship. Our study contributes to further theoretical and empirical developments pertaining to the effects of national innovation systems on the firm innovativeness-performance relationship by demonstrating that the

effects of innovativeness on performance are context-dependent. Thus, our systematic examination of the national setting allows us to explain where gains from firm innovation are most likely to occur in an international context, a critical issue for marketing strategy literature. In this way, the findings of this meta-analysis provide valuable insights regarding the role of national innovation systems in providing the framework within which firms operate to create and use knowledge for economic purposes (cf., Bartholomew 1997; Spencer 2003; Nelson 1993).

Specifically, our study provides evidence that supports the notion that firm innovativeness is an intangible knowledge asset that can be exploited more effectively and efficiently in a system of innovation which supports the accumulation and diffusion of knowledge between the scientific and industrial communities (Bartholomew 1997) because effective rules and regulations that protect intellectual property rights enable firms to develop cutting-edge knowledge, while helping them safeguard their unique competitive advantage from imitation. Moreover, in this study we also investigate the informal aspects of national innovation systems (i.e., national cultural values and norms) that may potentially affect the ability of a country to produce and commercialize a flow of innovative technology over the long run in addition to the more traditional variables that focus on the role of formal institutions (i.e., level of economic development, protection of intellectual property rights) (Balzat and Hanusch 2004). Briefly, our findings suggest that the performance gains from innovativeness may be higher in countries that rank low on uncertainty avoidance, high on collectivism, high on power distance, and high on long-term orientation. Although some of our empirical findings provide mixed results concerning the role of informal institutions, our analyses essentially highlight the importance of national culture as a differentiating layer that comprises the national innovation systems as a socially embedded system (e.g., Groenewegen and van den Steen 2006). References are available upon request.

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THE IMPACTS OF MARKET-BASED RESOURCES ON EXPORT PERFORMANCE: EMPIRICAL EXAMINATION OF NON-LINEAR AND MODERATING EFFECTS

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SUMMARY

Firms of all sizes are increasingly internationalizing their operations and this phenomenon has generated considerable scholarly and practitioner interest regarding the determinants of international business success (Katsikeas et al. 2000; Leonidou et al. 2002). The export literature identifies both entrepreneurial orientation and market orientation as strategic orientations that are beneficial for export success (e.g., Balabanis and Katsikea 2003; Murray et al. forthcoming). Specifically, entrepreneurial orientation is a market-driving explorative capability (Hughes et al. 2007; Ireland et al. 2003). Market-driving capability encapsulates firms' ability to influence "the structure of the market and/or the behavior(s) of market players in a direction that enhances the competitive position of the business" (Jaworski et al. 2000, p. 45), and explorative capability "implies firm behaviors characterized by search, discovery, experimentation, risk taking and innovation" (He and Wong 2004, p. 481). This suggests that entrepreneurial processes carry greater risks of failure but higher long-term payback. Hence, the benefit of entrepreneurial behavior is balanced by greater levels of risk and uncertainty inherent in exploratory market-driving activities.

On the other hand, market orientation is an information-processing capability that draws heavily on a market-driven exploitative logic to fuel business success (Jaworski et al. 2000). Jaworski et al. (2000) describe this market-driven behavior as a business orientation that focuses on understanding and reacting to the preferences of market players, and He and Wong (2004) define exploitative behavior as firms' ability to adapt to existing market demands. Accordingly, successful exploitative market-oriented behaviors provide a buffer from the shocks and risks of entrepreneurial exploration. Taken together, entrepreneurial orientation and market orientation should play complementary roles in shaping the strategic outcomes of exporting business entities.

On this front, past research has sought information on the form of the relationship between the two market-based capabilities and performance (e.g., Cadogan et al. 2009; Bhuian et al. 2005). Unfortunately, findings have so far remained equivocal. Specifically, studies reporting linear

associations have remained largely inconclusive with results showing positive in some studies and negative in others. A few studies that have investigated non-linear relationships also show results that are divergent and unclear (see Cadogan et al. 2009; Atuahene-Gima and Ko 2001; Bhuian et al. 2005). Moreover, evidence on the joint effects of the two orientations and on contingency influences on the relationships between the orientations and performance are also unclear, with competing recommendations being provided to managers (Kropp et al. 2006). As these divergent findings indicate, whether the separate and the joint impacts of entrepreneurial orientation and market orientation on performance are linear or non-linear remains an unsettled issue. Furthermore, while some studies have argued that the linear paths may be dependent on environmental contingencies (e.g., Wang 2008), whether the separate and the joint non-linear paths are dependent on environmental conditions also remains under-researched.

This study argues that this lack of precision on the form of the relationship between entrepreneurial orientation and export performance, and market orientation and export performance might partly explain this diversity of findings in the literature. Unlike previous research that assumes linear relationships between entrepreneurial and market orientations and performance in export markets, we take precedence from an emerging body of research that posits the possibility of non-linear relationships. For example, Cadogan and Cui's (2004) study of Chinese export agents and Cadogan et al.'s (2009) study of Finnish exporters find an inverted U-shape relationship between market orientation and export performance. Similarly, Bhuian et al. (2005, p.15) show that "firms can be too entrepreneurial," indicating the possibility of non-linearity. In addition, we believe that there is a need to test for intra-organizational structural contingencies that may vary the shape of the curvilinear relationships between the market-based orientations and export performance.

Thus, the purpose of this study is to investigate whether optimal levels of export entrepreneurial-oriented behavior (henceforth export EOB) and export market-oriented behavior (henceforth export MOB) are required to predict export performance under differing levels of

export coordination flexibility. We define export coordination flexibility as an organizational structural issue that explains a set of capabilities that underscores firms' ability to redefine, reconfigure, and redeploy chain of resources to meet overall organizational goals, and opportunities and challenges posed by the environment (Johnson et al. 2003; Sanchez 1995). We argue that it is not sufficient for a firm to develop ever-greater (or ever-lower) levels of entrepreneurially-oriented activities if the company does not simultaneously have the structural flexibility in its production systems and operations to produce and deliver on superior customer values (Sanchez 1995; Atuahene-Gima and Ko 2001). Likewise, it is likely that the benefits of market-oriented insights into emerging new export markets will be limited if the firm does not have the production capacity (flexibility) to service the new markets, or the flexibility to integrate the new market opportunities into the current marketing strategy (Jaworski et al. 2000).

We implement our research using a sample of 212 exporting firms with operations in the United Kingdom. Findings show that successfully pursuing an entrepreneurial strategy in export markets is dependent on: (1) operating at an optimal level of export EOB, (2) developing suitably high levels of coordination flexibility in export operations and (3) on being appropriately market-oriented in export markets. Thus, the results of this research help to resolve divergent views in two important research areas, namely, views regarding whether the relationship between entrepreneurial and market orientations and performance is linear or non-linear and whether both forms of association are contingent on structural conditions. We believe that by systematically sorting through the form of the relationships and of the export structural contingency issues involved, we have generated clearer insights on how and when export EOB and export MOB separately and jointly predict export performance. References are available upon request.

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MARKET ORIENTATION, MARKETING CAPABILITIES, SALES STRATEGY, AND PERFORMANCE IN EXPORT MARKET VENTURES

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SUMMARY

The determinants of export performance is a primary issue of concern among international marketing researchers and practitioners. Early studies on this topic assumed that export performance is directly influenced by the external environment and firm-specific factors. As the field developed, export marketing strategy emerged as a pivotal determinant of export performance. The central role of export marketing strategy lies in the fact that it provides the means by which a firm can respond to the interplay of internal and external forces to meet its export-related objectives.

Despite the significant progress made in the export marketing literature, limited research attention has been devoted on the design and implementation of export sales strategies. Whereas an export marketing strategy involves the elements of the traditional marketing plan, the export sales strategy enables an exporting firm to identify individual customers with high value potential within each target segment, set priorities relating to the customers, develop a specific strategic approach for selling to individual customers, and allocate effectively its available resources in order to initiate and develop profitable relationships. The export sales strategy is highly consistent with recent developments in the marketing literature that focus on customer prioritization and a firm's ability to interact with its individual customers and support the customer concept — the belief that the unit of analysis of every marketing action and reaction should be the individual customer.

This study proposes that an exporting firm's ability to design and implement effective export sales strategies depends on its possession of relevant export-related marketing capabilities such as market sensing, marketing planning and implementation, and customer relationship management capabilities. Furthermore, the improvement of a firm's export market orientation strengthens its marketing capabilities and makes them more distinctive relative to competition over the long run. In turn, export market orientation activities are determined by a firm's market-oriented organizational culture, including market

orientation values and market orientation norms. On the basis of a thorough review of the relevant literature, we develop and empirically test a comprehensive conceptual model that links the following key constructs: market orientation culture, export market orientation activities, export marketing capabilities, export sales strategy and export performance. We contribute to the extant literature by investigating the internal process through which export market orientation affects export performance through the mediating effects of export marketing capabilities and export sales strategy.

More specifically, we advanced the following hypotheses: export market oriented values and export market oriented norms are positively related to export market orientation activities (H1–H2); market orientation is related positively to export market sensing, export marketing planning and implementation, and export customer relationship management capabilities (H3–H5); export marketing capabilities relate positively to export sales strategy (customer segmentation, customer prioritization and targeting, relationship objectives and selling models, and use of multiple sales channels) (H6a–d, H7a–d, H8a–d); export sales strategy enhances export market performance (H9–H12); and export market performance relates positively to export financial performance (H13).

We tested our hypotheses using data collected from Greek exporters. We measured our constructs using existing scales, which we adapted to suit the context of our study. We also conducted a series of personal interviews with export executives to refine these scales. We assessed construct validity and reliability by performing confirmatory factor analysis and calculating Cronbach's alpha coefficient, composite reliability score and average variance extracted. These analyses indicated that all constructs included in our study possessed adequate measurement properties. We then estimated a structural model in order to test our research hypotheses. The results provided support for 14 research hypotheses (out of 22). More specifically we found that market orientation values and norms have a significant positive effect on market orientation activities. Market orientation activities are positively related to export marketing capabilities. Regarding

the relationship between export marketing capabilities and export sales strategy we found that only marketing planning and implementation capabilities relate positively to all four dimensions of export sales strategy. On the other hand, market sensing capabilities have a significant influence only on customer segmentation and customer prioritization and targeting, whereas customer relationship management capabilities have no significant positive effect on any dimension of export sales strategy. Two dimensions of export sales strategy, customer segmentation and customer prioritization and targeting have a positive impact on export market performance. Finally, export market performance has a strong positive effect on export financial performance.

Our study findings have important implications for exporting firms. In particular, they underscore the importance of devoting more managerial attention to the export marketing capabilities and the specific export sales strategies through which market orientation influences export performance. The results also indicate that the adoption of a market oriented organizational culture should be a top priority for exporting firms as this facilitates the employment of valuable market orientation activities. Furthermore, in developing export sales strategies, export managers should primarily focus on activities relating to

export customer segmentation, and prioritization and targeting, as these dimensions have the strongest positive effect on export performance. Our findings are consistent with recent claims in the marketing literature that market orientation should be complemented with appropriate organizational capabilities and strategic actions in order to assist a firm to attain its performance objectives.

This study is limited by a number of factors which should be addressed in future research. First, the proposed conceptual model should be expanded to include additional export marketing capabilities and export marketing strategy elements. Second, the moderating effects of certain environmental (e.g., market turbulence, psychic distance) and organizational factors (e.g., organizational structure) should be examined. Third, this research is cross-sectional in nature, something that inhibits the ability to make causal inferences between the variables included in the research model. To enhance our understanding of the factors driving export performance longitudinal studies using causal research designs would be essential. Finally, our research hypotheses were tested in a particular national context. The external validity of the finding should be assessed with the execution of replication studies in other developed as well as developing countries.

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GRASS LOOKS GREENER ON THE OTHER SIDE: CULTURAL INFLUENCE ON ENVIRONMENTAL BEHAVIOR

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SUMMARY

The objective of the World Business Council for Sustainable Development (WBCSD) is to act as a catalyst for companies to achieve sustainable development. In order to fulfill this ambitious goal, over two hundred companies from more than thirty countries engage actively in WBCSD to achieve a sustainable future (WBCSD 2010). Despite a sustainability trend that has been increasing for decades in both the environmental and corporate arenas, academic attention has been slower to grow (Rapert et al. 2010). To that end, we endeavor to increase our understanding of sustainability, clearly an important business issue, through examining the long-standing theoretical foundations in cultural domains as a possible antecedent to environmental behaviors. Eco-minded individuals have a plethora of avenues for pursuing their environmental interests, including engaging in activities within their employment undertakings, basing their personal consumption decisions on the sustainability pursuits of firms, and altering their lifestyle behaviors in accordance with their personal environmental identities. While the extant literature and anecdotal press have provided some insight into these pursuits, researchers must focus their efforts on understanding the sustained growth in both individual and corporate interest in eco-minded pursuits.

The extensive research of collectivism and individualism offers an interesting avenue of insight which may help us to understand why people make the environmental decisions. In addition to the need to further explore cultural orientations, extant literature suggests a lack of research examining the antecedents of consumers' environmental behaviors (Kilbourne, Beckmann, and Thelen 2002). Hence, the current research focuses on the primary antecedents of environmental behavior, such as cultural orientation and perceived consumer effectiveness. Given the timely and relevant status of sustainability initiatives combined with their strong global presence, the call for further exploration of cultural orientation and antecedents provides an interesting opportunity to explore these variables in concert. Accordingly, this research is built on three underlying premises: (1) the aforementioned growth in sustainability initiatives as companies embrace this

business approach while individuals concurrently engage in pro-environmental movements, (2) the value-belief norm as a framework gaining acceptance in the environmental behavior literature and (3) the premise that cultural orientations may help to explain environmental behaviors of consumers. Drawing from extant theory the following hypotheses are developed:

- H1a: Horizontal individualism and vertical individualism negatively affect perceived consumer effectiveness.
- H1b: Horizontal collectivism, vertical collectivism, and Confucian collectivism positively affect perceived consumer effectiveness.
- H2a: Horizontal individualism and vertical individualism positively affect environmental attitude.
- H2b: Horizontal collectivism, vertical collectivism, and Confucian collectivism positively affect environmental attitude.
- H3: Perceived consumer effectiveness positively affects environmental attitude.
- H4: Perceived consumer effectiveness positively affects environmental commitment.
- H5: Environmental attitude positively affects environmental commitment.

An important component of the research hypotheses centers on identifying a wide range of cultural orientations with regards to collectivism and individualism. Accordingly, we designed the research to capitalize on the opportunity to gather data in two seemingly culturally-disparate countries: South Korea (i.e., more collectivist) and the United States (i.e., more individualistic). However, after constructing a pseudo Omnibus test, it was shown that the USA model and the South Korean sample were not significantly different from each other (X^2 difference = 50.72, df difference = 44 $p = .226$) and therefore the two groups were treated as one. A total of 726 individuals took part in the research. All respondents were under-

graduate students between the ages of 18 and 33; 50 percent of the respondents were male and 50 percent were female.

The structural model was organized based on the hypotheses. The structural model showed good fit [Implied $X^2(110) = 161.58$, $X^2/df = 1.47$, CFI = .96, IFI = .96, GFI = .95, RMSEA = .06] to the data. Path coefficients were used to test all of the hypotheses. H1a, H1b, H2a, and H2b were all partially supported, H3 and H5 were fully supported, but H4 was rejected.

The contributions of this research are four-fold. First, the five dimensions of cultural orientation are explored with respect to their relationship with environmental behavior. Through this inquiry, a narrowed list of factors is delineated in terms of guiding future research: vertical individualism, horizontal collectivism, and Confucian

collectivism. Of most interest is the significance of the Confucian collectivism scale, a construct that has received only minimal attention in previous research. Second, this research substantiated the findings of Sivadas et al. (2008) that reduced items for the horizontal and vertical individualism and collectivism scales are sufficient and effective. Third, an interesting contribution emerged through the possibility that there may exist an age defining pattern such that the South Korean respondents and American respondents do not fall at opposite ends of the spectrum with regard to vertical individualism, horizontal collectivism, and Confucian collectivism. This could be due to the younger generation of students in South Korea becoming more westernized in their viewpoints across these dimensions, carrying implications for many aspects of their life. Finally, we identify the sequential path linking PCA to EA to EC, without a direct link between PCE and EC. References are available upon request.

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EXAMINING ETHNIC CONSUMERS' ATTITUDES TOWARD ETHNIC ENTERPRISES

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SUMMARY

The populations in many countries are becoming increasingly ethnically diversified. In 2010 in the U.S., for example, the ethnic population comprised 36.3 percent of the total population. Ethnically diversified populations bring with them ethnically diversified markets, in which many enterprises are operated by non-mainstream people. In 2007, for example, 20 percent of all businesses in the U.S. were minority-owned.

This study examines ethnic consumers' attitudes toward three types of ethnic enterprises, i.e., mainstream enterprises (defined as enterprises without an indication of ethnic background), own ethnic enterprises (defined as non-mainstream enterprises operated by people with the same ethnic background as the ethnic consumers), and other ethnic enterprises (defined as the non-mainstream enterprises operated by people with different ethnic backgrounds from the ethnic consumers), as well as the underlying mechanism for their attitude formation.

Having been repeatedly empirically verified, the bi-dimensional model of acculturation (Berry 1974, 1980) posits that an ethnic individual's relationships with his own ethnic culture and with the mainstream culture can be independent of each other. According to this model, there are four types of acculturation orientations for ethnic individuals: individuals with *integration* orientation have strong identification with both groups, individuals with *assimilation* orientation have strong identification with the mainstream group and weak identification with their own ethnic group, individuals with *separation* orientation have strong identification with their own ethnic group and weak identification with the mainstream group, and individuals with *marginalization* orientation have weak or no identifications with both groups ((Berry 1990).

Ethnic identity or acculturation orientations have been found to significantly affect ethnic consumers' consumption patterns, which are either similar to those of the mainstream cultures or similar to those of their traditional ethnic cultures, or a mixture of the two. In rare cases, they develop their own unique patterns, which are different from those of the mainstream and their own ethnic culture.

Social identity theory posits that individuals tend to categorize other people as either "in-group" or "out-group," and they usually identify themselves with their in-groups (Tajfel and Turner 1986). Further, identity strength may moderate this identification process. It has been demonstrated that consumers with strong identification with an in-group will have more positive attitudes toward the in-group brands, compared with consumers with weak identification with the same in-group.

Due to the similarity between the pattern of how customers perceive a brand and the pattern of how they perceive a firm, and also the strong symbolic social group characteristics of ethnic enterprises, we propose that, (1) depending on their cultural orientations (i.e., combination of different levels of strength of identification with either the mainstream culture or their own ethnic culture), consumers will categorize each of the three types of enterprises as either an "in-group" enterprise or an "out-group" enterprise; (2) compared with an "out-group" enterprise, ethnic consumers are more likely to develop a self-enterprise identification with an "in-group" enterprise and generate a positive attitude toward it accordingly; (3) within the boundary of "in-group" enterprises, ethnic consumers who have strong identifications with an ethnic group will develop stronger self-enterprise identification with and more positive attitudes toward the ethnic enterprise compared with consumers with weak identifications. Further, the Theory of Reasoned Action and the Theory of Planned Behavior posit that individuals' attitudes predict their behavioral intention, which, in turn, predicts their behavior (Ajzen 1991; Ajzen and Fishbein 1980). Accordingly, in our case, we propose that ethnic consumers with positive attitudes toward one type of ethnic enterprise will be more likely to patronize this type of enterprise. Specifically, we present the following propositions:

- P1: Ethnic consumers with integration orientation will have positive attitudes toward and high patronage intentions for both mainstream enterprises and own ethnic enterprises, and less positive attitudes toward and low patronage intentions for other ethnic enterprises.
- P2: Ethnic consumers with assimilation orientation will have most positive attitudes toward and highest patron-

age intentions for mainstream enterprises, less positive attitudes toward and lower patronage intentions for own ethnic enterprises, and least positive attitudes toward and lowest patronage intentions for other ethnic enterprises.

P3: Ethnic consumers with separation orientation will have most positive attitudes toward and highest patronage intentions for own ethnic enterprises, less positive attitudes toward and lower patronage intentions for mainstream enterprises, and least positive attitudes toward and lowest patronage intentions for other ethnic enterprises.

P4: For ethnic consumers with marginalization orientation, their attitudes toward and patronage intentions for the three types of enterprises will be indifferent.

Our propositions may provide marketing managers with some insights, such as when firms target a specific ethnic customer segment, messages that emphasize its ethnic flavors can be effective to some customers but counterproductive to others in that segment, depending on customers' acculturation orientations. Our conceptual paper also has limitations, including not considering the potential moderating roles of identity priming and cultural frame switching behaviors among ethnic consumers, and other factors such as images of the ethnic enterprises' home countries and customers' perceived quality of the ethnic products and services. Additionally, future research should empirically test the propositions posited in this conceptual paper. References are available upon request.

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DO PERCEPTIONS OF MARKET ORIENTATION VARY ACROSS FUNCTIONS AND ACROSS HIERARCHIES IN EMERGING ECONOMY SETTINGS? EVIDENCE FROM BUSINESS GROUP FIRMS IN TURKEY

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SUMMARY

Market Orientation (MO) has inspired a rich literature in marketing scholarship during the past two decades (see, for example, Shapiro 1988; Jaworski and Kohli 1993; Kohli and Jaworski 1990; Narver and Slater 1990; Slater and Narver 1995; Day 1994, 1999; Deshpande 1999; Baker and Sinkula 1999; Gebhart, Carpenter, and Sherry 2006). This is because MO has become a key source of sustainable competitive advantage (SCA) for many firms during this period.

Yet, we find that most studies so far have involved marketing managers' perceptions and evaluations of their organizations' MO in developed market contexts. In fact, MO should be significant as a strategic orientation in the rapidly growing consumer economies that have come to be known as emerging markets (EM) as well. Indeed, developing and sustaining a MO should perhaps be more significant in these markets, as they are the markets that are growing more rapidly, whose consumers are becoming more demanding and purchasing new products, and whose firms themselves are expanding abroad with lightning speed (Ramamurti and Singh 2009; Khanna and Palepu 2010). Yet, we are aware of only a handful of studies in the published literature that have addressed this phenomenon (see, for example, Gruenert et al. 2004; Lin and Germain 2003; Wang and Wei 2005; Woller 2002). We hope to contribute to filling this void with this study by attempting to answer two questions: (1) do MO perceptions vary between managers that are from marketing and non-marketing functions? And (2) does the level of seniority in management affect managers' perceptions of the degree of MO their businesses possess and use in strategy making?

Our work should be significant for at least two reasons. First, empirically determining how and the extent to which different types of managers in different types of businesses view their own firms' and their business group's MO should provide valuable input into firm, SBU, and corporate-level decision-making. Second, establishing how and the extent to which MO is viewed and practiced by different types of businesses in the business group's

SBU should shed light on whether developing a MO is, or can become, truly a source of long-term SCA or simply the cost of competing, especially in B2C firms and SBUs in emerging markets.

We collected data from 587 managers working in 14 separate component firms of one of the largest BGs in Turkey. Some of these firms were in B2C businesses, such as, sales and after sales service in autos, tires, food retailing, and garments, while others were in B2B businesses, such as, human resources, quality control, logistics, finance and banking, information technologies, and R&D. Our research instrument blended the MO scale developed by Narver and Slater (1990) (which we labeled MONS, known in the literature as MKTOR) with that developed by Kohli, Jaworski, and Kumar (1993) (which we labeled MOKJ, known in the literature as MARKOR). We employed the back-translation technique in developing our research instrument. We collected our data on-line; 587 out of 804 managers we originally contacted participated in our study for a 73 percent return. Two top managers of the BG, the CEO and the Human Resources Vice President requested that managers of the BG firms participate in our survey and provided the link to it. These executives sent out a reminder email two weeks after their original request; we ended our data collection two weeks after this request. In the 14 component firms that participated in our study, the average participation rate was 42 managers per firm, where 18 was the minimum and 64 was the maximum number. The average number of years that each of our participants had been working in each firm was 9.8 years.

International marketing research often involves models with variables that belong to different units of analysis, which themselves may form a hierarchical structure, and which are very suitable for multilevel modeling (Tasoluk et al. 2011). In this research, too, managers from different functions and ranks are nested within companies. Hierarchical Linear Modeling (HLM, also known as multilevel modeling) was originally developed to deal with hierarchical (nested) data (Bryk and Raudenbush 1992; Raudenbush and Bryk 2002). In HLM, each of the levels in the data structure has its own sub-model, which cap-

tures the relationships among variables within a given level, and thus takes care of the dependency of observations issue. Therefore, we modeled our individual-level variables as having a separate regression equation for each company.

Our level-1 variables are *Function* and *Rank*. *Function* shows whether the respondent works in marketing-related functions (marketing, procurement, sales, customer relations, and logistics), or non-marketing functions (R&D, information systems, human resources, quality assurance, manufacturing, and accounting and finance.) *Rank* reflects the seniority of the respondent. MONS and MOJK are our outcome variables.

Our findings show that there is indeed a systematic difference between how managers from different seniority levels perceive the level of market orientation in their company. Senior managers are more inclined to think that their companies are more market-oriented. While the two measures of MO are predicted similarly in direction by both rank and function, both measures of MO are predicted significantly by rank; but only MONS is predicted

significantly by function. Whereas marketing-related functions appear to be more inclined to evaluate their company's MO higher when it is measured with the MONS scale, there does not seem to be such a pattern when MOKJ scale is used.

Our work first shows a number of interesting implications for research and practice. First, we find that the level of management matters in perceptions of MO; that is, the seniority level of the manager whose MO perceptions are being measured is important. Thus, when MO studies are conducted, level of management should not vary across companies. Second, senior level managers, whether they are in marketing or non-marketing functions, report the same levels of MO perceptions, but lower-level managers do show differences in their perceptions of the level of the firm's MO; this is a function of whether they are marketing or non-marketing function managers. Thus, both marketing and non-marketing managers should participate in MO studies. Third, our findings also suggest that MO should be measured across all functions to better assess the true degree of MO in a given company. References are available upon request.

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THE INTERNATIONAL GROWTH OF EMERGING MARKET FIRMS: EVIDENCE FROM INDIA

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SUMMARY

The phenomenal international growth of some firms from emerging markets has attracted the attention of academics and managers alike. Taking note of the phenomenal international growth of emerging market firms, *The Economist* (2010) has observed that “many of the developing world’s champions have risen from *zero to hero* in just a couple of decades.”

The existing literature on the international growth of firms suggests that three factors are crucial for international expansion: foreign market knowledge; strong home country institutions; and firms’ superior international competitiveness. This existing literature cannot, however, satisfactorily explain the international growth of firms from emerging markets. Management scholars overwhelmingly agree that emerging market firms lack foreign market knowledge; operate out of weak institutional environments; and are internationally less competitive in comparison to their developed market counterparts. *How then can some firms from emerging markets, despite facing weaknesses in knowledge, institutions and competitiveness, manage to go global?*

We draw on three factors to explain the international growth of some emerging market firms. First, we argue that some emerging market firms are able to overcome their unfamiliarity with international markets by having a CEO with global mind-set. CEOs with a global mind-set are able to drive the international growth of emerging market firms because they have knowledge of international business which enables them in recognizing potential opportunities abroad, estimate the risks associated with those opportunities and commit appropriate resources to exploit those opportunities effectively. Second, we argue that some emerging market firms circumvent their weak institutional environments at home through their affiliation with business groups. A weak institutional environment at home results in market imperfections leading to higher transaction costs for emerging market firms. Emerging market firms affiliated with business groups can, however, overcome the weaknesses of their institutional environment by lowering their transaction costs because their affiliation allows for inter-firm trans-

actions between the member firms of the business group. Third, we argue that some emerging market firms are able to overcome their weak international competitiveness by investing in cross-border marketing assets and by accessing foreign financial resources. Emerging market firms invest in cross-border marketing assets like international brands and foreign technologies which improve their competitiveness in international markets. Emerging market firms which access foreign financial resources are able to match the financial strength of firms in the host market and compete with the host market firms.

By studying the international growth of emerging marketing firms, we seek to make three contributions. First, we shed light on an understudied phenomenon – the – international growth of emerging market firms – which is nevertheless important in scale and potential. Second, we seek to provide alternate theoretical explanations for the international growth of emerging market firms. We argue that emerging market firms circumvent their weaknesses in knowledge, home institutions and international competitiveness through their CEO’s global mind-set; affiliation to a business group; and by investments in cross-border marketing assets and by accessing foreign financial resources respectively. Third, we use a natural experiment as our research setting which allows us to make an important methodological contribution. Specifically, we test our hypotheses on a uniquely compiled database that covers 10 years (1999–2008) of data on 176 publicly traded, non-state owned Indian firms from the Bombay Stock Exchange 500 index.

The hypotheses we develop in this study are as follows:

- H1: Emerging market firms whose CEOs have a global mindset will experience more international growth than those that don’t.
- H2: Emerging market firms affiliated to business groups will experience more international growth than firms that are not.
- H3A: Emerging market firms which have investments in cross-border marketing assets will experience more international growth than those that don’t.

H3B: Emerging market firms which have access to foreign financial resources will experience more international growth than those that don't.

This study provides three novel theoretical explanations and rigorous empirical evidence to explain the phenomenon of international growth of emerging market firms. Existing theories on the importance of foreign market knowledge for international growth had proposed that firms can gain familiarity with international markets only in an incremental manner and had overlooked the importance of global mind-set of the top managers especially the CEO. In contrast, our thesis demonstrates that firms can gain foreign market knowledge by recruiting a CEO who would drive the foreign operations of the firm. The institutional economics view of the firm had argued

that firms which have strong home country institutions would have inter-firm cooperation which would lower their transactions costs and assist them to internationalize more. We contrast this view by illustrating that firms in countries with weak institutional environments can have lower transaction costs by having a business group affiliation. The resource based view advocates that firms with greater marketing capabilities and greater financial resources would have greater competitiveness and internationalize more. But this study has challenged that view and established that firms with weak marketing capabilities and weak financial resources can gain access to foreign cross-border marketing assets and financial resources to overcome their weaknesses in international competitiveness. References are available upon request.

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IMPLICIT COUNTRY ATTITUDES AND THEIR SPONTANEOUS INFLUENCE ON COGNITIVE AND AFFECTIVE DIMENSIONS OF THE BRAND IMAGE

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SUMMARY

Regardless of its “age,” the country-of-origin (COO) concept is still one of the most passionately discussed topics in international marketing (Samiee 2010; Usunier 2006). Traditionally, COO research has assumed that COO cue usage in decision making is a conscious and controlled process dependent on the consumer’s intention to use COO information. However, there is emerging evidence indicating that COO cue usage can also occur automatically, without consumers’ intention (Liu and Johnson 2005). Affective functions, in particular, can occur without awareness (Zajonc 1980) and this has led to a reorientation toward the implicit processes involved in judgment and behavior (Greenwald and Banaji 1995), and, especially, the investigation of *implicit* attitudes. The latter are defined as evaluations that (a) have an unknown origin (i.e., people are unaware of the basis of the evaluation), (b) are activated spontaneously, and (c) influence implicit, uncontrollable responses (Wilson et al. 2000). Applied to the context of brand and country images, this suggests that implicit attitudes toward a country can be activated spontaneously by the mere presence of the COO stimulus and can influence perceptions of a brand associated with that country, even in absence of intention (Liu and Johnson 2005).

The bi-dimensional perspective on consumer attitudes discriminates between the *cognitive* and *affective* dimension (Dubé, et al. 2003). Thus, there can be distinct influences of implicit country attitudes on brand image perception, depending on whether the country stereotype is primarily cognitive or affective in nature (Leclerc et al. 1994; Verlegh and Steenkamp 1999). It is thus hypothesized that:

- H1a: A cognitive country stereotype influence the cognitive dimension of the brand image more positively than an affective country stereotype.
- H1b: An affective country stereotype influence the affective dimension of the brand image more positively than a cognitive country stereotype.

Based on cognitive dissonance theory, consumers like to have cognitive elements consonant (logically fol-

lowing) to one another (Festinger 1957; Oshikawa 1969). Both country stereotypes (cognitive vs. affective) and adverts, which can be cognitively or affectively intoned (Yoo and MacInnis 2005) resemble such cognitive elements. Consequently, the advert intonation (cognitive vs. affective) incorporating the COO cue could be consonant or dissonant to the country stereotype involved (cognitive vs. affective), thus, enhance or impair consumers’ brand image perceptions.

- H2a: A match between a cognitive country stereotype and a cognitive ad intonation enhances the cognitive dimension of the brand image compared to a no COO cue ad.
- H2b: A match between an affective country stereotype and an affective ad intonation enhances the affective dimension of the brand image compared to a no COO cue ad.
- H3a: A mismatch between the country stereotype and the intonation of the advert adversely influences the cognitive dimension of the brand image compared to a no COO cue ad.
- H3b: A mismatch between the country stereotype and the intonation of the advert adversely influences the affective dimension of the brand image compared to a no COO cue ad.

Methodology

A 3x2 between-subjects experimental design was applied, incorporating three country conditions (cognitive vs. affective country stereotype vs. no country) and two types of ad intonations (cognitive vs. affective). Three hundred six consumers were used as subjects (51 per treatment), using quotas on gender, age and education. The product category *cars* was selected as both cognitive and affective dimensions are highly relevant in this category (Voss et al. 2003). Based on a pretest (N = 45), two countries typically associated with cars but differing in terms of cognitive and affective country stereotypes were identified: *Germany* (cognitive) and *Italy* (affective). To build the factual basis of the fictitious brand, seventeen product attributes were calculated on the basis of twelve

international car manufacturers of the same compact vehicle class. All product attributes were held constant for all stimuli. Print adverts for a fictitious car brand were developed in cooperation with an advertising agency. The experiment—disguised as an advertising pre-test—employs a temporal separation between brand attribute exposure and ad exposure, allows for brand image measurement both without (i.e., solely based on brand attributes) and with the COO cue (i.e., based on brand attributes *plus* COO cue in the ad). The initial rating solely based on attributes provides a reference level to be compared to the rating after the ad exposure and confrontation with the COO cue, which is necessary for testing the spontaneous activation of the COO cue. The cognitive dimension of the brand image was assessed via *utilitarian brand attitude*, *perceived quality* and *brand trust* and the affective dimension via *hedonic brand attitude*, *love* and *brand affect*. For control, *demographics*, *product category familiarity* and *involvement*, as well as *perceived importance of COO* was collected.

Findings

Showing no significant difference in pre- and post-exposure ratings, the neutral ad (control group) itself had no influence on consumers' perceptions. However, the mere presence of a COO cue (*Germany* and *Italy* groups) resulted in a significant change in brand perceptions. Supporting *H1a* and *b*, the cognitive (affective) country stereotype affects the cognitive dimension of the brand image more positively than the affective (cognitive) country stereotype. A match between a cognitive (affective) country stereotype and a cognitive (affective) ad intonation significantly improves the cognitive (affective) dimension of the brand compared to adverts without a COO cue,

supporting *H2a* and *b*. A mismatch between country stereotype and ad intonation does not impair the cognitive dimension, thus failing to support *H3a*, yet the affective dimension of the brand image compared to an advert without a COO cue, thus supporting *H3b*.

Discussion

Despite the long tradition in the field of COO, there is no consensus on the relevance and importance of COO as an informational cue influencing consumers (Josiassen and Harzing 2008; Samiee 2010; Usunier 2006). Especially consumers' stated denial of COO cue usage (Liefeld 2004) has fueled this discussion. Challenging the assumption that COO cue usage is exclusively a conscious process, the present study shows that consumers' implicit attitudes toward a country can be *spontaneously* activated on exposure to COO cues and enter into the consumer's brand image perception even in the absence of intention. We thus contribute on the theoretical front by shedding new light on consumer's unconscious COO cue usage. On the methodological front, we illustrate how implicit attitudes can be addressed within an experimental setting, using temporal separation of attribute and stimulus exposure. On the managerial front, we provide practitioners with empirically-based recommendations: marketing communications supporting the country stereotype are likely to enforce the effect of implicitly held attitudes toward a country and lead to a more positive cognitive and affective brand image, as well as purchase intention; in contrast, communication contradicting the country stereotype is likely to prove counter-productive (particularly as far as the affective dimension of brand image is concerned). Detailed information on pre-tests, stimuli, study design, and construct measurement are available upon request.

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AN ASSESSMENT OF GLOBAL BRANDING RESEARCH: CO-CITATION ANALYSIS AS A TOOL TO EVALUATE A LITERATURE AREA

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SUMMARY

The international breadth of a firm's brand(s) is indicative of the extent of its global operations. In fact, the brand is a compelling aspect of the overall strategy of a multinational corporation (MNC). MNCs' attempts to minimize specialized, local brands for international brands indicates the practical and scholarly importance of global branding.

However, there have been relatively few studies which assess the development of the global branding literature. No doubt, global branding research to date has evaluated particular aspects of the global brand context. Still, to better articulate and advance the importance of global branding research to both practitioners and scholars alike, a thorough examination of this literature's knowledge structure is required.

Similar to other research areas, the establishment of the global branding literature's form occurred over a number of decades. As such, this study is intended to centralize and synthesize extant global branding research to advance the development of this integral topic. Based on citations from global branding articles spanning over three decades and published in a wide array of academic journals, we implemented this study using co-citation analysis via metric multidimensional scaling.

Research focusing on strategic brand management indicates the importance of mainstream marketing con-

cepts in the global branding literature. In addition, topics emphasizing local and non-local brand positioning and value as well as global brand positioning and value provide a clear signal as to the complicated research undercurrents in this literature area. The results indicate that topics related to international marketing standardization reflect firm-level decisions favoring standardized processes to remain competitive.

Still, consumer-centric research emphasizing brand concept-image and consumer evaluation as well as brand equity management and value show the complexity inherent in an exchange between a firm's brands and consumers in the marketplace. In fact, the relatedness of research focusing on country-of-origin effects, country image and consumer familiarity, and country-of-origin product evaluation show unequivocally that a brand's origin can influence consumer perceptions of global brands.

The interrelationship of the nine research groups identified show that the main topics in the global branding literature range from traditional branding themes (e.g., positioning, value, and familiarity) to well-known topics in international marketing (e.g., standardization and country-of-origin). In fact, our results indicate the widespread importance and increased application of global branding research in the marketing field. Thus, by identifying the interrelation of its research groups, this study allows the global branding topic to develop in the future.

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THE EXPRESSION AND SUPPRESSION OF ACCENT-BASED BIASES IN SERVICES

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SUMMARY

Because of tremendous labor cost savings, offshoring call service centers to provide remote customer support has become a 50 billion industry, expected to reach \$189.3 billion by 2015 (Global Industry Analysts), involving 1.6 million outsourced service jobs from the United States alone. While offshoring/outsourcing saves money in the short run, in the long run it could prove costly, especially where outsourcing leads to lower customer satisfaction (due to actual or perceived poor quality), lower profitability or reduced shareholder value (Bharadwaj and Roggenveen 2008; Whitaker, Krishnan, and Fornell 2008).

The customer dissatisfaction primarily arises due to unintelligibility of the call center employees. In some extreme cases, companies such as Dell, Capital One, Apple, and Delta have closed down their offshored call centers and moved them back to the United States. In most cases though, companies attempt to improve the accent of non-native English speaking call center employees. Many firms now invest in more accent-neutral countries like Phillipine, which collected 6.3 billion in call center revenue in 2010, compared to 5.9 billion for India (USA today). Or they adopt a fallback strategy – “If you cannot convince, confuse.” For instance, Indian employees are often required to go through a consuming and challenging training so as to adopt anglicized names, imitate American accent, or at least act as an Indian immigrant located in the U.S. (Poster 2007).

Given the crucial role of employee’s accent in the success of service-outsourcing, it remains unclear why and how an employee’s linguistic characteristics bias service outcomes? Are these biases always negative? What conditions, if any, might mitigate customers’ biased responses toward a foreign accent? This research investi-

gates these questions. In contrast to the prevalent belief in practice that an employee’s foreign accent always hurt, we argue that customers often will not exhibit accent prejudice unless given cause to do so. Drawing on Justification and Suppression Model (JSM, Crandall and Eshleman 2003) in social psychology, we propose that conditions which contradict with a customer’s accent prejudice, such as a favorable service outcome and information about industry norm, will limit manifest prejudice. In addition, we argue that accent-based biases in a service encounter are driven by both cognitive and affective mechanisms.

We conducted three empirical studies to shed light on psychological drivers of accent-based biases in services. Findings indicate that an employee’s foreign accent can both positively (e.g., British accent) and negatively (e.g., Indian accent) bias customers’ cognitive inferences of employee performance and their affective feelings during the interaction, which further impact more global assessment of overall service experience, attributions, and future behavioral loyalty. Moreover, we identify factors that may attenuate or accentuate accent-linked biases. Negative prejudices against Indian accent are suppressed when service outcomes are favorable to the customers or when customers are informed with more diagnostic cues (e.g., industrial norm). Yet, positive accent biases only impact customer evaluations when service outcomes are favorable for customers and no other diagnostic cues are accessible. These findings may be of use to practitioners in multiple ways. At a strategy level, managers can make more informed decision about service allocation to optimize the outsourcing strategy; at a tactical level, these insights may help frontline managers of call centers to refine employee training programs. References are available upon request.

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THEMATIC DISCREPANCY ANALYSIS: PRODUCING INSIGHTS TO TARGET LURKERS

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SUMMARY

The rise of online forums and communities has dramatically increased the value and power of WOM (Kozinets et al. 2010), allowing consumers greater access to information from subject matter experts and other key influentials who impact new purchases (Rogers 1962). As a result of their tremendous value, online forums and communities have garnered attention from researchers as well as practitioners. Specifically, online forums provide detailed WOM data that was unattainable prior to the advent of the internet. Using WOM data from forums, researchers can now see exactly what was said and when it was said, often time stamped down to the second. These forums organize messages into “threads” comprised of an original post or review, followed by replies. This organization allows researchers to track who is replying to whom.

Naturally, research on forums and internet communities has focused on the activity of experts, key influentials, innovators, and enthusiasts, as those individuals are the ones who provide the bulk of the activity on these sites. In contrast, little research has examined the non-participants or “lurkers” who “hear” this WOM and act upon it. This is an important gap in the research, as these lurkers typically make up 90 percent or more of the traffic in online forums and communities (Nielsen 2006) and often comprise the audience of interest for researchers and managers alike. This gap in the research is increasingly problematic when we consider the massive and rapidly growing volume of internet communities and forums, and the fact that many of the conclusions being made about the power of these forums are based on potentially unrepresentative segments of the target population.

There is a need for a method that provides insights into whether and how the interests of the silent majority of lurkers differ from active WOM participants. By doing so, marketers would gain insights into the evolving interests, tastes, and concerns of the silent lurking majority, contributing to their market sensing capabilities as well as enhancing targeted advertising. On the other hand, the inability to detect changes in lurking behavior can lead marketers to overlook new trends – until they adversely impact sales. For researchers, such a method would provide a means to test for non-response bias in online WOM data. Thus, it

would allow researchers to evaluate the validity and generalizability of conclusions based on such data.

In response to this clear need, we developed the TDA approach which not only allows marketers to identify the topics which appeal to lurkers, but also provides researchers with a means to evaluate non-response bias. TDA achieves this using a three-stage process that utilizes commonly available, but overlooked, information in the online forums combined with content analysis. Thematic Discrepancy Analysis involves three stages: (1) collecting and analyzing counts of *Views* (WOM impact) and of *Replies* (WOM activity); (2) collecting and analyzing the content of the population of messages to identify themes using non-dictionary or dictionary based approaches; and (3) identifying themes which show discrepancies between WOM activity (*Replies*) and WOM impact (*Views*). Thus, it reveals topics of greater interest to lurkers. In doing so, it provides vital insights for both marketing managers and researchers.

To demonstrate the application of TDA, we conducted a discovery oriented TDA followed by a confirmation oriented TDA using online WOM data from a high traffic message board dedicated to (Intel and AMD) microprocessors. Our final dataset contained 5,806 threads spanning a 36-month period from January 1, 2004 to February 16, 2007. These threads contain 80,574 WOM messages posted by 6,548 unique user accounts. For each thread, the number of replies, views, and the actual message content was collected on a daily basis. Each thread was content analyzed using Centering Resonance Analysis (CRA), a representational content analysis technique based on centering theory (Corman et al. 2002). In the next step, an exploratory factor analysis using principal axis factoring with a varimax rotation was performed. Then, in order to detect discrepancies associated with the themes, structural equation modeling was employed to conduct a mediation analysis.

Results of the mediation analysis demonstrate the efficacy of TDA in discriminating between those themes that generate a discrepant number of views by lurkers from those that do not. For example, in the case of the overclocking theme, the relationship is fully mediated through WOM activity. This indicates that the views of webpages and threads associated with this topic are being

driven by interest from the active participants rather than lurkers. However, for the AMD/Intel comparison theme, the relationship is a partially mediated one. In this case, while the active participants view these pages, there is a significant amount of views being generated by lurking non-participants that cannot be accounted for based on activity by the participants. Thus, non-participants to this forum are particularly interested in WOM messages that compare the merits of Intel products to its chief rival's products. From a managerial perspective, the non-significant effects of our other four themes are also noteworthy. While these non-significant paths do not mean that these themes are unimportant, they do reveal that these themes are not of disproportionate interest to lurkers. Thus, managers can use the level of interest among the participants as a proxy for the concerns of non-participating consumers, without fear of under- or over-representing their importance. However, for other identified themes of Intel/AMD comparisons, there was strong evidence of non-response bias. As a result, caution would have to be used when drawing making any conclusions or generalizations beyond the active WOM participants

To date, there has been little research on methods that can discover and track the topics of interests to lurkers. The lack of such methods has led the WOM literature to focus on analyzing participants while largely ignoring the vast majority of people who read WOM without participating. TDA fills this gap by providing marketers with market sensing information on issues of importance to lurkers that might otherwise be overlooked when just reading WOM generated by participants. In addition, TDA provides insights into marketing messages that may appeal more to lurkers as well as indicating on which websites marketers should place advertisements containing those messages. By applying TDA to large scale online WOM data, we demonstrate the ability of TDA to identify themes and content areas generating interest among lurkers, as well as those content areas generating differing levels of interest between lurkers and active participants. Given that there are no other publicly available methods for generating these types of insights about non-participants, this represents a significant contribution to both academic research and to managerial practice. References are available upon request.

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THE DYNAMIC IMPACT OF FAN SIGN-UPS AND WORD-OF-MOUTH ON SALES: EVIDENCE FROM A SOCIAL NETWORKING WEBSITE

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SUMMARY

Social media websites increasingly empower consumers to become active participants in a brand's life. Managers would like to possess tools that help them analyze if social media metrics such as likes, fans, and comments are indeed related to a brand's sales. However, empirical evidence is currently scant regarding the impact of customer empowerment efforts implemented in social media websites on a brand's sales. We demonstrate that a model based on the vector autoregression (VAR) technique can be used to analyze a brand's sales in a dynamic fashion, if we know a sufficiently long history of a brand's sales, its fan-sign-ups and the extent of word-of-mouth activity.

Customer empowerment refers to the extent to which a firm provides its customers avenues to (1) actively connect with the firm, and (2) collaborate with each other by sharing comments and ideas about the firm's products and services. We offer an approach for understanding and empirically verifying the manner in which social media web pages act as vehicles of customer empowerment. The first aspect of customer empowerment refers to consumer connections with a firm or brand. Users of social media web sites can sign-up on a brand's web page and thereby signal their active connection with the brand. The second part of customer empowerment refers to consumers making connections with other consumers. User sign-ups in a brand's social media web page result in the information about their signing up being sent out beyond the brand's social media web page to other members of a fan's broader social media network. The number of current user sign-ups is likely to drive future period user sign-ups. Any visitor to a brand's social media website can read other people's opinions. Users may also post their own views on a brand's social media web page once they have signed up as fans. Unlike fleeting person-to-person WOM, the comments posted on social media web pages have the ability to influence existing and new users repeatedly over time. Thus, social media web pages offer marketers an opportunity for creating a self-propagating environment wherein not only new fans that join up add to the WOM comments, but existing fans too are motivated to leave additional WOM comments. Hence, the volume of WOM

comments at any time is likely to be dependent on how many WOM comments have been left in the past, and additionally by how many fans have signed up in the past. Social media web pages of brands facilitate sales by providing convenient buy buttons or links to online retailers that sell the brand's products. The sales of a brand is likely to be impacted by the volume of past WOM comments on the brand's web page and also by past fan sign-ups. Past sales are also likely to influence future fan sign-ups, future WOM comments, and future sales.

We fuse secondary data, obtained over a period of 71 weeks, from three sources for five well-known music artists. The artists chosen represent different genres and had achieved a threshold level of popularity as at least one of their songs had figured in the Billboard charts during the data collection period. Fan sign-ups and WOM data pertain to the five artists' MySpace web pages. Sales data for the five artists' digital tracks were obtained from Nielsen SoundScan reports. Our intention is not to generalize across music artists, especially since each music artist is unique, but to illustrate the ease and efficacy of applying a modeling technique to any artist at an individual level and subsequently interpreting the results from a managerial perspective. First, we ascertain that the time series variables of interest (1) fan sign-ups, (2) WOM and (3) sales meet the assumption of stationarity over time. Second, we test for the potential endogeneity among music fan sign-ups, WOM, and sales. Third, we conduct the lag length test for the optimal length of lagged variables. The use of lagged dependent variables is known to compensate for any factors that may have been omitted and account for carryover effects of factors that are not included. Fourth, we specify a VAR model that accounts for endogeneity and the dynamic interactions between fan sign-ups, WOM, and sales by incorporating lagged variables. Finally, we estimate the short-term and long-term response of sales to WOM and fan sign-ups.

The Granger causality test results indicate that the variables of interest are endogenous in nature and are suitable for further analysis. Test results also indicate that two lags would be the optimal lag length for the proposed model. Further, computation of impulse response functions (IRFs) and elasticities show that WOM has a larger

short-term effect on sales than fan sign-ups. The long-term impact of WOM and fan sign-ups on sales may vary depending on the focal brand.

We demonstrate that marketing managers can follow a simple process to (1) determine whether the data on social media activity and the sales of a brand in their

portfolio meet the required assumptions, (2) use the pattern in the data to identify the brands that can be subject to further analysis, and (3) apply the proposed model to examine individually for each brand the direct, cross, and feedback relationships between sign-ups, WOM and sales. References are available upon request.

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DETERMINANTS AND CONSEQUENCES OF THE NET PROMOTER SCORE: A DYNAMIC APPROACH

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SUMMARY

Since customer relationship management aims at retaining customers for the longer term, appropriate measures are required to inform managers about the quality of customer relationships and to control the success of investments in customer loyalty (Keiningham et al. 2007a; Reichheld, Markey, and Hopton 2000). According to Reichheld, the customer feedback measure “Net Promoter Score” (NPS) performs superior in predicting loyal customer behavior and a company’s growth rate (Reichheld 2003).

Whereas some researchers find a significant relationship between NPS and revenue growth (Keiningham et al. 2007b; Marsden, Samson, and Upton 2005), others could not confirm Reichheld’s results (Morgan and Rego 2006). Relating to its impact on customer retention, results are inconsistent (Gigliotti et al. 2007). Indeed, no research exists which examines NPS’s impact on customer acquisition. Another gap exists concerning the lagged effects of an increase of NPS on behavioral outcomes. Concerning the determinants of NPS, a majority of studies analyzes attitudinal predictors of recommendation intentions. However, no study to date analyzes the dynamic and lagged effects of changes in price, product, place, and promotion policy on intention to recommend and NPS.

The main purpose of this study is to analyze company-induced marketing actions as drivers of NPS over time. Moreover, we investigate NPS’s as well as marketing actions’ lagged and contemporaneous influences on profitability, customer retention, and customer acquisition.

This study draws upon longitudinal data of a mobile service provider in Europe. The sample comprises 33 observations on a monthly basis over a period of three years from 2007 to 2009. In order to calculate NPS based on Reichheld’s specification, in each month a different set of about 500 customers was asked about the likelihood to recommend the brand to friends or colleagues (Reichheld 2003). The monthly advertising expenditures serve as proxy for advertising intensity, network quality is covered by the ratio of dropped calls, and the monthly price level provides the price actions induced by the company. As to NPS’s consequences, customer profitability is measured

by monthly sales, customer retention is operationalized as the number of customers, and customer acquisition is covered by the number of new customers. For each variable, we conducted a log-linear transformation since the log-linear form depicts the elasticity of exogenous and endogenous variables (Duan, Gu, and Whinston 2008).

Seemingly unrelated regression is used to test the hypothesized relationships because it allows the error terms to be correlated across the equations (Zellner 1962).

Results show that price has a negative impact on NPS implying that a ten percent increase of price leads to a four period delayed decrease of NPS of 1.53 percent. In line with our expectations, advertising spending has a positive yet weak one month-lagged effect on NPS which means, that a ten percent increase of advertising expenditures leads to an increase of NPS of 0.23 percent. Contrary to our assumptions, network quality does not have an effect on NPS.

With respect to the consequences of an NPS-change, we find that a 10 percent increase of NPS implies a direct increase of sales of 2.2 percent, supporting existing research (Marsden, Samson, and Upton 2005; Reichheld 2003; Keiningham et al. 2007b). Moreover, an increase of price level and improvement of network quality have positive lagged effects on sales as well. Regarding customer acquisition, NPS has, compared to advertising, a stronger positive effect on the number of new customers acquired. More specifically, a ten percent increase of NPS is followed by a two month lagged 9.3 percent increase of the number of new customers. Similarly, price has a positive but weaker two month lagged effect on the number of new customers.

In terms of customer retention, advertising spending has a weak positive but seven month delayed effect on the number of customers. A ten percent increase of price leads to a decrease of the number of customers of 1.77 percent. Network quality and NPS do not have any significant impact on customer retention. Based on our findings, NPS is a suitable predictor of changes in sales and in customer acquisition. In order to increase the number of new customers, managers should decrease prices, because it directly influences NPS as well as the number of customers. References are available upon request.

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WOULD YOU LIKE SOME MORE? VOLUNTARY CHOICE SETS AND PROGRESSIVE INCENTIVE ALIGNMENT IN CONJOINT ANALYSIS

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SUMMARY

A weakness of analyzing choices in conjoint analysis is that choosing an alternative from a set of products conveys less information than, e.g., rating or ranking each one of them. Thus, for a robust estimation of preferences it is essential to collect a multitude of choices. However, increasing the number of choice sets is not trivial because respondents react negatively to longer surveys and after a certain threshold, are more likely to (1) abandon the survey, which decreases response rates and increases costs, (2) make more errors or answer randomly, which results in higher error variance; or (3) adopt simpler, cognitively less demanding decision strategies (e.g., concentrating on a subset of attributes), leading to biased estimates and observed utility evolution (Liechty, Fong, and DeSarbo 2005; Pocheptsova et al. 2009; Swait and Adamowicz 2001). Although every researcher and practitioner who uses conjoint analysis must make this important trade-off between estimation accuracy and consumer fatigue, little is known about how many choice sets can be established without invoking respondent fatigue.

This study addresses the above-mentioned research gap in three ways. First, I explore whether voluntary choice sets, i.e., allowing respondents to decide how many choice sets they want to answer, might eliminate the negative effects of fatigue. Voluntary choice sets have the advantage that they do not require the researcher to set a fixed number of sets in advance and thus do not force respondents to go beyond their fatigue threshold. However, the procedure poses a risk, namely, that respondents might answer only a few choice sets. Therefore, as a second contribution, this study introduces a progressive extension of incentive-aligned (IA) mechanisms for conjoint analysis (Ding 2007; Ding, Grewal, and Liechty 2005; Dong, Ding, and Huber 2010) in order to increase willingness-to-respond (WTR). Third, by empirically testing the use of voluntary sets and the effect of progressive incentive alignment, this study is one of the first that provides an individual-level estimate of how many choice sets are acceptable to consumers.

In contrast to standard, hypothetical conjoint tasks, in which choices have no consequence for the respondent, IA decisions determine which potential reward product is provided. Different variants of incentive alignment for

choice-based conjoint have been proposed: The *Direct* mechanism rewards a consumer (or a random selection of consumers) with the alternative he or she has chosen in one randomly selected choice task (Ding, Grewal, and Liechty 2005). The progressive extension of this mechanism is to add a lottery in which the winner and the reward product are drawn from all answered sets of the study, such that the choices form the basis of the lottery, not the respondents. The number of decisions a respondent makes thus influences the odds of winning so that respondents have an incentive to answer a maximum number of tasks while still being motivated to answer truthfully. Another way to achieve incentive alignment is the *RankOrder* mechanism (Dong, Ding, and Huber 2010). It follows an indirect procedure, such that the researcher uses the respondent's choices to estimate preferences first and then relies on these estimates to rank a predetermined selection of reward products. Eventually, the respondent (or a random selection) receives his or her most preferred alternative. This approach can be extended by informing the respondent that more choices lead to a better prediction of his or her preferred product. Thus, the incentive again is to answer a maximum number of choice sets, to ensure the researcher correctly identifies the product that the respondent wants.

These two progressive IA mechanisms were tested empirically and contrasted against a hypothetical conjoint procedure using red wine as the research context. Wines were described by four attributes (grape, country-of-origin, vintage, and closure type) with three levels each. The choice design consisted of 110 tasks in total, i.e., 10 blocks of 11 triples. After the first choice set, the respondent was informed that he or she could skip to the end of the survey at any time using a link on top of each page. A total of 254 non-student participants were available for the analysis.

The results provide evidence that consumers are sensitive to the number of choice sets and heterogeneous in their WTR. Using a voluntary number of choice sets can account for this heterogeneity so that, even when consumers answer many choice sets, their decisions show no signs of fatigue in terms of error variance or utility evolution. Moreover, even when they have no incentive to respond (*Hypothetical* condition), consumers answer a substantial number of choice sets, with an average of 18.8 decisions.

Their WTR can be increased significantly by applying the progressive *Direct IA* mechanism, leading to an average of 27.1 choices. Thus, in addition to the higher reliability of the respondents due to the truth-telling mechanism of IA (i.e., data quality), this procedure increases predictive

validity also by a higher reliability of the estimates (i.e., data quantity). Other than the data quality effect, the progressive *RankOrder* mechanism provides no conclusive proof that it motivates consumers to answer more choice sets. References are available upon request.

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STRATEGIC UPFRONT MARKETING CHANNEL INTEGRATION AS AN ENTRY BARRIER

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SUMMARY

Vertical organization design in relation to the choice between marketing channel integration and separation under various economic environments has commanded significant attention in the analytical marketing literature. Traditionally, previous marketing science models have defined marketing channel separation as the delegation of decision making to an economic agent other than the central management of the firm (e.g., Jeuland and Shugan 1983; McGuire and Staelin 1983; Moorthy 1988).

Given the substantial number of previous works within this research strand, this paper investigates the organizational design problem concerning whether duopolistic firms competing in a product market should vertically integrate or separate their marketing channels in a dynamic noncooperative game setting. Previous game-theoretic marketing models have shown that the separation of the marketing channel, combined with the adoption of a two-part tariff contract on a downstream retailer, is the dominant strategy compared with integration for both firms if two firms compete in terms of retail prices, and that this strategy thereby constitutes the subgame perfect Nash equilibrium (SPNE). Contrary to this previous insight, this paper demonstrates that marketing channel integration can dominate the separation strategy when one of the two firms is an incumbent firm while the other is a potential entrant. In other words, the well-known result in the price-setting game can be reversed when we take entry threats into consideration. Specifically, we show that upfront vertical integration of the marketing channel enables the incumbent to deter entry of the potential competitor and to monopolize the market in the SPNE. This result has managerial implications for a firm confronting an entry threat by a potential rival in that the firm can use this apparently inferior strategy as a commitment device, which creates a virtual entry barrier.

The logic behind this outcome is as follows. If one of the two firms (the “leader”) undertakes marketing channel separation in advance as a Stackelberg leader, the other firm (the “follower”) subsequently enters the market with the vertical separation form as its optimal response because the follower can earn sufficient positive revenue that cancels out the entry costs associated with the business. Eventually, the leader has to share the market with the follower. By contrast, if the leader undertakes vertical

integration of the marketing channel as its strategy, the follower cannot earn sufficient revenue to offset its entry costs, irrespective of its organizational choice when entering the market. Consequently, the follower gives up on entering the market. In summary, upfront vertical integration enables the leader to monopolize the market and increase its profits in the SPNE, which is the central implication of this paper.

To date, there has been a large body of marketing literature that investigates the issue of strategic delegation through marketing channel separation by using the game-theoretic approach. The study of the strategic effects of vertical separation dates back at least to McGuire and Staelin (1983), who developed a deterministic model of two manufacturers selling their competing brands through retail outlets. Based on the assumption that price competition between the manufacturers takes place, they showed that the vertical separation (i.e., decentralization) is a Nash equilibrium strategy for a firm compared with integration (i.e., centralization) if the firm imposes a two-part tariff contract on a retailer who deals exclusively with the product. The rationale behind their finding is that strategic delegation of the pricing decision to an external retailer through vertical separation softens the reaction of other competitors when the control variable for firms is a strategic complement (e.g., the retail price). Moorthy (1988) showed that a necessary condition for the result of McGuire and Staelin (1983) to hold is that the firms’ prices are strategic complements. His analytical results showed that what is important for decentralization to occur in the Nash equilibrium is not how substitutable the two manufacturers’ products are, but rather the nature of the relationship between demand dependence and strategic dependence for competing firms. Bhardwaj (2001) analyzed the impact of price delegation in a duopoly with competition in two dimensions: price and effort. Specifically, he incorporated risk-averse behavior by sales representatives into the strategic delegation model, yielding managerial insights into how optimal efforts can be elicited through coordination of channels.

In addition to the marketing literature, we should not overlook the substantial number of economic studies that have addressed the issue on the vertical boundary of organization. Similarly to the marketing studies, previous industrial economic studies that are referred to as discussing strategic incentive theory, where agents make deci-

sions about price (Bertrand competition) or quantity (Cournot competition), also showed that vertical separation is the dominant strategy for oligopolistic firms (e.g., Vickers 1985; Fershtman and Judd 1987; Sklivas 1987). Moreover, apart from this stream of research on managerial incentive systems, an industrial economic study by Dixit (1979) was the first to point out that an incumbent firm in a business can deter the entry of another rival by marketing a larger quantity of products than the level that would be optimal under a duopoly. Our model is closely related to Dixit (1979) because we incorporate entry threats into the strategic delegation model.

Despite the significant number of works that have investigated whether marketing channels should be integrated, the above overview suggests that research incorporating the possibility of entry deterrence into the strategic delegation model appears neither in the marketing literature nor in the economic literature. Hence, no previous study has pointed out that upfront integration of the marketing channel for a firm confronting potential rivalry can be used as an entry barrier. This paper is the first to derive this outcome based on a rigorous game-theoretic framework, thereby providing useful marketing insights for business practitioners. References are available upon request.

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PERFORMANCE IMPLICATIONS OF ORGANIZATIONAL CONTROLS IN MARKETING: COMPLEMENTARY ROLES OF PERFORMANCE MEASUREMENT AND MARKET ORIENTATION

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SUMMARY

This empirical study investigates the performance implications of combining formal and informal forms of control over a firm's market activities (Jaworski 1988). Jaworski, Stathakopoulos, and Krishnan (1993) argue that formal and informal forms of control are complementary forces affecting the behavior of organizational actors (cf., Anthony 1952). We extend the work of Jaworski et al. by investigating how formal and informal control approaches in combination affect firm performance. Specifically, we focus on marketing performance measurement (MPM) as formal output monitoring (Ambler, Kokkinaki, and Puntoni 2004) and market oriented (MO) organizational culture (Narver and Slater 1990) as an informal control mechanism. We argue that marketing performance measurement and organizational culture that is market oriented are mechanisms to increase organizational actors' awareness of different aspects of the environment. Taken together, they guide the behavior of actors that is consistent with the needs and wants of customers.

The formal control approach forms the backbone of most management literature. The proverb "if you don't measure it, you can't improve it" (Day 1994, p. 49) reflects the control theoretical idea that the controllability of any system depends on the observer's ability to measure its state (Sterman 1989). Accordingly, systematically monitoring the consequences of firm activities becomes a key determinant of firm performance (O'Sullivan and Abela 2007). More specifically, it allows the top management of the firm to monitor how well organizational objectives are achieved and, if needed, to take corrective action (Jaworski, Stathakopoulos, and Krishnan 1993).

The informal control mechanisms, on the other hand, are largely unwritten and emergent properties of the organization as a social system (Jaworski 1988). The cultural approach, in particular, is based on managing and fostering "values and normative patterns that guide worker behavior within an entire organization" (ibid. p. 27). Managerially, the basic idea is to infuse the organization with a culture that makes its members mindful and willing

to act in alignment with the broad, long-term goals of the organization (Thorpe and Morgan 2007).

Formal and informal modes of control have been seen as opposites in the management literature (Barley and Kunda 1992; Stacey 1995). However, they are not mutually exclusive (Jaworski 1988). Instead, they may act as complementary forces that guide individuals' behavior to reach organizational goals (Hult, Ketchen, and Slater 2005; Jaworski, Stathakopoulos, and Krishnan 1993).

For the purpose of this study, MPM and market orientation (MO) were chosen as the representatives of formal and informal control in marketing, as they both reflect the ways a firm interacts with the market. Compared to other formal control mechanisms, MPM essentially reflects how the firm's actions are received *by the market*. On the other hand, MO reflects the firm's sensitivity to the marketplace and changes in it.

The study is based on a broad scale survey conducted in Finland in years 2008 and 2010. In Finland, early 2008 represented economic upturn, whereas year 2010 was characterized by global recession. The survey was targeted to top management in all Finnish companies with more than five employees. Using fuzzy-set qualitative comparative analysis (fsQCA) combined with confirmatory factor analysis (CFA), we aim to identify configurations of MPM (Ambler, Kokkinaki, and Puntoni 2004) and market oriented organizational culture (Narver and Slater 1990) that consistently lead to high financial performance, irrespective of changes in the economic cycle.

We identify four integrative configurations of MPM and MO that consistently lead to high financial performance over time. All of these configurations are characterized by strong customer orientation, competitor orientation *and* inter-functional coordination, while the use of metrics varies across different categories. However, all the four configurations are characterized by a high use of metrics related to customer attitudes and a low use of financial metrics. Also, all these configurations include extensive use of *either* customer behavior, trade customer *or* competitive metrics. Only one combination of MPM

and none of MO *per se* were found as sufficient conditions for consistent performance superiority. The findings suggest that formal and informal forms of control in marketing should be seen as complementary.

The main contributions of this paper relate to the theoretical issue of marketing control in general and to the performance implications of MO and MPM in particular. Firstly, our study shows that both formal and informal forms of control over a firm's market activities are in themselves insufficient in the pursuit of organizational performance. However, by adopting specific configurations of formal and informal control, firms can achieve high financial performance over time. Broadly speaking, our empirical results support the theoretical claim that formal and informal forms of control are complementary and that their simultaneous use is necessary to achieve superior organizational performance (cf., Jaworski 1988; Jaworski, Stathakopoulos, and Krishnan 1993).

Secondly, our empirical results point to the necessity and insufficiency of MO (cf., Homburg and Pflesser 2000) as well as MPM (cf., O'Sullivan and Abela 2007) individually. On the one hand, contrary to previous research (e.g., Homburg and Pflesser 2000; Hult and Ketchen 2001), we found that market-oriented culture was not consistently associated with higher business performance. Indeed, as suggested by recent research (e.g., Kumar et al. 2011), MO appears rather as a cost of competing. On the other hand, we identified only one MPM configuration consistently associated with high

financial performance over time. Based on our analysis, we propose that both MO and the use of marketing metrics are both necessary but insufficient determinants of performance superiority.

Thirdly, our study shows how a market oriented culture should be complemented by formal MPM to improve firm performance. Based on two-wave data, we found that all robust high performing configurations were characterized by all three dimensions of MO, and extensive use of at least two different metrics categories. Additionally, at least to a certain point, the metrics emphasized appear to "fit" the essence of MO, as they focus on customers and the market instead of short-term financial performance (cf., Narver and Slater 1990).

Finally, in addition to our theoretical contributions, our study points to avenues for future research on organizational configurations in the marketing literature (cf., Vorhies and Morgan 2003). Specifically, using fsQCA we introduce a new, configuration-based approach for studying informal and formal organizational control in marketing. Traditionally, research on the MO-performance relationship has assumed performance to be an additive function of MO components, as well as various mediating or moderating factors (cf., Kirca, Jayachandran, and Bearden 2005; Ellis 2006). In the present study, we introduce a new method for examining the interplay between MO and the emphasis placed on different dimensions of MPM. References are available upon request.

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DEVELOPING TYPOLOGIES USING QUALITATIVE COMPARATIVE ANALYSIS (QCA): AN ILLUSTRATION

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SUMMARY

This paper introduces qualitative comparative analysis (QCA) in the marketing field as a potential approach to investigating and extending current knowledge on configuration phenomena. Beyond explaining the technique, we present a roadmap for its use, and provide an empirical application showing how QCA offers a means to develop a typology of successful externalization outsourcing of product development tasks.

According to configuration theory, various factors lead to different results, depending on their arrangement, and specific combinations rather than single factors are responsible for the outcomes. Configuration research therefore requires a holistic evaluation of each case, with a focus on how the variables fit together.

Several marketing phenomena are characterized by the joint influence of several factors in a complex fashion. In such situations, understanding the average effect of each single factor is of little interest, because the true explanation for the overall outcome derives from the specific configurations of multiple factors. For example, the success of a new product depends on simultaneous strategic and tactical launch decisions, which often involve trade-offs; the financial value of a brand depends on combinations of elements that apply concurrently, including quality perceptions and fit with the parent brand; and the organizational structures of marketing and sales activities are characterized by configurations of coexisting elements, related managerial decisions, and historical pathways.

Despite its relevance for marketing theory, configuration research is rare in leading marketing journals. This – a situation has been often blamed on a lack of ade-

quate methodology. We believe alternative methods to deal with these phenomena might exist, but they have not yet been considered by the field. This is particularly true for Qualitative Comparative Analysis (QCA). Developed in sociology, and successfully applied in different fields of management, QCA is a mixed qualitative-quantitative technique that examines the relationships between a certain outcome and all (binary) combinations of factors associated with this outcome. It is qualitative because it respects the holistic nature of cases, and quantitative as it does rely on numeric indicators.

In the paper, we offer an empirical study that demonstrates the use of QCA for theory building purposes focusing on in the case of new product development outsourcing decisions. Outsourcing of marketing tasks has grown significantly over the past few years to a point where today most firms outsource fifty percent of more of their marketing activities. While many people still think firms only outsource for efficiency reasons evidence shows that catching on to strategic trends is also an important motivation. Consistent with this we will use a strategic and inter-organizational knowledge transfer lens rather than a transaction cost view. Specifically, we apply QCA to a data set of 146 firms that outsource NPD activities to third-party service providers to identify configurations of factors that make such outsourcing a success.

We contribute to marketing literature in three ways. First, we stimulate the use of QCA in marketing providing a roadmap and illustration of its use for theory development. Second, we add to the underdeveloped configuration research stream in marketing. Third, we add to the burgeoning debate about the externalization of NPD tasks and offer a typology to help understand the multiple interconnected factors involved in the decision.

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EFFECTS OF SURVEY FORMATS ON BRAND HALO RESPONSE

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SUMMARY

For decades multi-attribute surveys have been a primary research tool for capturing customer insights. Such surveys provide directly measured consumer perceptions of multiple brands on a set of common attributes. Perceptions are typically measured via rating scales to capture consumer perceptions of brand performance on individual attributes. Consumer perceptions of brand associations provide critical information for measuring own and competitive brand equity and developing strategic and tactical initiatives (e.g., Aaker 1991; Keller 1993).

Studies have shown that multi-attribute models derived from consumer surveys may contain halo effects. Beckwith and Lehmann (1975) for instance show that halo effects occur when consumers' perceptions of individual attributes are biased by their overall brand attitudes. When halo is present, multi-attribute models may simply reflect overall brand evaluations rather than the intended multidimensional or multi-attitudinal perceptions. In such instances, the models provide little insight into underlying differences in brand perceptions and sources of brand equity.

Results derived from multi-attribute, multi-brand surveys may be affected by survey format. For example, Bettman and Kakkar (1977) showed that brand information presentation format affects consumer processing of that information. Specifically, whether consumers are presented information on attributes by brand (for each attribute, brands are compared), or presented with information on brands by attribute (for each brand, attributes are compared), affects information processing and resulting evaluations. This has important implications for multi-attribute, multi-brand surveys, in that question formats may induce different types of information processing. Questions can be formatted such that consumers evaluate all brands on a single attribute at a time (brands nested within attributes), or so that consumers assess all attributes for a single brand at a time (attributes nested within brands). When brands are nested within attributes consumers are asked to evaluate each brand, within a set of brands, on one attribute. In so doing consumers are likely to base a brand's performance on the attribute relative to their perceived performance of the other brands on that same attribute. Once all brands in the set have been

evaluated on the attribute, consumers are then asked to rate the same brands again on the next attribute. Attention is thus on one brand at a time with comparisons being made on attribute performance. In contrast, when attributes are nested within brands consumers are asked to evaluate a set of attributes on a single brand. Once performance has been evaluated on all attributes for the brand, consumers are then asked to rate the same set of attribute on the next brand. In the case of attributes nested within brand format, there is likely to be less opportunity for direct brand comparison.

This research addresses the intersection of brand halo and survey format for multi-attribute modeling. We examine the extent to which survey formats – brands nested within attributes versus attributes nested within brands – induce or mitigate halo effects in multi-attribute, multi-brand studies. Our first study involves frequent business travelers' evaluations of four hotel brands on ten attributes. We also conducted two replication studies, using five laptop computer brands evaluated on 12 attributes, then six vacation destinations assessed on six attributes. Across all studies, we find that survey format is related to halo effects, providing evidence that brands nested within attributes is a more effective format for lessening halo and generating more brand-specific attribute perceptions.

As we expected based on associative network models and attribute activation theory, survey format has a significant effect on the prevalence of brand halo response. Surveys that use a brands within attribute rating format are much more effective at capturing brand-specific associations and limiting halo responses. We replicated this finding across three studies varying consumer groups, categories, brands and attributes. Knowing how to best format survey questions addresses a long-vexing issue with multi-attribute, multi-brand surveys, namely that some approaches suffer from limited information processing and overwhelming halo effects (Beckwith and Lehmann 1975; Bettman and Kakkar 1977). Adopting brands nested with attributes survey formats facilitate brand-specific attribute perception that are less influenced by general halo impressions. In so doing, relative brand performance on attributes can be better assessed, and perceptual mapping made more robust. References are available upon request.

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TRANSNATIONAL BUSINESS AND THEIR MANDATE TO SERVE CONSUMERS

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ABSTRACT

The United Nations appointed a special representative to examine human rights and global business. Our analyses suggest that the UN concentrated too much attention on worker rights rather than consumption rights. We show how consumption occurs under recent globalization to rethink the role of consumer behavior and inform business practice.

ORIENTATION

A renewed call for serving humanity through business practice emanates from three United Nations documents prepared by John Ruggie in his role as Special Representative of the Secretary General. The end product is a set of expectations for transnational corporations and other business-entities (2007: A/HRC/4/035; 2008: A/HRC/8/5; 2009: A/HRC/11/13). The premise is that business firms are responsible for specification and fulfillment of such obligations by virtue of their societal role. Additionally, their actions may have both positive and negative effects that reverberate in and beyond the boundaries of nation states in which they operate helping and hindering progress made by nongovernmental and trans-governmental organizations. This approach shows “the universality, indivisibility, interdependence, and interrelatedness of human rights” (E/CN.4/Sub.2/2003/12).

Within these dictates, businesses are required to support the economic rights of all citizens that impact their physical and mental health, including access to basic commodities such as food, water, and shelter as well as goods and services that improve quality of life such as education and expressions of personal freedom. Nevertheless, the more specific aspirations associated with fair business practices, marketing, and advertising involve issues of safety and efficacy of offerings rather than the ability to acquire them when needed or desired. This focus is surprising given the importance placed in these treatises on global reach and influence of transnational corporations, which has made manifest problems between haves and have-nots like the digital divide (Hill and Dhanda 2004). In fact, recent focus on bottom-of-the-pyramid markets has spawned belief in the innate viability of impoverished consumers (Weidner, Rosa, and Viswanathan 2010).

Prahalad (2005) conjectures about the material lives of impoverished consumers, using the admonition that this market segment has a unique set of buying preferences. From who they are different is never articulated, but one may safely assume the comparison is with top-of-the-pyramid consumers. Some scholars suggest that the poor focus purchases on basic commodities because they have no other alternative if they wish to survive (Vachani and Smith 2008). On the other hand, critics of the BOP paradigm assume that members of this market segment lack self-discipline necessary to avoid the lure of goods and services that serve purulent desires (Karnani 2007). Such decisions may be inappropriate for all consumers, but outcomes for impoverished citizens and their families can be financially catastrophic.

Although research on the consumer side of marketing exchange is rather sparse, BOP treatments in the consumer behavior literature offer much more depth than available elsewhere. For instance, Chakravarti (2006) provides a renewed call-to-arms for the study of impoverished consumption, noting that much of the work in consumer behavior assumes greater abundance of options than exist for most citizens of the world. The hope is such work will help other interested parties solve the intractable problems associated with poverty. Ultimately, this research suggests that material existences of BOP consumers are defined by deprivation as they navigate markets with goods and services that have little variety and relative value (Chakravarti 2006). Over time, exposure to the vagaries of impoverishment may lead to psychological damages that manifest as feelings of powerlessness, vulnerability, and “ill-being.” Such responses may coalesce into an acceptance of their fate, leading to poor decision-making strategies that favor current options for satisfaction over future well-being.

Building a foundation for this work, Hill (1991; Hill and Stamey 1990) offers a broad look across subpopulations that he describes as the “consumer cycle of poverty.” Over a twenty-year period, where he and colleagues examined six subpopulations of the poor as well as global consumption data on low human development countries provided by the United Nations, Hill explored the lived experience of impoverished consumers through their lenses of restriction that dominate navigation of the marketplace (Hill 2001; Hill and Gaines 2007). Findings concur with

Chakravarti's that much consumer research concentrates on affluent Western citizen experiences of markets filled with stimulation and opportunity. Consumers cope with marketing landscapes characterized by *too much* in terms of messages and communications, goods and services with endless variations, and purchase environments and options that streamline acquisition so that real costs are disguised, at least in the short term. Not surprisingly, models advanced by consumer behavior scholars fail to recognize the very real impediments to living this material lifestyle by much of the world's population. Stark and widespread inequities within and between countries and cultures reveal that most consumers face enormous deprivation in their consumptive lives, best summarized by *too little* attention by marketers that results in insufficient quantities and variations of essential products much less desirable items. As a consequence, they may seek innovative and non-mainstream ways of access in order to survive (Hill and Stamey 1990).

Viswanathan and colleagues offer insights into impoverishment and consumption through investigating illiterate consumers who face restriction and manifest resulting coping mechanisms (Viswanathan, Rosa, and Harris 2005). Recent work profiles BOP women living in India and the establishment of needed resources to advance their marketplace skills (Viswanathan, Rosa, and Ruth 2010). This research program incorporates larger concerns for vulnerable consumers, such as those in the developing world, and speaks to the heart of the BOP promise that poor citizens can become able entrepreneurs who buy and sell to expand their consumer worlds. Similar to Hill, these findings demonstrate the inner resources and resilience of impoverished consumers rather than utter desperation as noted in earlier discussions of the cycle of poverty (Lewis 1959). Further, the authors take a systems approach to understanding consumer-merchant relationships, which include interdependent entities of vendors, consumers, and family members. Together these individuals partake in a number of defined roles to use scarce resources in order to meet areas of greatest demand and keep the system operating.

Thus, marketing research has ignored the disparities between affluent consumers, who live primarily in western and northern regions, and their counterparts, who dominate areas like Sub-Saharan Africa and South Asia. The role of various restrictions on all consumer decision making has received some focus, guided by the premise that *everyone* may face roadblocks to meeting their wants and needs despite relative affluence and availability of goods and services (Inman, Peter, and Raghuram 1997). However, extreme and even dire circumstances characterize the consumptive lives of most citizens around the world, inspiring occasional investigations of poverty, deprivation, and restriction (Viswanathan, Rosa, and Harris

2005; Viswanathan, Rosa, and Ruth 2010). This research shows poverty-as-restriction occurs in both absolute and relative terms – a distinction that has been largely neglected in the consumer behavior, quality of life, and applied ethics literatures.

This diverse review shapes our empirical research. First, we find that the UN documents put forth norms that concentrate more attention on worker rights than on individual consumptive rights. While the former are important and deserving of our focus, the latter may represent the other side of the proverbial coin and their neglect must not go unnoticed. Second, expansive marketing literature on exchange has, for the most part, ignored the plight of impoverished people and nations, creating the need for a more realistic view of how goods and services are distributed as one indicator of the impact of globalization on this most vulnerable part of humanity. Thus, our purpose is to provide a look at worldwide consumption so we better understand the role of this essential component of life quality on humanity as well as inform the development of United Nation norms for transnational firms. Our method comparing the impact of globalization for developed versus developing nations is provided next, followed by our results and their meanings for consumer-behavior thinking.

METHODOLOGICAL CONSIDERATIONS

We wanted to provide as detailed a picture as possible of the consumption realities for a large subset of the world during the recent era of globalization. Specifically, we were interested in how consumption for developed and developing nations evolved over time during the recent globalization trend, and whether differences existed in the consumption opportunities for each. To do so, we relied on secondary consumption data available for a significant portion of the total world population, spanning more than a decade. Details of the sample and data sources follow, along with a description of our empirical analyses.

Sample and Data Sources

Global consumption data were obtained from the research division of Euromonitor International (EI). In particular, expenditure data gathered by EI and published in the World Consumer Lifestyles (WCL) Databook (2002) were used. The WCL data are derived from multiple sources gathered by research analysts located within each of the countries profiled to provide a complete and accurate picture of consumption for the nation in its entirety. Country statistics represent consumption by the entire population, which also are assessed as percent of total consumer expenditure for the most recent survey year and in this case, the year 2000. EI reports such data for 71 nations around the world, spanning a range of development.

With regard to the EI data collection methods, the WCL research program first obtains purchase data onsite at retail locations across the featured nations. WCL researchers also spend time onsite in the form of store checks to verify validity of these figures and to look for shifting trends. Second, the WCL works in partnership with National Statistical Offices in each country to verify these local behaviors and consumption trends. Third, relevant data are obtained from international organizations including the World Bank and the World Health Organization to supplement local and national data for the individual consumption categories. For example, the WCL contains statistics on consumption spending on tourism. Data then would be derived from retailers including those at tourist locations, as well as from the national statistics offices within each country, and supplemented with data from the World Tourism Organization. For all data collections, definitions were translated and back translated to ensure accuracy and comparability. Euromonitor research authorities attest to the WCL data's international comparability (World Consumer Lifestyles Databook 2002).

The WCL provides expenditure data per capita and as a percentage of total household consumption for the most recent reporting year. Categories are food, housing, household goods and services, household fuels, healthcare, transportation, education, communications, clothing and footwear, leisure and recreation, alcohol and tobacco consumption, and financial services, as well as an "other" category. Past research has examined the link between development and food expenditures, positing that as standard of living increases, expenditures on food relative to other consumption categories decreases (e.g., Banerjee and Duflo 2007). Although an important finding, our goal was to provide a more detailed and representative picture of consumption beyond simple comparisons between food and non-food expenditures, and thus our analysis included all available consumption categories.

We developed summary data including means and standard deviations for consumption across the various categories distinguished by the most developed and least developed nations surveyed by the WCL research program. To do this, we sorted the WCL countries according to their United Nations Human Development Index (HDI) scores averaged over the corresponding years (United Nations Human Development Report 2002). Our sample of developing nations is comprised of the bottom third of WCL countries according to HDI scores, which is made up of 23 low to medium-low development nations. Our sample of developed nations is comprised of the top third of WCL countries according to HDI scores, which includes 23 high development nations for a grand total of 46 countries examined. We selected years 1990, 1995, and 2000 as representative of consumption across the eleven-year period. Repeated measures analysis that fol-

lows, however, is based on consumption data for each of the eleven years reported in the 1990–2000 WCL data base. Further, it is important to note that we used consumer price index data, extracted from the WCL, to counterweight consumption values for each country across all years. Thus, the analyses reported below reflect individual country economic conditions at that point, and account for any significant influences those factors may have had on overall change in consumption across time.

Repeated Measures Analysis

Given that drastic differences exist between developed and developing nations when looking purely at dollar values of expenditures in the various consumption categories, we are interested in the change in consumption over time for each of the groups. Repeated measures analysis allows us to compare the changes in consumption for developing versus developed nations irrespective of the stark differences in consumption dollar values. We followed the methodological prescriptions for longitudinal data collected at equal intervals (e.g., Fitzmaurice, Davidian, Verbeke, and Molenberghs 2009; Ployhart and Vandenberg 2010). Specifically, to understand how various forms of consumption unfolded over time for developed and developing worlds, we conducted repeated measures analysis using two-way mixed ANOVA for the eleven years of consumption data reported by the WCL. Our model is considered two-way and mixed because we assess the role of time (11 periods spanning 1990–2000) within subjects, and the role of development (developed vs. developing based on HDI scores) between subjects. This repeated measures general linear modeling framework is useful for understanding changes over time and across groups, which is necessary given use of two samples of countries distinguished by development (Ployhart and Vandenberg 2010).

In the analyses reported below, we conducted two-way mixed ANOVA with repeated measures for each consumption category available in the WCL (food, housing, transportation, etc.). Not surprisingly, data from each category violated Mauchly's test of sphericity, implying that variances between the groups are significantly different. Thus, we applied the Greenhouse-Geisser correction to adjust degrees of freedom, required for such methodological prescriptions (e.g., Fitzmaurice et al. 2009). As a consequence, our results reported represent conservative estimates and reflect appropriately corrected statistics.

RESULTS AND FINDINGS

Results from the repeated measures two-way mixed ANOVA analyses reveal our interest in within-subjects (time) x between subjects (development) interaction, which informs reporting that follows. Significant changing pat-

terns over time between the two groups of countries characterized eleven of the thirteen consumption categories. Food consumption expenditures varied between developed and developing nations over time, $F(3, 43) = 4.52$, $p < .01$. Across the decade, food consumption expenditure decreased 1.80 percent for developed nations, whereas the developing world saw a 48 percent increase. For housing, the developed world saw a nearly 30 percent increase in expenditure, whereas the developing world saw little change, $F(4, 42) = 16.98$, $p < .001$. Interestingly, for the reported time period, the developing world spent nearly three times more on food than they did for their housing circumstances, whereas the developed world spent significantly more on housing than on food. For categories of household goods and services and household fuels, the developed world experienced an increase until mid-decade and then a decline, resulting in small net increases of 7.64 percent and 8.23 percent respectively. Developing world experienced little change (8.91%) in household goods and services consumption, but expenditures to access household fuels markedly increased by over 33 percent. The nature of change for both consumption categories when compared between nations was significant; specifically, $F(3, 43) = 6.82$, $p < .001$ for household goods and services, and $F(3, 43) = 11.11$, $p < .001$ for household fuels.

The nature of change for transportation also was significantly different between developed and developing nations, $F(4, 42) = 17.05$, $p < .001$. The developed world posted an increase of transportation expenditures, with a gradual leveling toward the end of the decade. By contrast, the developing world experienced an increase over time, amounting to 32.35 percent. With regard to health and medical expenditures, the developed world experienced a more pronounced increase of 46.66 percent over the decade. The developing world experienced a 30.54 percent increase and the differences in the nature of the change for the two subsets of nations was significant, $F(2, 44) = 8.77$, $p < .01$. Clothing and footwear expenditure net change was less than one percent for the developed world. By contrast, the developing world experienced a decrease of 8.34 percent in clothing and footwear expenditures. The nature of this change, however, was not significantly different between the two subsets of nations. Nature of change was significantly different for education expenditures for the developed and developing worlds, $F(3, 43) = 7.71$, $p < .01$. Although the developing world did see a net increase in expenditures of 40.70 percent, the developed world had an increase of over 50 percent. Next, communication expenditures increased for both subsets of nations, and this variation was significantly different for the two groups, $F(3, 43) = 26.77$, $p < .001$.

Leisure and recreation time expenditures increased twice as much for the developed world over the develop-

ing world (20.97% vs. 10.30%), and the nature of this change was significantly different for the two subsets of nations, $F(3, 43) = 16.50$, $p < .001$. Conversely, alcohol expenditures increased by twice as much for the developing world as opposed to the developed world over the reported time period (21.44% vs. 9.67%); however, the nature of change for the two country subsets was not significantly different. Similarly, tobacco expenditures increased greatly (30.56%) for the developing world, yet the net increase for the developed world was 6.18 percent. Unlike for the alcohol category, the nature of change was significantly different for the two subsets of countries, $F(3, 43) = 4.24$, $p < .05$. Finally, the developed world increased their consumption of financial services at three times the rate of the developing world (45.71% vs. 15.14%). The nature of this change over reported time was significant for the two subsets of nations, $F(2, 44) = 8.04$, $p < .01$.

We performed post-hoc difference contrasts on the significant effects, which included all categories except alcohol and clothing/footwear, to better understand the nature of consumption change between developed and developing worlds. The nature of change between developed and developing countries for each consumption category was significantly different from one another (each significant at $p < .001$). These contrasts substantiate the significant findings of the repeated measures ANOVA analyses. Results allow us to provide a basic interpretation of the nature of the consumption change (or lack of change) between developed and developing nations over this eleven-year period as well. We provide additional interpretation, extensions, and conclusions in the discussion that follows.

THE CONSUMER MORAL MANDATE

Hill and colleagues (2007) challenged consumer researchers to consider our lack of commitment to poor citizens that is the centerpiece of this investigation. They use the expansive writings of John Rawls (1971) and his conception of distributive justice as their guide (see Hsieh 2004, 2009 for applications to transnational corporations). His work yields standards that can be used to evaluate distribution systems within and across societies, which also are consonant with our study purpose. One premise is everyone, including the more affluent members of society, is dependent upon the cooperation of others for continued well-being. As a result, a satisfactory existence for any person is determined by explicit support of all. The division of our material largess, therefore, should be acceptable to all, regardless of status or position (see Hill, Peterson, and Dhanda 2001). Its logic is derived from the original position and veil of ignorance, where no individual is cognizant of their economic circumstances or community standing and is unable to promote a distribution system that favors their personal standing.

Within this paradigm, concerns arise between inequalities that are the consequence of poor decision making and inequalities that are due to situations beyond one's control (Tan 2001). Rawls deals with this issue by suspending judgment since rational people in the original position avoid downside risks by ensuring societal members have a reasonable material quality of life regardless of their situations. He seeks this middle ground using the Difference Principle, which suggests that inequalities in access are fair only if they have compensating benefits for the least advantaged or impoverished portions of a society (Rawls 1971). This principle is expanded upon with the Maximin Criterion and dictates that distributive justice exists when inequities maximize situations of people who occupy the lowest societal rungs (Hill, Peterson, and Dhanda 2001). Any use of Justice as Fairness suggests a respect for the dignity inherent to all human beings and their inalienable rights to social and economic goods consistent with the premise of the documents on global responsibilities of transnational corporations.

Justice as Fairness was expanded upon by his "Law of Peoples" (Rawls 1999). In this extension, he asks the international community of nations, especially the highly-developed and economically-advanced countries, to make sure that the primary needs of our most impoverished citizens are fully satisfied. Surprisingly, Rawls disavows application of the Difference Principle within this worldwide context and, instead, he advocates for a non-egalitarian rule of mutual aid (Hinsch 2001). However, philosophers and applied ethicists believe that this perspective is not sufficient, suggesting that demands for justice are applicable without regard for arbitrary national demarcations. Jackson (1993) advances a universal original position, which asks affluent citizens to reflect upon how they would want to live if their social and/or economic situations were that of the poor. Confronted with possibilities of such resource scarcity, malnutrition, and extended poverty, any reasonable person would accept an adaptation of the veil of ignorance that resulted in the distribution of goods and services so that human suffering is minimized globally.

Redistribution Recommendations

Our results combined with Rawlsian justice clearly indicate the vast disparities in access to and utilization of a baseline of goods and services necessary to develop an acceptable quality of life. Whether the current allocation system, processes, and outcomes are ethical is subject to debate, but it violates the premise that people are moral equals and should have identical claims to marketplace largess unless there are legitimate reasons to the contrary (Cohen 2008). Thus, an indictment of the distribution system is not due to the level of contribution in the creation of said commodities but is a consequence of larger respon-

sibilities to individuals as members of the human community (Hunt 2010). Of course, there continues to be wide discussion as to the legitimacy of some claims when impecuniousness is caused by faulty personal preferences or poor life choices. Yet, our position is that most of this disparity is a consequence of decisions or resource deficits beyond the consumers' personal control.

Of great importance is who or what institutions are responsible for righting these injustices that exist worldwide. Rawls is roundly criticized for his perceived failure to recognize the global and interconnected nature of commerce and governance that goes beyond any domestic political demarcations (Scheffler 2008; Stevens 2003). Scholars and ethicists who embrace this position posited the need for a trans-domestic original position (Knight 2008). This viewpoint is consonant with "cosmopolitans," who advocate for the collective distributive justice that rises above national differences in regulations, resources, and cultures (Conybeare 2007). One constant across many of such perspectives is the expectation that the arbiter is the state, with the presumption that policy makers recognize and overcome injustices within and across countries and regions. However, research shows a lack of dedication to these desired outcomes by many government officials (Hill, Felice, and Ainscough 2007), leaving corporations as an attractive alternative distribution option (Moriarty 2005).

For businesses to accept such obligations and responsibilities, executives at the very highest levels must adopt different guiding values in their exchange relationships. For example, they could recognize that inability to acquire goods and services proffered to the marketplace as a consequence of any morally arbitrary factors such as place of birth, ethnicity, and most disabilities is inherently unethical (Cohen 2008). This value statement should acknowledge a long-term approach to change that fully appreciates the "ongoing system of social cooperation" (Hunt 2010, p. 7), and the ways that future generations often struggle with the same or similar discrimination as their predecessors. Furthermore, such reform will require the rethinking of the purposes of corporations that goes well beyond acceptable baseline understandings of profit-making and profit-sharing (Tan 2001) as well as the meaning behind corporate governance and our larger social responsibilities.

Frederick (1998) provides an applicable model in which he describes corporate entities as bioeconomic structures that emerge from self-organizing marketplaces. Businesses experience ever shifting values in these systems that compete or harmonize with other entities' values and are intricately intertwined. This forward-thinking approach moves our focus from a look at the impact of behavior on stakeholders to a symbiotic view of relation-

ships consistent with Rawls's precept that a satisfactory existence for any individual is dependent upon the cooperation of all (Hill, Peterson, and Dhanda 2001). One consequence is a significant shift in the way companies define and measure the impact of their activities. Under the Frederick paradigm, awareness and attention are broadened substantially to include the full array of influences that pass within and beyond the ecological environment where corporations are embedded. As a consequence, our social responsibilities mature from narrow selfish interests to system-wide survival imperatives.

This paradigmatic shift does not let countries "off the hook" in terms of their duty to help the world's impoverished consumers. On the contrary, it fully integrates them into bioeconomic systems and reveals their lack of sustained interest in and support for our vulnerable citizens. But as principal purveyors of commodities in and across societies, and by virtue of their reaping vast financial rewards as a result of exchange behaviors, corporations have their own unique set of obligations stemming from the reciprocal nature of advanced social relationships (Frederick 2004). Nonetheless, the enormous wealth that is concentrated in western corporate entities and their owners (Knight 2008), along with the almost inconsequential costs associated with the eradication of extreme poverty (Brock 2005), suggests that no real harm would happen to the givers but substantial good would accrue to the receivers.

Their responsibilities could be limited to basic commodities that, at a minimum, allow people to live at or above the survival threshold as noted in the UN 1948 *Universal Declaration of Human Rights* (Conybeare 2007). Even the U.S. Supreme Court has expressed the opinion that citizens are entitled to a modicum of certain goods and services without regard for expectations or qualifications (Liu 2008). One way of organizing the efforts of businesses is to require every global corporation to pay a one-percent surcharge of total sales activity that would go into a fund to be distributed by large nongovernmental organizations such as the United Nations and World Bank in the form of a basic income for all citizens. In the macro-marketing literature, Hill (2005) presents a call for its consideration, presumably in the U.S., with an emphasis on providing poor citizens with enough money to meet primary survival needs or what he refers to as "consumption adequacy." This essay argues that the disadvantages inherent in poverty communities disallow the accumulation of sufficient resources to rise above such circumstances, dooming the poor to an endless cycle of impoverishment across generations unless more affluent groups help make up the difference between what is necessary to survive and what it takes to thrive.

More depth is given to these ideas by Van Parijs (2001), whose work has influenced a generation of academics and advocates. His position is that moral societies have a duty to ensure that citizens hold the financial means to live the philosophical "good life" regardless of their starting positions or work histories. This income is not tied to need or means-tested criteria; it simply is provided out of respect for all human persons. A scholarly admirer of this solution is Raventos (2007), and he has provided an extensive primer on how it might operate in his home country of Spain as well as globally. He is chairperson of the Spanish Basic Income Network and is affiliated with the broader movement in Europe and the Americas known as the Basic Income Earth Network. The purpose of such groups is to advance this cause by revealing to important constituencies its moral premise and the ease of implementation when we act according to our larger values. The central idea of basic income for all citizens is consistent with our research on several grounds. First, at its core is the justice-as-fairness doctrine of Rawls (1971), which is rooted in the desire for individuals, regardless of their starting places, to have the freedoms and opportunities that go along with income and wealth. Second, the operational details must ensure that the usual stigma associated with receiving the "dole" or "welfare" must not occur, so that everyone in a particular community, nation, or region receive this allotment as now happens in the U.S. state of Alaska, for example. While criticisms abound, not the least of which is the free-rider problem, we keep reactions to the potential impact relative to our theoretical foundations.

Thus, the basic income goal of providing greater resources that allow for more options without typical negative judgments is compatible with reducing consumptive restrictions for the poor and enhancing their self-respect, which is a primary (necessary) good according to Rawls (1971). As Raventos (2007, p. 33) states: "Self-respect includes, first of all, the sense of one's own value, the feeling that one's life project deserves to be carried out and, second, confidence in one's own power to bring one's personal intentions into effect." There are other benefits, such as the ability to think beyond the immediate, which may have a dramatic and positive impact upon consumer decision-making, and the capacity to select from among various work options for their intrinsic and extrinsic value rather than the necessity of a subsistence income. Our hope is that consumer-behavior scholars continue to expand their research focus beyond top-of-the-pyramid consumers to include the many different dimensions of global citizenship that recognize types and extent of constraints and how best to resolve them in the interests of our human community.

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